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Trade Secrets

Switzerland

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chambers.com

2020

SWITZERLAND

Law and Practice

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1. Legal Framework

1.1 Sources of Legal Protection for Trade Secrets

Switzerland is a member state of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which specifically addresses trade secret protection in its Article 39. In contrast to the European Union (to which Switzerland does not belong), there is no separate act in Switzerland exclusively governing trade secret protection. Instead, there are scattered provisions in various legal bodies, whereof the following are particularly relevant.

- The Unfair Competition Act (UCA) lists certain condemned business practices relating to unlawful obtaining, misappropriation or exploitation of information. A violation of these rules may lead to civil and (if violated intentionally) to criminal liability.
- Labour law prohibits the employee from exploiting confidential information acquired in the course of work.
- Agency and procurement law forbids the agent from making use of the principal's trade secrets entrusted to him or her.
- Corporate law bars organs of a company from disclosing or otherwise utilising secret information outside their civil mandate.
- Criminal law sanctions persons legally committed to keeping a secret from exploiting or revealing it. It further prohibits industrial espionage. There are additional specific criminal secrecy regulations for various industrial sectors and professions; for example, in banking regulation or for attorneys and medical staff.

All these provisions have in common that they do not explicitly protect confidential information or trade secrets as such, but instead prohibit certain conduct related to secret information.

1.2 What Is Protectable as a Trade Secret

Statutory law does not provide a definition of the term trade secret. However, most provisions applicable to the protection of trade secrets in Switzerland use a uniform terminology (see 1.1 Sources of Legal Protection for Trade Secrets and 1.4 Elements of Trade Secret Protection); they regularly differentiate between manufacturing and business secrets. Some provisions extend this legal protection to confidential information in general. Manufacturing secrets refer to knowledge of the manufacturing method and process. Business secrets, on the other hand, relate to information on economic activities outside the actual manufacturing process, such as knowledge about supply sources and strategy. The concept of trade secrets is to be understood in a broad manner in Switzerland.

1.3 Examples of Trade Secrets

By way of example, Swiss courts have qualified the following information as trade secrets:

- price calculations, organisation charts and distribution channels (OGer BE APH 09 240 of 29 May 2009 "Yacht-charter");
- insights into technical know-how, the clientele and customer needs (KG ZH of 16 September 1988 "Kundenkreis");
- management information and information on financial activities; resolutions of the local group management (BGE 104 IV 175);
- the content and scope of patent applications before their publication (OGer AR O2S044 of 30 August 2005 "Explosionsschutzventil");
- construction plans (BGer 4A_381/2019 "Schüttelgefässwaage"; BGE 103 IV 283 "Blechstanmaschine");
- feedback from production; yields, set-up times and monthly production capacities; innovative techniques (BGer 6B_496/2007 of 9 April 2008 "RFID");
- information on a company's market share in preparation for a merger, transformation or splitting; revenue figures (BGE 142 II 268 "Nikon");
- the source code of a computer program (see OGer ZH S2/U/SB960 of 4 June 1994 "Adressverwaltungsprogramm"; KG NW of 7 October 1988 "Auto-CAD II"); and
- data of bank clients (BGE 141 IV 155).

1.4 Elements of Trade Secret Protection

Swiss civil law as well as criminal and unfair competition law follow a largely congruent trade secret concept. According to the latter, a trade secret has four characteristics:

- an unknown fact, which is not generally accessible;
- the fact has a business value;
- an objectively justifiable interest in secrecy; and
- the owner of the secret possesses subjective will and intention to keep the unknown fact secret.

1.5 Reasonable Measures

Under Swiss law, trade secret protection does not require that the trade secret owner took reasonable measures of protection. Decisive under Swiss law is the trade secret owner's will to, and the actual possibilities to, keep certain knowledge confidential. Nevertheless, being able to demonstrate that reasonable protective measures were taken will support the trade secret owner's allegation that he or she wanted to keep the relevant information confidential.

1.6 Disclosure to Employees

Employees must not exploit or reveal trade secrets obtained while in the service of the employer. Employees remain

bound by such duty of confidentiality even after the end of the employment relationship to the extent required to safeguard the employer's legitimate interests. The duty of confidentiality encompasses any confidential information learned while in the service of the employer, whether the employee has been entrusted with the information or the employee has accidentally learned of the secret. Consequently, if a trade secret is disclosed to employees in the course of their work, this does not impair the legal protection of a trade secret.

1.7 Independent Discovery

Under Swiss law, independent discovery and the autonomous development or acquisition of commercially valuable knowledge is in general permissible, even if it is claimed as a trade secret by another person. This is true as long as patents, registered designs, copyrights or other specifically protected rights are not being violated. As regards reverse engineering of software, see **1.8 Computer Software and Technology**. Swiss court practice provides that the exact or slavish imitation of work results such as samples of goods and exhibition objects also constitutes an unfair conduct.

