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INTRODUCTION

I. ABOUT THIS BOOK 1.01

Ask any business, large or small, to identify one of its most important assets and it is bound to identify its confidential and proprietary information or 'trade secrets'. This is because it is in the nature of businesses to try to secure a competitive advantage over rivals and inventing the proverbial 'better mouse-trap' is one way to do so. Frequently, businesses that invent or create something new will seek patent protection for their inventions or rely upon copyright protection for their creations and writings. However, for a number of reasons (including the costs of patent prosecution and enforcement) they often choose to rely on secrecy instead. Even if they choose to patent their inventions there is a period of time during the research and development process and before any patent application is published where secrecy is important and where the laws governing the protection of business information are of great significance.

This book explains the scope and limits of the law governing the protection of business secrets and provides practical advice on how to protect those secrets while still engaging in global commerce. It begins in Part I with a detailed examination of the meaning and application of trade secret law in the United States. Part II then provides information concerning the process for learning and understanding the laws of other countries and follows with overviews of the trade secret laws of seven countries: Brazil, Canada, China, India, Mexico, Japan and the United Kingdom.

Part I begins with this introductory chapter by providing some background concerning the history, purpose and limits of trade secrecy. It then provides observations about the increased attention being paid to trade secrets by

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policy-makers on both sides of the Atlantic and the Pacific, and preliminary information about the international norm-making process with respect to trade secrets.

1.04 Because the current international norms concerning trade secret protection are expressed in an Annex to the agreement which established the World Trade Organization (WTO), known as the Agreement on Trade-Related Aspects of Intellectual Property Law and often referred to as the TRIPS Agreement, Chapter 2 examines the history, purpose and scope of Article 39 of the TRIPS Agreement. As is explained therein, although there was great reluctance (particularly in the developing world) to recognize trade secrets as an intellectual property right (IPR) and include trade secret protection requirements in the TRIPS Agreement, ultimately the United States and its allies succeeded in their efforts to include some trade secret (labelled ‘undisclosed information’) provisions in the TRIPS Agreement. Specifically, Articles 39.1 and 39.2 were included to recognize trade secret misappropriation as a form of unfair business practice and to define trade secrets and the act of misappropriation in accordance with the predominant trade secret law of the United States, the Uniform Trade Secrets Act (UTSA).

1.05 Chapter 3 discusses the history, scope and limits of the UTSA, including the three requirements for trade secrecy and the meaning of misappropriation as reflected in Article 39.2 of the TRIPS Agreement. Because current international trade secrecy norms and harmonization efforts are based principally on the UTSA, and the UTSA is the model for increased trade secret protection in the European Union (EU), it provides an important baseline for understanding trade secret laws from around the world. In Part II of this book, the various provisions of the UTSA (and US trade secret principles more generally) are used to compare and contrast the laws of other countries.

1.06 By understanding the details and limits of the UTSA, attorneys who are retained to assist their clients to protect trade secrets in any given country will, at the very least, be equipped with sufficient knowledge to ask questions about the particulars of that country’s trade secret laws. In countries that have adopted UTSA-style laws (like the proposed EU Trade Secret Directive and the laws of

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3 See UTSA (1985), s. 1(4), for the definition of ‘trade secret’; see also UTSA, s. 1(2), for the definition of ‘misappropriation’.
Japan and Taiwan), the interpretation and application of the UTSA in the United States may have more direct application, at least as secondary authority. Importantly, while the UTSA is primarily designed to help information owners protect information that qualifies for trade secret protection, US trade secret law as expressed in the UTSA and related case law seeks (like most IP laws) to achieve an appropriate balance between trade secret protection and principles of free competition. Because of this, it is important to understand that trade secret law does not protect all business information (or even all secret business information), but only a specific subset of that information. This is because, from a societal point of view, the dissemination of information and knowledge is viewed as important for both human and economic development. Related to this is the concern that if trade secret protection is too strong it will dissuade inventors from seeking patent protection where disclosure is an explicit part of the trade-off.

From a business point of view, the limited scope of trade secret protection means that trade secret law cannot be relied upon to protect all important business information and that other strategies (principally, technical and contractual) should be utilized as necessary. In other words, self-help measures are often more effective than reliance upon trade secret law and enforcement. However, as explained in Chapter 4, businesses should always balance the costs and benefits of self-help, including not only the costs of required security measures but the potential costs associated with restrictions on information flows and employee mobility.

