MIJARES ANGOITIA
CORTES Y FUENTES

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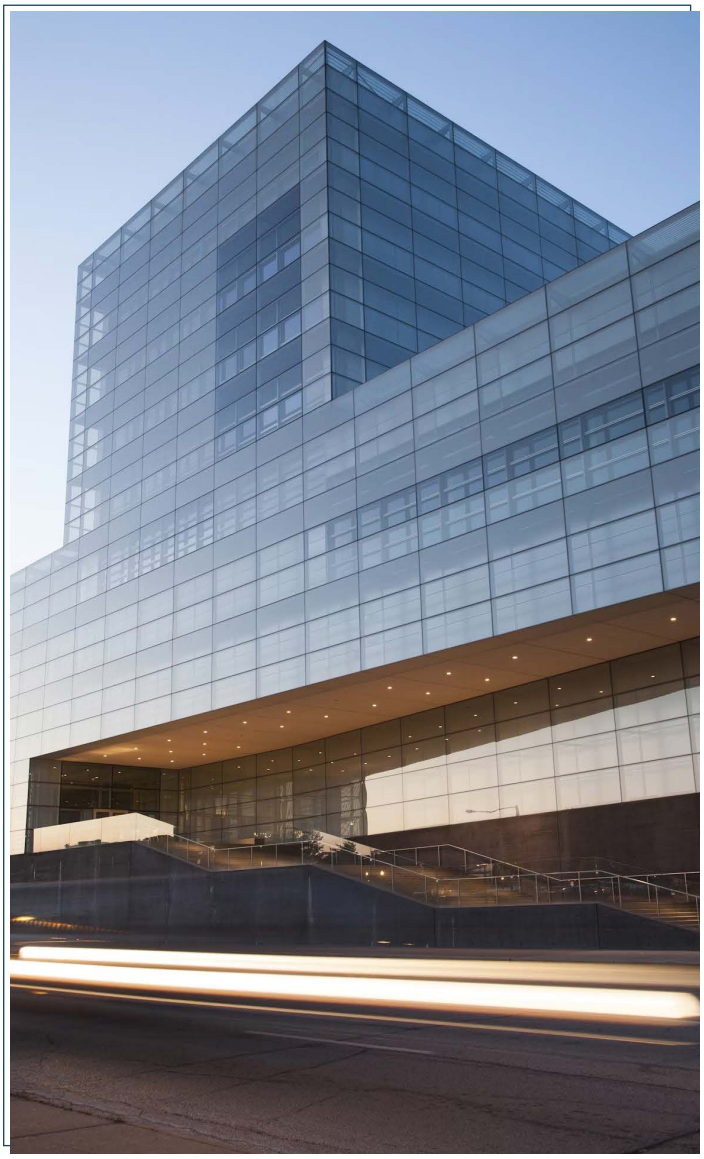
Protecting my Knowledge:

Legal Actions against Former Employees for Appropriation of "Know-How"

Due to the increasing turnover of employee in the current labor market, resulting from a generational shift in priorities towards mental health, quality of life, and the pursuit of higher salaries, companies and employers are facing a growing problem. This problem entails granting access to sensitive and confidential commercial information – including processes, methods, techniques, models, skills, databases, and creative content/results - used in their business activities in the market to a higher number of employees or collaborators, in shorter periods.



These circumstances have led to an increase in "information leakage", sometimes involving the "know-how"[1] of companies. This can result in the unauthorized appropriation, use, acquisition, or disclosure of such information by third parties. These acts entail "unfair competition" and they constitute administrative infringements and crimes under the Federal Law on Protection of Industrial Property[2] (hereinafter "FLPIP") and the Federal Criminal Code[3] (as well as State Criminal Codes).

[1] Understood by the author as: "the confidential information managed by an economic agent which pertains to methods, processes, techniques, databases, designs, skills, etc. acquired as a result of commercial practice, or due to a creative process, and which provides them with a commercial advantage over other economic agents engaging in identical, similar, or analogous activities within the market".
[2] Articles 163, subsection II, 164, 165, 166, 167, 386, subsections XIV and XV, and 402, subsections III, IV, V, and VI, of the Federal Law on Protection of Industrial Property.
[3] Articles 210, 211, and 211 Bis of the Federal Criminal Code.