1.8 Computer Software and Technology

Computer programs are, inter alia, protected under Swiss copyright law. The lawful user of computer software may decompile the machine code into source code in order to develop, maintain or use interfaces to other programs. To this extent, trade secrets may be affected by this statutory limitation provision.

According to Article 5 litera c of the UCA, it is forbidden to reproduce or exploit the marketable work result of another person by means of technical reproduction processes without making reasonable efforts of one's own. This provision is particularly relevant in the field of software solutions as they enable a simple and rapid absorption of digital third-party works and their effective one-to-one duplication.

1.9 Duration of Protection for Trade Secrets

Legal protection of trade secrets begins automatically when the legal requirements according to **1.4 Elements of Trade Secret Protection** are fulfilled. Similarly, legal protection applies as long as these criteria are met. If disclosure has the result that the information is no longer secret, then trade secret protection automatically ends. However, if disclosure is only made to a third party under confidentiality obligations, trade secret protection continues to exist.

1.10 Licensing

A trade secret owner may grant licences to third parties to use the trade secret. In order to ensure that the information disclosed is only used by the licensee within agreed limits, trade secret licence agreements should contain non-disclosure and

confidentiality clauses that remain in place also after termination. It should also be made clear whether the licensee shall have the right to continue using the trade secret upon termination of the licence. When drafting a trade secret licence agreement, the consequences for breach of trade secret-related obligations, such as unauthorised disclosure, should be clearly stated (eg, in the form of termination rights or contractual penalties).

1.11 What Differentiates Trade Secrets from Other IP Rights

Under Swiss law, intellectual property rights such as patents, trade marks, designs and copyright confer on their owner certain rights of exclusivity and can essentially be asserted against anyone. The legal protection of trade secrets, on the other hand, is limited to contractual rights and specific rules in unfair competition law or other specific provisions aimed at prohibiting certain behaviour related to trade secrets.

In addition, most intellectual property rights require prior registration of such rights and the respective owner is publicly known. This is not the case in relation to trade secrets, which can make it difficult to prove the existence and/or ownership of a trade secret.

1.12 Overlapping IP Rights

It is possible that a plaintiff asserts trade secret rights in combination with other types of intellectual property rights, such as patents. It is also frequently the case that licence agreements are entered into for both patents and trade secrets (eg, supplementary know-how on how to best manufacture or commercialise the patented invention).

1.13 Other Legal Theories

The various theories covering trade secrets under Swiss law work complementarily and each covers a different aspect.

The Unfair Competition Act designates different types of illicit, "unfair" conduct. Some of them are clearly prohibited under a misappropriation theory. This includes a person's unauthorised exploitation of work products directly entrusted to him or her by the work product's owner or by somebody whose unauthorised transfer of the work product is known to the person (Article 5 literas a and b, UCA), or the exploitation or communication of trade secrets which had been unlawfully accessed (Article 6, UCA). But the UCA also declares it as unfair, with regard to employees, agents or other auxiliary persons, to incite such persons to spy out or betray trade secrets (Article 4 literas b and c, UCA). Furthermore, it is illicit to promise or accept an undue advantage in exchange for unlawful conduct, which can, among other things, consist of unauthorised acts regarding trade secrets (bribery; Article 4a litera a and litera b, UCA). Article 5 litera c of the UCA forbids the adoption and exploitation, by means of technical reproduction

measures of somebody else's work products, which are market-ready, without making independent reasonable efforts. Finally, the general rule in Article 2 of the UCA prohibits any other unfair conduct or business practice not otherwise addressed, and which influences the relationship with competitors, suppliers and customers.

As part of the fiduciary duty, an agent is prohibited from committing damaging acts to the disadvantage of the principal and must act loyally (Article 398 of the Code of Obligations (CO)). This also includes the use of entrusted or shared secret information. A special provision on secrecy can be found in commercial agency law, where a duty of confidentiality is explicitly imposed on the agent (Article 418d CO).

Under corporate law, all executive bodies of a company have a fiduciary duty (see exemplary Article 717 paragraph 1 and Article 803 CO). The obligation of the executive bodies to protect the interests of the company also entails the duty to keep business secrets confidential. Any auditors and audit experts who may be consulted are subject to a separate duty of confidentiality on its findings, unless obliged by law to disclose the according piece of information (Article 730b paragraph 2, CO).

Article 162 of the Criminal Code (SCC) prohibits any person who is committed to keeping a manufacturing or trade secret due to a legal or contractual obligation from exploiting it for his or her own gain or the gain of another. It further sanctions granting access to a manufacturing or trade secret to a foreign body, organisation or private enterprise (Article 273, SCC). There are numerous additional scattered provisions in criminal law relating to the protection of privacy and secrecy as well as to the protection of professional, official and banking secrecy (see **9.1 Criminal Penalties for Trade Secret Misappropriation**).