As many trade secret owners know, there is more to protecting trade secrets than knowing the applicable law. As a practical matter, no company ever wants to be in a position of having to seek enforcement of its trade secret rights because, when they do, chances are that their trade secrets have already been compromised. Thus, an important part of representing clients in trade secret matters involves early planning and intervention and frequent monitoring of trade secret usage. Chapters 4 and 5 of this book address these subjects by explaining strategies and best practices for protecting trade secrets and other business information in two contexts: (1) externally with respect to off-site relationships with non-employees such as vendor and independent contractor relationships; and (2) internally with respect to employees and the on-site agents of a company.

Chapter 6 provides a detailed examination of the available procedures for enforcing trade secret rights under US law as a prelude to the country overviews that follow in Part II. Since the WTO Agreement was entered into more than
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20 years ago, the enforcement of its provisions and the enforcement of the legal protections that it requires each of its members to provide has been a major focus of attention, particularly with respect to the asserted lack of enforcement of IPRs. Thus, it is no surprise that recent efforts to harmonize trade secret laws focus on issues related to the enforcement of trade secret rights. Consistent with recent harmonization efforts, Chapter 6 discusses available civil actions, criminal prosecution and cross-border measures. It also provides practical tips that should be followed to enhance the effective enforcement of trade secret rights.

1.11 Chapter 7 addresses a special issue known as ‘data exclusivity’ that sometimes involves trade secrets but, more broadly, concerns the required submission of information to governmental officials as part of a regulatory process. Data exclusivity is the topic of Article 39.3 of the TRIPS Agreement and is the subject of increased calls to limit what the 2014 Special 301 Report by the US Trade Representative has labelled ‘forced technology transfer’. Although data exclusivity does not concern trade secrets exclusively (and sometimes not at all), it is important to understand that calls for increased data exclusivity by various regulated industries are often coupled with calls for greater trade secret protection. It is also important to consider how data exclusivity laws relate to the principles of government transparency and free competition and whether they are a good idea in all contexts.

1.12 Although it is not possible in this book to provide a survey of all of the trade secret laws for every country, Part II provides information about the trade secret laws of many of the most important trading partners of the United States and EU countries organized around the key issues that are identified in Chapters 1 through 6. It begins with Chapter 8 which provides general information about the various legal systems of the world (principally the common law and civil law systems) that can be applied to countries that are not discussed directly. As is explained, understanding the legal structure and sources of law of other countries is critical both to finding the trade secret principles of other countries and to knowing how those principles are likely to be applied.

1.13 The remaining chapters of the book examine the laws of seven countries grouped in accordance with their applicable legal traditions. Chapter 9 discusses the specific laws of three common law countries: the United Kingdom, Canada and India. Chapter 10 discusses the laws of four civil law countries: Brazil, China, Japan and Mexico.

The book ends with two Appendices that focus on the proposed EU Directive ‘on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure’ (‘EU Trade Secret Directive’). When adopted, it will require all EU member countries to amend their laws as necessary to provide greater and more harmonized protection for trade secrets.

Appendix 1 provides an analysis of the proposed Directive that details the similarities and differences between the Directive and US trade secret law and highlights some of its ambiguities. It is followed in Appendix 2 by a redlined version of the proposed Directive showing how the original proposal was amended by the EU Council. This document is helpful for illustrating the issues that were of concern to EU member countries as well as possible points of divergence as other countries move to improve their trade secret laws.

As will be seen, although the proposed Directive is obviously modelled after the UTSA, as proposed, it includes some provisions that are not an express part of the UTSA but which, in many cases, are consistent with the common law application of the UTSA within the United States. However, an important feature of the proposed EU Trade Secret Directive that is not an explicit part of the UTSA concerns various public interest exceptions to trade secret misappropriation claims.

The text of the trade secret laws that have been adopted by various countries mentioned in this book are not included in the Appendices due to space considerations, however, they are usually available online in their native language as well as in other languages. As further explained below, both the WTO website and the website of the World Intellectual Property Organization (WIPO) are good resources for information concerning such legal texts, although care must be taken to determine if the information is up to date. This is particularly true with respect to civil law countries where laws evolve through frequent formal amendments.