When such acts occur, companies and employers seek legal advice to initiate administrative and criminal legal actions against former employees or collaborators who misappropriated such information. They generally (i) provide documents such as individual employment agreements or professional services agreements, which contain confidentiality clauses regarding the use and transfer of information, and (ii) argue that the conduct carried out was done "illegally", as sanctioned within the aforementioned laws. Additionally, they emphasize that the preservation and care of such information is an obligation of the employees, whose non-compliance may lead to the termination of the employment relationship without liability for the employer, in accordance with the provisions of the Federal Labor Law[4].

The above is inaccurate, as while the misappropriation of confidential -and commercial- information is an "illicit" act, for such conduct to be sanctioned in the respective judicial or administrative procedure, the competent authority[5] must determine, among other issues, that the information whose non-authorized appropriation, disclosure, transfer, or use is claimed, constitutes a "trade secret" in terms of the provisions of the FLPIP[6].

In this regard, the FLPIP establishes that for a company's or employer's information to be considered as a "trade secret", must meet the following requirements:

i. Be of an industrial or commercial nature[7];
ii. Be safeguarded as confidential[8];
iii. Represent obtaining or maintaining an economic or competitive advantage to its owner over other economic agents in the market; and
iv. Be safeguarded through means and systems that allow to its owner preserving its confidentiality.

Therefore, although most companies and employers, in practice, can demonstrate that they informed their employees of the legal obligation to preserve the confidentiality of the information to which they would have access for the performance of their position or role, through the execution of individual employment agreements or professional services agreements, such circumstance is by no means sufficient to successfully exercise legal actions against former employees or collaborators, as they cannot successfully demonstrate that:

i. The information had the status of "confidential";
ii. They effectively restricted and controlled its access, use, and disclosure; and
iii. They had means and/or systems (other than confidentiality clauses) that served to comply with the preceding subparagraph.

Such a situation will invariably lead to the legal action yielding no fruit in favor of the plaintiff, and thus, the perpetrator will be acquitted.

[4] Articles 47, subsection IX, and 134, subsection XIII, of the Federal Labor Law.
[5] The Mexican Instituto of Industrial Property ("IMPI" for its acronym in Spanish) in administrative infringement actions, or the Federal Criminal Judge or Local Criminal Judge, in criminal procedures for the "disclosure of a secret".
[6] In particular, the provided within its article 163, subsection I.
[7] Which implies that its use can lead to the generation of a direct or indirect economic benefit.
[8] Which implies that its Access, storage, and use is effectively controlled and restricted.

As consequence of the above, it is important for companies and/or employers to adopt a preventive stance against such "*illicit*" acts and, consequently, seek legal advice from an intellectual property lawyer regarding the adoption of actions that are likely to convert such "*illicit*" acts into acts that are "*prone to be sanctioned*" under the legal framework, such as:

i. Identifying the set of data, documents, processes, methods, techniques, designs, skills, and creative content/results that may be susceptible to protection under the legal concept of "*trade secret*".

ii. Drafting legal acts aimed at complying with the requirements imposed by the laws, such as: confidentiality agreement clauses; periodic confidentiality notices; "*Non-Disclosure Agreements*" for commercial collaborations with third parties; Information Transfer Agreements; Instruction Letters related to confidential information for their certification though a notary public, etc.

iii. Evaluating the effectiveness of computer systems used to restrict access, use, and disclosure of commercial information by employees and/or collaborators, as well as the accuracy of the monthly access reports generated by such system.

iv. Drafting confidential notes for emails involving the transfer of confidential information, as well as providing guidance on how to safeguard the transferred information and providing the recipient with the password for accessing the files.

v. Conducting periodic audits/due diligence of employees and/or collaborators to identify potential risks related to the storage and use of confidential information.

In this way, it is possible to protect companies' "know-how" as "trade secrets", and to take legal actions against third parties for the non-authorized: appropriation, use, acquisition, or disclosure of such information. However, for such actions to be successful, it is necessary for companies and/or employers to develop preventive measures and seek appropriate legal advice so that their confidential information and its protection measures/systems comply with the applicable legal requirements in case it becomes necessary to sue a former employee or collaborator through an administrative or a criminal procedure.

Therefore, **Mijares, Angoitia, Cortés, y Fuentes, S.C.**, through its Intellectual Property Team, extends the kindest invitation to clients and interested parties to collaborate and determine how to take the necessary legal and technical measures to properly protect the confidential commercial and industrial information used in the regular exercise of their business activities. This will enable the adoption of robust legal measures against third parties in case violations arise.

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