2. Misappropriation of Trade Secrets

2.1 The Definition of Misappropriation

Under the term misappropriation, a distinction shall be made between cases involving an unrighteous exploitation of legitimately obtained secrets and cases in which a third party has acquired access to trade secrets in an illegitimate way.

According to Article 5 literas a and b of the UCA, anyone who makes unauthorised use of a work result either entrusted to him or her directly or obtained through an intermediary – such as offers, calculations or plans – is acting unfairly. The enumeration of work results in Article 5 litera a of the UCA is not exhaustive. Rather, every materialised result of intellectual effort and material expenditure that is not protected by intellectual property rights – such as patents, designs and copyright – falls

under the category (BGE 117 II 199 “TCS”, c. 2a/ee). Also, trade secrets may be protected by Article 5 litera a of the UCA under the following requirements:

- affected by misappropriation is a concrete, materialised work result;
- a person was entrusted with or legitimately received access to it;
- this person utilised or shared the work products;
- this action was not authorised, and happens in breach of that person's duty; and
- the work product fulfils the requirements of a trade secret (see **1.4 Elements of Trade Secret Protection**).

The second relevant scenario is that trade secrets have been obtained through unlawful access. For a claim under Article 6 of the UCA one has to show:

- a manufacturing or trade secret is concerned;
- it was obtained by unlawful behaviour of the respondent; and
- the information obtained is exploited or disclosed.

In which unauthorised way the trade secret was obtained in the individual case is not decisive. It may comprise clearly unlawful actions (hacking), searching for information that is not freely available as well as deceptive activities. It may also include the use of information that a third party has passed on in violation of its contractual obligation of secrecy.

2.2 Employee Relationships

For trade secret misappropriation through employees, a distinction must be made between employees that, based on an employment contract, are still actively employed by a company and former employees whose employment relationship has been terminated.

First, the actively employed employees are subject to an obligation of secrecy (Article 321a paragraph 4, CO). The content of the condemned activity is very similar to that of Article 5 litera a of the UCA. However, the scope of protection under Article 321a of the CO is much broader as not only work results or trade secrets but any kind of confidential information is protected. In the event of litigation the employer has to prove that:

- confidential information is affected;
- the employee gained insight into the respective knowledge in the course of his or her employment; and
- the employee exploited or revealed the protected information.

Second, the former employer's duty of confidentiality remains in force after the end of the employment relationship to the extent required to safeguard the employer's legitimate interests (Article 321a paragraph 4, CO). A claimant hence has to show that he or she still has a subjective interest that the information is kept secret.

The parties to the employment agreement may have agreed on a post-termination non-compete clause. A post-termination non-compete undertaking is only valid to the extent that an employee actually had insight into the clientele or into manufacturing and business secrets in the course of the work, and the use of this knowledge could cause considerable harm to the employer (Article 340, CO). In the event of a lawsuit, the type of competing action is not relevant, but to show that the employee actually had access to files and trade secrets in the course of his or her work, which, if exploited, could cause significant harm for the former employer, and prove that the former employee engages or is about to engage in competing activities. This breach of a non-compete clause does not only lead to consequences under contract law, but may at the same time also represent an unfair act under the general clause of Article 2 of the UCA (OGer BE APH09240 of 29 May 2009 "Yachtcharter").

2.3 Joint Ventures

Under Swiss law, a joint venture is classified as a "simple partnership" under the Swiss corporate statute, regardless of whether the joint venture is on a contractual basis, involves the formation of a new company or solely builds on a de facto co-operation (BGer 4A_284/2013 of 13 February 2014, c. 3.1. and 3.4.1.)

The associates of a simple partnership are also subject to a fiduciary duty. This implies that the partners must prioritise the interests of the company over own interests in the event of a personal conflict (BGer A_619/2011 of 20 March 2012). As regards trade secrets, this means that a party to a joint venture may not use or disclose trade secrets jointly held by the joint venture partners without authorisation.

Trade secrets generated within a joint venture are considered by law to be held jointly by the joint venture partners, unless otherwise agreed.

2.4 Industrial Espionage

Industrial espionage under Swiss law represents a criminal offence. It involves revealing manufacturing or business secrets and making them available to a foreign official body, organisation or just a private enterprise and their agents (Article 273, SCC; see also **9.1 Criminal Penalties for Trade Secret Misappropriation** for further information). According to national practice, the provision does not require that the interests of the

Swiss Confederation are affected. It suffices that the act of espionage causes a disadvantage of a company based in Switzerland.

Trade secrets that have been obtained unlawfully – for example, via industrial espionage – may not be exploited or disclosed (Article 6, UCA). Also, work results may not be utilised, if a person knows or must know that they have been provided or made accessible without permission of the right-holder (Article 5 litera b, UCA).