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II. A ROAD-MAP FOR UNDERSTANDING TRADE SECRET LAW

1.18 International trade secret law is currently a moving target, particularly outside of the United States. Although the basic requirements for protection and the basic definitions of a trade secret and of misappropriation were established by the TRIPS Agreement, as the drafting history of the UTSA and a study by the European Commission demonstrate, more details and harmonization are believed necessary to ensure greater predictability and balance in trade secret cases. However, it remains to be seen how the trade secret laws of each country are drawn and applied, particularly in light of the fact that several ancillary areas of law often dictate outcomes in trade secret cases.

1.19 Fortunately, the issues that were addressed more than 35 years ago by the drafters of the UTSA, and more recently in the European Commission Study, provide a road-map for attorneys to use when considering the trade secret laws of countries that have not yet adopted UTSA-style laws. These issues include:

1. the definition of a trade secret;
2. the definition of misappropriation, including whether it prohibits wrongful acquisition of trade secrets as well as wrongful disclosure or use of trade secrets;
3. the definition of proper means to acquire trade secrets;
4. the availability of remedies, including the applicable measure of damages;
5. the availability of timely preliminary relief;
6. the liability of third parties (typically, those not in privity with the trade secret owner) who come to possess trade secrets;
7. the availability of protective orders to protect trade secrets during and after the pendency of litigation;
8. the availability, nature and scope of means to enforce trade secret rights, including civil, criminal and cross-border measures; and
9. the interrelationship between trade secrecy and principles regarding competition, the diffusion of knowledge and employee mobility.

The chapters that follow, particularly Chapters 3, 6, 8, 9 and 10, provide information to help all attorneys and counsellors understand the significance of the foregoing issues and how UTSA-styled trade secret laws seek to achieve the
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proper balance between protecting legitimate trade secrets and ensuring the proper conditions for free competition, the diffusion of knowledge and employee mobility.

As discussed in Chapters 4 and 5, in applying trade secret law in a given country it is also important to consider whether any special rules or other legal principles apply to the employment relationship and to business-to-business relationships. Questions to consider in this regard include:

1. Does the country view trade secrets as a form of property (with exclusive rights similar to patent and copyright law) or is trade secret misappropriation a form of unfair competition?
2. Who owns trade secrets created by employees and how is ownership obtained and transferred?
3. What are the country’s views with respect to employee mobility, including the enforceability of non-compete agreements, invention assignment agreements and confidentiality agreements?
4. Can a duty to protect trade secrets be implied or must it be established in a written document or other express contract? In other words, how are obligations of confidentiality formed? Is a written contract required?
5. Must technology licensing agreements be reviewed and approved by governmental officials?

Finally, as further discussed in Chapter 8, in addition to considering the specific laws and legal principles that may govern the protection of trade secrets in a given country, consideration must also be given to the history, culture, legal system, procedures and traditions of each country. This is particularly true with respect to available remedies and their enforcement and the process of negotiating contracts concerning the licensing and protection of trade secret rights.

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Based upon the rhetoric contained in various position papers and statements of both the United States and the EU, increased trade secret protection is touted as an essential component of innovation, the principal argument being that it is needed to spur innovation and creativity (the incentive rationale of trade secrecy). At the same time, it is recognized that the over-protection of information and the over-assertion of trade secret rights can adversely affect

7 See e.g., European Commission Study, n. 6 above.
employee mobility, the diffusion of knowledge and otherwise have anticompetitive consequences. Thus, few policy-makers advocate for the absolute protection of business information (or even trade secrets) and, accordingly, numerous limiting doctrines exist under US trade secret law and the proposed EU Trade Secret Directive that are specifically designed to ensure that trade secret protection is weaker than patent protection. This is because patent law is designed to provide the primary incentive for invention and includes an important disclosure requirement.

1.23 Despite the importance of patent law in incentivizing invention, it has been recognized by the US Supreme Court that there is nothing inherently wrong with a system of legal protection that complements patent protection. Thus, it is generally recognized that the incentive rationale also applies to trade secret protection. However, conflicts between trade secret protection and the patent policy of disclosure (as well as the copyright policy of disclosure) can develop when trade secret law (or any other law) is seen as a more viable alternative to patent protection, at least with respect to patentable inventions or so-called ‘technical trade secrets’. This explains, in part, the limits that are typically placed upon the scope of trade secret rights.