3. Preventing Trade Secret Misappropriation

3.1 Best Practices for Safeguarding Trade Secrets

There are some general protective measures a company can implement at low cost and with little effort in order to prevent misappropriation of trade secrets effectively, such as:

- incorporate tailored non-disclosure and confidentiality agreements into contractual agreements with persons with whom confidential information is shared;
- embed non-compete agreements to prevent partners from exploiting trade secrets entrusted or shared with them;
- deploy a system to identify trade secrets based on a risk assessment and potential of exposure;
- categorise trade secrets internally and limit, control and document access rights to sensitive information in internal policies;
- take technical security measures, use firewalls, establish policies regarding digital paper trails and passwords, and store data only on secured servers;
- train employees on the importance of trade secrets and on following established guidelines for handling sensitive information;
- share confidential information that is part of an overall concept only in a dispersed manner so that no third party (such as contract manufacturers) obtains access to the entire body of protected information.

Which measures are indicated and appropriate varies greatly by industry and how a company collaborates with third parties.

3.2 Exit Interviews

Typically, employers remind departing employees of their duty to return any documents relating to the employer's business without keeping copies. Some employers ask their departing employees to confirm in writing that they have complied with this duty. Moreover, employees are typically reminded of their contractual duty of confidentiality surviving termination of employment as well as any specific duty of professional secrecy

in the relevant industry (eg, bank client secrecy, professional secrecy of medical practitioners or attorneys).

If the employee has agreed to a post-termination non-compete undertaking, he or she will typically be reminded thereof as well. It should be noted, however, that a Swiss law-governed post-termination non-compete undertaking will lapse by operation of mandatory Swiss employment law if the employer gives notice of termination without the employee having given him or her good cause to do so or if the employee has given notice of termination and the employer has given the employee good cause to do so (Article 340c paragraph 2 CO).

Employees are not obliged to disclose what their future professional activities will look like. This information can only be given voluntarily. Due to the employer's duty of care and the employee's right to privacy and data protection, the employer is restricted from conducting investigations on this matter and spreading corresponding information on the relevant market. An exception may apply where such information is necessary to ensure compliance with a post-termination non-compete undertaking.

4. Safeguarding Against Allegations of Trade Secret Misappropriation

4.1 Pre-Existing Skills and Expertise

In disputes with former employees relating to trade secrets and non-compete undertakings, it is often controversial to what extent the employee gained access to actual trade secrets of a specific company and to what extent the employee simply acquired general industry expertise that could have been acquired similarly with any employer in the sector. The employee is entitled to use general industry knowledge. Neither confidentiality obligations surviving termination of an employment relationship nor post-termination non-compete undertakings can restrict an employee from making use of this type of knowledge.

4.2 New Employees

In general, the contractual obligations only bind the parties to the contract. An obligation of the employee towards a former employer is thus not binding on the new employer. The new employer may, however, become implicated in or affected by the former employer's enforcement actions.

In order to mitigate any remaining risk for the new employer, he or she may do the following:

- before hiring a new employee, the employer can ask the candidate about any post-termination non-compete

undertaking towards former employers that could affect the employment;

- a representation in the employment agreement could be sought from the employee that he or she is not bound by any non-compete obligation that could impede his or her availability to perform the employment agreement; and
- the employment agreement could contain an undertaking of the new employee (i) not to use or disclose trade secrets of a former employer, and (ii) not to bring documents or data from any former employer on the new employer's premises.

5. Trade Secret Litigation

5.1 Prerequisites to Filing a Lawsuit

In most cases, the claimant must first institute conciliatory proceedings prior to bringing a claim in court. A conciliatory hearing offers an opportunity to settle the matter at an early stage with the assistance of a conciliatory authority. It will normally take place within two to three months from the filing of a request for conciliatory proceedings. If the conciliatory proceedings fail to result in a settlement, the claimant will be granted permission to bring the action in court.

Conciliatory proceedings are not required if the dispute falls within the jurisdiction of a sole cantonal judicial instance. The parties may also jointly waive conciliatory proceedings if the amount in dispute is at least CHF100,000. Moreover, the claimant may unilaterally waive the conciliatory hearing if the respondent is domiciled abroad or if its whereabouts are unknown. The parties can agree to conduct mediation instead of conciliatory proceedings.

An application for interim relief is made directly to the court of competent jurisdiction without the need for prior conciliatory proceedings.

5.2 Limitations Period

Contractual and extra-contractual claims relating to trade secrets or a breach thereof are subject to a statute of limitations, varying from three to ten years, depending on the basis of the claim.

For contractual claims, the applicable statute of limitations period begins to run on the day the breach occurred.

The three-year limitation period for damages under tort law begins to run when the damage suffered and the person liable for damages is known. This is provided if the claimant has sufficient information about the occurrence, nature and approximate extent of the damage as well as of the tortfeasor (BGer 4A_707/2012 of 28 May 2015). If the person liable has commit-

ted a criminal offence through his or her harmful conduct, then the statute of limitations period ends at the earliest when the right to criminally prosecute the offence becomes time-barred.

5.3 Initiating a Lawsuit

If the claimant requires a formal “authorisation for action”, he or she has to initiate a conciliatory procedure (see **5.1 Prerequisites to Filing a Lawsuit**). The authorisation allows the claimant to initiate the main proceedings within a three-month period.

If only one cantonal instance is competent for a certain matter (see **5.4 Jurisdiction of the Courts**), the conciliatory procedure is not required and an action can be filed directly at the competent court.

5.4 Jurisdiction of the Courts

Switzerland, or the Swiss Confederation as it is officially termed, is a federal state consisting of 26 cantons. While the Swiss Code of Civil Procedure (CCP) governs the proceedings in cantonal courts throughout Switzerland, each canton has its own court system.

The territorial jurisdiction for a trade secret claim must be determined based on the applicable treaty law (such as on the Lugano Convention on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters), if any; on national law (Swiss Private International Law Act, Swiss Civil Procedure Code); and in view of the circumstances of the claim (eg, contractual or non-contractual claim, domicile of the parties, where was a tortious act performed and where did it have its effects).

Since in Switzerland trade secret cases may be brought under various heads of law, subject-matter jurisdiction depends on the following circumstances:

- claims that are based on the UCA and have a value in dispute of more than CHF30,000 fall within the jurisdiction of a sole court determined by cantonal law; eg, in the canton of Zürich, the Commercial Court;
- where the relevant canton has established a commercial court, disputes with a value of more than CHF30,000 between entities registered with the commercial registry fall within the jurisdiction of this court;
- trade secret claims that are brought together with patent-related claims may fall within the jurisdiction of the Federal Patent Court;
- trade secret claims that are brought together with claims related to intellectual property rights may fall within the jurisdiction of a sole court determined by cantonal law; eg, the Commercial Court in the canton of Zürich; and

- all other disputes fall within the jurisdiction of cantonal courts of lower instance to be determined in accordance with cantonal law – eg, a regional district court – typically, there is a labour court for employment disputes.

5.5 Initial Pleading Standards

A trade secret owner may initiate a trade secret action even without any evidence. But in order to prevail on the merits, evidence must be presented for all disputed factual allegations.

In Switzerland, there are basically three different standards of proof, which are presented in the form of different probability theories and measures of conviction.

- According to the standard rule of evidence, the court must be convinced from an objective point of view that a fact has been established. Doubts may exist but shall not be substantial. This standard of proof is usually applicable in trade secrets disputes on the merits.
- The measure of proof of preponderant probability is fulfilled if there are objectively such important reasons to support the correctness of the factual claim that other conceivable possibilities cannot reasonably be considered relevant. According to jurisprudence, this standard of proof is only applied if certain facts are by their nature particularly difficult to prove and full proof regularly cannot be provided. By reducing the standard of proof, a lack of evidence is avoided.
- The lowest standard of proof is the credible plausibility of evidence. The judge must be prima facie convinced that it is more likely that the facts have been realised than that they have not. This standard of proof is applicable, for example, in proceedings regarding preliminary measures.

5.6 Obtaining Information and Evidence

According to the Swiss Civil Procedure Code, in a lawsuit before Swiss courts, evidence in the form of testimony, physical records, inspection, expert opinion, written statements, questioning as well as party statements is admissible. For disputes about trade secrets, expert opinions on technical facts and regarding know-how are often relevant.

US-style pre-trial discovery is unknown in Switzerland. For precautionary taking of evidence, the applicant has to show credibly that the law grants the right to do so, that the evidence is at risk or that he or she has a legitimate special interest.

In practice, a trade secret owner will often have only limited options to gather additional evidence through court assistance, both before and during court litigation in Switzerland.

5.7 Maintaining Secrecy while Litigating

In Swiss civil proceedings, the principle of publicity generally applies, meaning that all hearings are accessible to the public. All the more important are the numerous restrictions to this principle for trade and professional secrets.

- The court shall take appropriate measures to ensure that taking evidence does not infringe the legitimate interests of any parties or third party, such as trade secrets (Article 156, CPC). The court can allow that documents are redacted or only submitted in full to the court. It may ban the public from participating in hearings.
- A party may fully refuse to co-operate in evidence disclosure, provided that a protected professional secret is concerned (eg, attorney-client privilege). Other confidants entrusted with legally protected secrets may refuse to co-operate, if they demonstrate that the interest in keeping the secret outweighs the interest in finding the truth (Article 163, CPC).
- In patent disputes, the parties' manufacturing and business secrets must be safeguarded (Articles 68 and 77 of the Patent Act). The Swiss Federal Patent Court follows a unique practice in which in precautionary taking of evidence only the attorney may be present for the requesting party during inspection in order to limit undue access to the other party's trade secrets.
- If a party learns about a trade secret of the other party, the court may order under penalty for contempt (Article 292, SCC) that the trade secret shall not be disclosed or used outside the proceedings.