1.24 The limits that are placed upon trade secret rights are also explained by the value that free market economies typically place on the dissemination of knowledge and employee mobility. The importance of the dissemination of knowledge is why so many public funds are spent on public education, publicly funded research and public libraries, and why the developing world clamours for more education and technology transfer. However, unlike patented inventions which must be disclosed, trade secrets are not the type of information from which others can readily learn or upon which they can build, unless the information leaks out or is voluntarily shared. Thus, as explained by the US Supreme Court in *Kewanee v. Bicron Oil Co.*, the limits that are placed on trade secret protection in the United States are designed to ensure that a core of information (and the knowledge it conveys) remains free for everyone to use.

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10 A distinction is made in the law and literature between technical trade secrets and other trade secrets. Technical trade secrets concern information that is within patentable subject, traditionally defined not to include business methods. Non-technical trade secrets refer to everything else, including compilation of information and improved methods of organizing and conducting businesses. This distinction is important to keep in mind since some countries and courts are more comfortable protecting technical trade secrets.
11 Lobel, n. 8 above.
12 *Kewanee Oil Co.*, n. 9 above.
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Under well-established trade secret doctrine in the United States (and as detailed in the EU Trade Secret Directive, see Appendix 2), this includes: (1) the general knowledge and skill that is acquired by learned and experienced individuals; (2) information that is generally known by the public and among people who are skilled in a particular art; and (3) information that is readily ascertainable.

While the incentive rationale of trade secret protection is most often cited by policy-makers, in reality there is nothing that prevents an inventor or creator from innovating in secret within the confines of her own home or place of business. In fact, this sort of innovation happens all the time and is sure to continue with or without trade secret protection. Moreover, when the business activities of a given country are largely localized and consist of small groups of people (often family members) working together, there is not as much risk that ‘secret’ information will be shared with outsiders, let alone misappropriated. As an economy moves toward larger-scale enterprises and increases its foreign investment and trade, however, the dynamics change. Trade secret issues generally arise when the person who invented or created the secret information wants to share it with another either because it must be shared and used to have value or because the inventor wants to obtain financing or sell the invention.

The necessary sharing of business information as economies and industries grow and develop places trade secrets at greater risk of loss and has been used as the basis for two additional justifications for trade secret protection. First, the US Supreme Court and others have noted that trade secret law promotes the sharing of information by making it possible for trade secret owners to disclose their trade secrets in limited circumstances without suffering a loss of trade secrets rights (the disclosure purpose of trade secret law).13 Although this is not a degree of sharing that is similar to the quid pro quo of patent law (which explicitly makes public disclosure of the invention a condition of the grant of patent rights), the concern is that without trade secret protection, trade secret owners will be less willing to share information and the efficiencies and general knowledge transfer that could be achieved through limited sharing of valuable information would be lost.

Second, it is argued that without trade secret laws to protect information that is shared within a confidential relationship, trade secret owners would be inclined to spend too many resources to protect their secrets, including the increased

transaction costs associated with negotiated confidentiality agreements. This is the efficiency (or lowering of transaction costs) purpose of trade secret law.¹⁴

1.28 In part, the pressure to increase trade secret protection internationally is simply an extension of the classic justifications for trade secret protection, which historically focused on the maintenance of business ethics. But those companies that wish to protect their trade secrets (particularly in countries like the United States that already have well-developed trade secret principles) can already do so by confining the use and sharing of their trade secrets to countries where trade secret protection is strong. Seen in this light, recent efforts to increase trade secret protection internationally represent an obvious effort to broaden the geographic scope of the safe (or relatively so) sharing of information. In theory, this should be good for both economic development and technology transfer by allowing for the greater diffusion of knowledge, albeit with restrictions.

1.29 As expressed in the European Commission Study:

The results of our exercise support the working hypothesis that new harmonized legislation directed at trade secrets would have a significant impact fostering innovation and economic growth, by removing currently existing obstacles to the smooth functioning of the Internal Market for know-how such as the high transaction costs and the higher risk associated with an inadequate legal framework throughout the Union.¹⁵

The problem with the goal of lowering transactions costs, however, is that despite the possibility that a harmonized trade secret law in the EU might make it easier for a trade secret owner to successfully assert a trade secret misappropriation claim, as discussed in Chapters 4 and 5, it is still highly recommended that trade secret owners enter into written agreements with every person and company who will be allowed to access their trade secrets.

1.30 Additionally, while the foregoing quote may explain the benefits of trade secret protection within common markets like the United States and the EU, the pressure to increase trade secret protection elsewhere (e.g., China, Brazil and India) is explained by a number of other factors, including the fear that some foreign countries have adopted the misappropriation of trade secrets and other business information as a central tenet of their innovation strategy, or worse, as a means to acquire sensitive information related to national security. There is also the ‘if you build, they will come’ argument (also made during the negotiations

¹⁴ Risch, n. 8 above.
¹⁵ European Commission Study, n. 6 above.
which led to the TRIPS Agreement) that posits: if developing countries create and maintain a robust and effective system of IPR protection, foreign investment and trade will follow.

Increased interest in the protection of trade secrets may also reflect the desire of product manufacturers to move existing domestic manufacturing processes to foreign countries. Or it may reflect a desire by manufacturing companies, particularly those that use and can maintain hidden processes, to shift their focus from patent protection to trade secret protection. For those companies that already utilize offshore manufacturing facilities, enhanced international trade secret protection is designed to improve the enforcement of trade secret rights and stem the alleged misappropriation of trade secrets by foreign countries or by trading partners that are located abroad. As suggested in both the European Commission Study and the USTR’s 2014 Special 301 Report, efforts to increase trade secret protection also reflect the cross-border nature of modern manufacturing processes, with different pieces of products being made in different countries for assembly elsewhere.\(^1\)

Whether the ability of companies to ‘offshore’ their manufacturing processes is a good idea depends upon the lens through which one looks. From the perspective of US manufacturing workers, it probably looks like a bad idea because the risk of loss of trade secrets is a factor that often motivates US companies to maintain domestic manufacturing facilities. However, from the point of view of manufacturers and consumers, there is the promise of greater corporate profits and lower consumer costs if manufacturing processes can be confidently sent to less expensive foreign facilities. Additionally, enhanced trade secret protection internationally should reduce the incidence of espionage by foreign interests, including state-sponsored actions and the actions of organized crime, provided that the adoption and enforcement of trade secret laws extends to such activities.

From the perspective of developing countries, increased trade secret protection should enhance the ability of local individuals and companies to protect their trade secrets and (in theory) will lead to more knowledge and technology transfer in the form of the sharing and leakage of trade secret information from outsiders. In this regard, Article 7 of the TRIPS Agreement sets forth one of the central tenets of that agreement when it states:

\(^{16}\) European Commission Study, n. 6 above, at 149; Office of the US Trade Representative, 2014 Special 301 Report, n. 4 above, at 18.
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The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.

Whether these laudable goals come to fruition ultimately depends upon the extent and application of trade secret protection, including applicable limiting doctrines, and whether Article 7 of the TRIPS Agreement will be interpreted as an outer constraint on the scope of trade secret protection.

1.34 As is detailed in Chapter 3, the limiting doctrines of trade secret law play a key role in ensuring that trade secrets are neither over-protected nor under-protected. In *Kewanee v. Bicron Oil Co.*, the US Supreme Court recognized that the necessary balance is generally achieved by recognizing that trade secret protection is like a ‘sieve’ for information; it does not provide absolute protection and the leakage of such information is generally good for society because it adds to the store of publicly available information.17 Moreover, as noted previously, if trade secret protection is too strong, it may discourage inventors from applying for patents and, thereby, prevent the public disclosure of important knowledge upon which others can build in the future.

1.35 The limiting doctrines of trade secret law can take many forms and can be expressed in: (1) the explicit language of applicable codes; (2) in case decisions; or (3) in ancillary bodies of law such as antitrust or competition law and employment law. For instance, under the UTSA, important limiting principles are reflected in the definition of a trade secret, the recognized ‘proper’ means to acquire trade secrets and the limits that are placed on available remedies, particularly injunctive relief. As detailed in Appendix 1, the proposed EU Trade Secret Directive contains these same limitations and then some. Additionally, under US law and the laws of many other countries, general principles of unfair competition, the importance of the public domain, principles of free speech and principles governing employee mobility often apply to limit the effective scope of trade secret protection.

17 *Kewanee Oil Co.*, n. 9 above, at 490.
IV. THE INTERNATIONAL COMMUNITY AWAKENS TO THE IMPORTANCE OF TRADE SECRETS

After decades of being ignored (or relatively so), trade secret rights have become a hot topic among international trade professionals and businesses alike. A primary driver of the increased attention is concern about foreign and cyber-espionage and the ease with which all manner of information that is stored and transmitted in digital form can be accessed and copied.