To nevertheless ensure the right to be heard of the opposing party, such one-sided measures are only possible within a limited scope. In particular, the opposing party shall not have to defend itself against an assertion that can only be proven with a piece of evidence to which it has no access.

5.8 Defending against Allegations of Misappropriation

What the best method of defence looks like and which justifications are available in an individual case depends on the legal claim the other party is pursuing and on the factual circumstances. A general defence against trade secret claims is to argue that the relevant information is not, or no longer, secret, and thus does not enjoy legal protection. The trade secret owner may also argue that it lawfully obtained access to the trade secret from a third party who was not under any non-disclosure obligation. In appropriate cases, the defendant may further argue that the technology he or she exploited or disclosed was different from the alleged trade secret, or that it was independently discovered by the defendant.

For misappropriation claims under labour law it is reasonable to question whether the relevant information qualifies as a trade secret and instead demonstrate that the information disclosed by the employee relates to general sector-specific knowledge or work experience. If the employment relationship has ended, it may be argued that the employer no longer has a legitimate protection interest.

If a company and a former employee agreed to a non-compete clause, the former employee may argue not to have had access to relevant confidential information. In addition, the former employee may contest the validity and scope of a non-compete clause.

5.9 Dispositive Motions

Swiss procedural law only allows for limited options to request a court to dispose of a claim at an early stage of the proceedings. It is possible to request that the main proceedings be bifurcated and that the court first decides on separable procedural (eg, jurisdiction) or substantive issues (eg, statute of limitations).

5.10 Cost of Litigation

In order to estimate the costs of litigation, a distinction has to be made between the court fees and the expenses for legal representation.

In court proceedings the "loser pays" rule applies. The losing party will have to bear the court fees and compensate the winning party for its legal costs. If a party prevails only in part, fees and expenses will be divided proportionally between the parties.

The fees for cantonal courts are regulated in fee ordinances on a cantonal level. The basic court fee depends on the value in dispute and may be adjusted upwards or downwards depending on the complexity of the case, the number of submissions, the duration of the proceedings and other factors. As an example, the basic court fee in the canton of Zürich for a sum in dispute between CHF200,000 and 500,000 would be CHF12,750 to 20,750. Upon filing an action in court, the claimant will usually be ordered to pay an advance for the estimated court fees.

Court-ordered compensation for legal costs also follows a statutory tariff and depends primarily on the amount in dispute. Thus, the court-ordered compensation for attorneys' fees will often not be sufficient to fully cover the legal fees actually incurred by the prevailing party. As an example, the basic compensation for attorneys' fees in the canton of Zürich for a sum in dispute between CHF200,000 and 500,000 would be CHF15,900 to 23,400.

The actual legal costs incurred by a party depend on various factors, such as the attorney's hourly rates, and the complexity

and duration of the proceedings. Contingency fee arrangements are not permissible.

Litigation funding is still a fairly new concept in Switzerland, but there are several providers offering litigation funding solutions.

6. Trial

6.1 Bench or Jury Trial

All civil lawsuits are adjudicated by judges, not by a jury.

6.2 Trial Process

The proceedings on the merits are initiated by a (usually) fairly detailed statement of claim, which includes supporting documentary evidence and offers of further evidence (witnesses, court-appointed experts, etc). On receipt of the statement of claim, the court will normally ask the claimant to pay an advance on costs in the amount of the expected court fees. After its receipt, the court will invite the defendant to submit a detailed statement of defence, typically within 30 to 60 days.

In ordinary proceedings, the claimant and the defendant are then given the opportunity to submit a second round of written submissions. The parties are then summoned to the main hearing. Later follows the taking of evidence. The proceedings will then be closed, the case deliberated and the judgment served on the parties.

The court is free to hold an instruction hearing at any stage of the proceedings (often after the first round of written submissions), during which the parties can try to reach a settlement. On that occasion, the court may give, off the record, a preliminary assessment of the parties' chances of success.

The average duration of trade secret litigation before the courts of first instance is between one and two years. This time can double if one of the parties appeals to higher instance courts. Also, in complex cases or cases in which, for example, evidence needs to be taken abroad, proceedings may take longer.

6.3 Use of Expert Witnesses

Expert opinions are often required in disputes concerning trade secrets and intellectual property rights. The court may appoint an expert on its own motion, if special specialist knowledge is required that is not available within the court's own ranks. The parties are free to request and propose an expert in their written statements. The expert is then appointed and instructed by the court in consultation with the parties. The parties may also pose additional questions to the expert once the expert report has been prepared.

Importantly, only expert reports of court-appointed experts qualify as evidence under Swiss civil procedure law. Opinions of party-appointed experts can (and often are) submitted, but have no formal evidentiary value and merely qualify as a party's pleadings.