Although it is largely hidden from public view, cyber security professionals have reported that companies located within the United States and other industrialized countries are under a constant barrage of cyber-attacks from nuisance, organized crime and state-sponsored interests. Thus, it is asserted that companies need more tools to combat such attacks and the institution of more effective trade secret laws is seen as one possible solution.

Partly in response to the threat of cyber-attacks, in February 2013, the Executive Office of the President of the United States issued the Administration Strategy on Mitigating the Theft of U.S. Trade Secrets, promising to ‘coordinate and improve’ efforts to protect US innovation, including trade secrets. Since that time, there has been a noticeable increase in the rhetoric of trade secret enforcement emanating from the Office of the United States Trade Representative (USTR), including the inclusion of trade secret concerns in the annual Special 301 Report. Among other statements, the 2014 Special 301 Report ‘urges [United States’] trading partners to ensure that they have robust systems for protecting and enforcing trade secrets, including the availability of deterrent criminal penalties for trade secret theft’. The 2014 Special 301 Report also cites with favour the proposed EU Trade Secret Directive to better harmonize trade secret protection principles in EU member countries.

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19 See e.g., Mandiant Intelligence Center Report, APT1: Exposing One of China’s Cyber Espionage Units (19 February 2013).
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1.39 In April 2013, the European Commission issued a Study on Trade Secrets and Confidential Business Information in the Internal Market (‘European Commission Study’). This led to the 28 November 2013 introduction of the proposed EU Trade Secret Directive. Various countries in Asia have also given increased attention to trade secret protection in recent years. For instance, Japan (discussed below) has amended its trade secret laws several times over the past five years in ways that significantly improve trade secret protection. In 2013, Taiwan adopted its Trade Secret Act with provisions that are very similar to the US model.

1.40 The increased attention on trade secrecy in Europe coincides with the European Commission’s adoption in May 2011 of its Europe 2020 strategy which calls for the creation of an ‘Innovation Union’, a subsequent EU conference entitled ‘Trade Secrets: Supporting Innovation, Protecting Know-how’ that took place on 29 June 2012 and later public consultations. As the proposed EU Trade Secret Directive explains: ‘[T]he Commission has undertaken to create an Innovation Union, protecting investments in the knowledge base, reducing costly fragmentation, and making Europe a more rewarding place for innovation’. It also follows the 2011 Report on Trade Secrets for the European Commission which provides a country by country summary of trade secret laws in EU countries and which criticized the lack of harmonization.

1.41 In the United States, the increased attention on trade secret law coincides with the passage of the America Invents Act (which arguably increases the importance of trade secrecy for some industries), the 2012 publication by Create.org of a White Paper on Trade Secret Theft and the 2012 publication of a book on economic development which discusses the importance of trade secret protection for innovation. The increased attention also reflects the importance of trade secrets to businesses large and small and represents the next step in the evolution of international trade secrecy norms.

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22 European Commission Study, n. 6 above.
23 European Commission, Proposal for a Directive, n. 5 above.
24 See discussion of Japanese trade secret law in Chapter 7.
25 Trade Secrets Act (Taiwan), effective 1 February 2013.
29 Create.org is a non-profit advocacy group funded in part by Microsoft with the mission of ‘promoting responsible business practices including respect for intellectual property’.
What is different about recent efforts to increase the protection of trade secrecy internationally compared to previous efforts, particularly in the EU, is the expressed desire for more uniformity, specificity and harmonization with respect to the details and limits of trade secret law. This follows efforts, albeit from several decades earlier, to harmonize trade secret law among the various states of the United States that began with the adoption of the Uniform Trade Secrets Act in 1979.

Efforts to harmonize trade secret law outside of the United States and EU are also underway, most notably with respect to the United States’ Free Trade Agreement (FTA) strategy which typically results in the ratcheting-up of required IPR protection for signatories to the Agreement. The most recent case in point is the Trans-Pacific Partnership Agreement (TPPA) which is currently being negotiated and which includes draft provisions that would require enhanced trade secret protection efforts by signatory countries.31

V. INTRODUCTION TO INTERNATIONAL NORM-MAKING

Well established principles of international law recognize that each country is a sovereign nation that is free to establish its own laws and legal systems as dictated by its own needs and values. Nonetheless, various diplomatic strategies and processes have been used over the centuries to require willing countries to meet specified minimum standards with respect to various legal issues. In the field of IPRs, there is a long-standing and rich history of multilateral agreements for the protection of IPRs, including the Paris Convention for the Protection of Industrial Property of 1883 (‘Paris Convention’)32 and the Berne Convention for the Protection of Literary and Artistic Works of 1886 (‘Berne Convention’).33 However, until the adoption of the TRIPS Agreement in 1994, no multilateral agreement for the protection of IPRs specifically addressed the issue of trade secret protection.