The costs for the court-appointed expert are allocated in the end of proceedings, according to the lawsuit's outcome (see **5.10 Cost of Litigation**). The expert's remuneration is calculated according to time spent and the hourly rate.

7. Remedies

7.1 Preliminary Injunctive Relief

Preliminary injunctive relief is available. The applicant must provide prima facie evidence that he or she will prevail on the merits, there is a risk of imminent and not easily reparable harm, and that the requested measures are proportionate and urgent. Preliminary injunctive relief may not prejudice the decision on the merits.

In cases of special urgency, and in particular where there is a risk that the enforcement of an interim measure will be impeded, the court may order (ex parte) interim measures without first hearing the opposing party.

The court may request a security payment by the applicant if it can be anticipated that the measures may cause damages to the opposing party. The magnitude of such security payment will depend on the quantum of damages potentially caused to the opposing party.

Preliminary measures may be modified or revoked at any time. At the latest, with the final decision on the merits (which may contain a permanent injunction) the measures lapse.

7.2 Measures of Damages

Under Swiss law, damages represent the unintentional decrease in net assets; eg reduction in assets, increase in liabilities or loss of profit. For the calculation of the quantum of damages, the difference between the current level of assets and the level that the assets would have had without the damaging event are taken into account. Since the latter is based on a hypothetical assumption, it is often very difficult in practice to specify with sufficient precision to what extent damages occurred. Article 42 paragraph 2 of the CO allows a court to estimate losses that cannot be precisely quantified. Courts, however, apply this rule very restrictively. It must be not only difficult, but practically impossible to conduct a proper and plausible analysis. Even then, the claimant has to demonstrate all circumstances that indicate the existence and allow an estimate of the quantum of losses.

Monetary compensation may also be claimed based on a claim for disgorgement of profits or unjust enrichment. Swiss law does not recognise punitive damages.

7.3 Permanent Injunction

Permanent injunctions are available. The scope of an injunction must be proportionate. Since an injunction cannot be enforced in real terms, the injunction is combined with a criminal sanction for contempt (Article 292, SCC).

A former employee can be enjoined from using or disclosing specific trade secrets in a new position, or to comply with a (valid) non-compete undertaking.

In cases regarding the infringement of intellectual property rights, the court may order infringing objects be seized or destroyed. As regards trade secrets, seizure or destruction of objects is not expressly foreseen in statutory law and there are diverging views as to whether a court nevertheless may grant seizure or destruction.

7.4 Seizure

See 7.3. **Permanent Injunction** on civil seizure and 7.1 **Preliminary Injunctive Relief** on preliminary injunctions.

7.5 Attorneys' Fees

See 5.10 **Cost of Litigation**.

7.6 Costs

See 5.10 **Cost of Litigation**.

8. Appeal

8.1 Appellate Procedure

The route of remedy depends on which court has acted as the court of first instance (see 5.4 **Jurisdiction of the Courts**).

- Decisions rendered by a lower cantonal instance – eg, a regional labour or district court – are first appealed to a higher cantonal instance, frequently a High Court or the Appeals Division of the cantonal court. The second-instance decision can then be appealed a second time, to the Swiss Federal Court (two layers of appeal).
- Decisions rendered by a court acting as sole cantonal instance or by the Swiss Federal Patent Court may only be appealed directly to the Swiss Federal Court (one layer of appeal).

For all disputes that are subject to two cantonal instances, a distinction must be made between different types of remedy: an appeal is admissible against final and interim decisions and

decisions on interim measures of a first-instance court in non-pecuniary matters as well as in pecuniary matters with a dispute value of CHF10,000 or more. All other decisions, particularly those with a lower dispute value and procedural rulings, are to be challenged with a so-called complaint, if contestable. Every party that participated in the proceedings before the lower court and has justifiable cause may challenge a decision. The contestation period to file an appeal or complaint is 30 days (in summary – ie, expedited – proceedings the period is ten days). The court will then impose upon the opposing party an obligation to file its answer and/or a cross appeal within a deadline.

As regards appeals to the Swiss Federal Court, only certain types of decisions can be appealed and only for certain grounds. Except for summary proceedings, the appeal to the Swiss Federal Court must be filed within 30 days after receipt of the lower-instance decision.

8.2 Factual or Legal Review

The appellate body may hold a hearing or decide on the basis of the file. In principle, however, the appeal procedure is conducted in writing.

Whether the appeal court reviews only legal or also factual issues depends on the remedy:

- an appeal before the higher cantonal court constitutes a full review on appeal, which means that both questions of law and of fact are reassessed; new facts and new evidence is heard, if it has been submitted immediately and could not be submitted earlier despite reasonable diligence;
- in a complaint, the higher cantonal court may only review factual questions where they have obviously been established incorrectly; new factual allegations or evidence are not permissible; and
- in the context of an appeal to the Swiss Federal Court, legal questions may be reviewed in full, while the establishment of the facts may be challenged only if they are manifestly incorrect or are based on an infringement of the law; new facts and evidence may only be submitted to the extent that the decision of the lower court gave rise to it.

9. Criminal Offences

9.1 Criminal Penalties for Trade Secret Misappropriation

Article 162 of the SCC provides that anyone who reveals a manufacturing or business secret to his or her or a third-party gain that he or she should preserve due to a legal or contractual obligation may be punished with imprisonment for up to three years or a fine.

Article 273 of the SCC prohibits industrial espionage, stipulating that anyone who reveals a manufacturing or business secret with the goal to make it available to a foreign official body, organisation or private enterprise, as well as anyone who actually discloses such a secret to one of the named entities, can be punished with imprisonment for up to three years or a fine.

Specific professionals such as clergies, lawyers, medical staff and banking personnel are subject to a professional duty of confidentiality. Breach of confidentiality remains a punishable offence even after the end of the professional practice (Article 320 f., SCC; Article 47, Banking Act).

The Unfair Competition Act also contains criminal law provisions, penalising trade secret violations to the extent they were committed intentionally (Article 23, UCA).

Depending on whether the accused offence constitutes an *ex officio* offence or is subject to a criminal complaint, criminal proceedings in Switzerland are either initiated by the state automatically or require a complaint from the person implicated in their legal interests. The latter must be filed within three months after getting to know who the offender was.

For criminal proceedings, the general grounds of criminal justification such as consent, state of emergency and self-defence, as well as misconception, apply. In addition, there are special grounds for justification for persons who are subject to professional secrecy, such as reporting obligations.

Before initiating criminal proceedings regarding trade secrets in Switzerland, one should be aware that Swiss criminal procedural law only provides a few rules to protect trade secrets in criminal proceedings.

10. Alternative Dispute Resolution

10.1 Resolving Trade Secret Disputes

In commercial arbitration, Switzerland is one of the most often chosen venues worldwide because of the arbitration-friendly legislation and court practice, its neutral tradition and the availability of a large pool of experienced international arbitrators. International agreements relating to trade secrets (eg, know-how licences) made subject to Swiss law often contain an arbitration clause to ensure efficient and confidential dispute resolution. The fact that the parties, if so agreed, may nominate the arbitrators can be particularly appealing in trade secret cases relating to complex technologies or those requiring decision-makers with expertise in a particular industry.

Under Swiss law, any claim of a pecuniary nature can be referred to arbitration, including trade secret claims (subject to exceptions for certain employment disputes). Arbitration proceedings are held *in camera*. Depending on the parties' agreement, the arbitration law (*lex arbitri*) at the seat of the arbitration, and the chosen arbitration rules, the parties and/or the arbitrators may be subject to confidentiality obligations as regards disclosures made in the arbitration proceedings.

Most arbitration rules permit the arbitration tribunal to issue interim measures and many even provide for so-called emergency arbitration proceedings prior to the constitution of the tribunal. Under Swiss law, courts retain parallel jurisdiction to issue interim injunctions, unless otherwise agreed by the parties. State courts may also assist in enforcing an arbitral order.

There are only very limited grounds to challenge an arbitral award (such as due process violations or lack of jurisdiction). Challenges can only be made to the Swiss Federal Court, which deals with such challenges fairly swiftly. Swiss arbitral awards tend to be of good quality and respected abroad, which facilitates enforcement in other countries under the New York Convention for Recognition and Enforcement of Foreign Arbitral Awards.

Mediation procedures are also on the rise in Switzerland and may in appropriate cases be a suitable first option to try to resolve a dispute in a confidential setting before resorting to more costly litigation or arbitration.

SWITZERLAND LAW AND PRACTICE

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Schellenberg Wittmer Ltd is a leading Swiss business law firm with more than 150 lawyers in Zürich and Geneva, and an office in Singapore. It takes care of all legal needs – transactions, advisory, disputes. The firm advises domestic and international clients on all aspects of business law and offers a comprehensive range of services, from focused advice to project management, for local or foreign companies and high net worth individuals. The firm's areas of expertise include dispute resolution and international arbitration, intellectual property/information technology, banking and finance, competition and antitrust, mergers and acquisitions, private equity and venture capital, private clients, trusts and estates, foundations, real es-

tate and construction, restructuring and insolvency, taxation, white-collar crime and compliance. Recent examples of the firm's expertise in trade secrets include representing a major Chinese chemical manufacturer against a German licensor in a EUR50 million ICC arbitration relating to various breaches of a know-how licence, representing a major Swiss manufacturer of electric devices in civil court litigation and criminal proceedings against former employees regarding the misappropriation of trade secrets, and representing a major supplier to the construction industry in an international arbitration against a former joint venture partner regarding the misappropriation of trade secrets.

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