As is explained in greater detail in Chapter 2, interest in international norm-making with respect to trade secrets first began in the late 1980s in conjunction with the negotiations that resulted in the formation of the WTO and approval of the TRIPS Agreement. Before then, each country was free to

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develop its own legal principles with respect to the protection of proprietary information and, as one might expect, the scope and nature of those laws varied as a result. This is particularly true when one considers that the development of trade secret principles in England and the United States grew out of changes in the structure and purpose of companies during the first and second Industrial Revolutions and that not all countries enjoyed similar industrial development at the same time, or ever.34

Generally, as the economies of countries develop so that the sharing of information among businesses is more common and necessary, and home-grown innovation occurs that local businesses and their governments wish to protect, the need for legal principles to protect proprietary information rises. However, due to a number of factors that have gone largely unexplored, not all countries value trade secret protection to the same degree or at the same time. This is partly due to the fact that it was not until fairly recently in the development of trade secret doctrine that trade secrets could be treated as a form of property, let alone a form of intellectual property. Additionally, as the law governing the protection of proprietary information develops in a given country, the legal theories and processes that are used to protect such information vary.

The varied development and details of international law with respect to trade secrets is not unlike the history of trade secret law in the United States, which provides an example of legal norm-making and how the process can often take decades to reach fruition.35 It is generally recognized that the first trade secret case was decided in the United States in 1837,36 but it was not until 1979 that a proposed uniform law was approved with the goal of harmonizing trade secret law throughout the United States.37 Even after the adoption of the UTSA in 1979, it was not until 1988 that the majority of US states enacted the UTSA.

Much like the state of international trade secret protection today, for over 150 years between 1837 and 1988, the law governing trade secrets in the United States was primarily based upon a number of different theories (including tort, contract, property, unfair competition and equitable theories) and application of trade secret doctrine, such as it was, was marked by inconsistency and unpredictability. This confusing and unpredictable state of affairs was the principal

35 Sandeen, n. 6 above.
36 See Fickery v. Welch, 36 Mass. 523 (1837).
impetus behind the efforts of the American Bar Association and its members to
draft a uniform law to govern trade secrets.

Current efforts to expand and harmonize trade secret protection on an inter-
national scale can be seen as a repeat of the process that the United States
followed, but on a much larger scale. The first step in that process was
accomplished in 1994 when WTO member countries officially agreed to
provide a minimal degree of protection for undisclosed information (aka trade
secrets) as set forth in Article 39 of the TRIPS Agreement. The next step is to
have the countries of the world adopt a more detailed and harmonized
understanding of the scope and limits of trade secret protection, including
increased enforcement efforts.

Historically, when harmonization of IPRs has been deemed necessary, the
international community has developed multilateral agreements that, over time,
have become more specific and detailed. This can be seen in the various
amendments to the Paris Convention and the Berne Convention and, more
recently, in the detailed provisions of the TRIPS Agreement with respect to
patent law, copyright law and trademark law. Thus, while the TRIPS Agree-
ment still allows WTO member countries numerous ‘flexibilities’ concerning
the details of their intellectual property laws, more standards are specified in
TRIPS than are contained in earlier multilateral agreements.

Since the TRIPS Agreement was adopted more than 20 years ago, there has
been little effort to amend it except with respect to the issue of access to
pharmaceuticals as reflected in the Doha Agreement. Instead, where weak-
nesses have been perceived in the protection for IPRs, both the United States
and EU (as well as their allies) have pursued what is referred to by some as a
‘TRIPS-plus’ strategy designed to ratchet-up the protection for IPRs through a
series of bilateral or regional trade agreements or through organizations outside
of the WTO. In this way, international norm-making is achieved over time in a
piecemeal fashion between a small number of countries rather than as a product
of collective decision-making and consensus by a large number of countries.

Efforts to require more details and enforcement with respect to trade secret
rights are following the piecemeal method of international norm-making, at
least for now. Rather, than negotiating an amendment to the TRIPS Agree-
ment or a new multilateral agreement regarding trade secrets, greater trade

38 See e.g., Paris Convention, Art. 6bis; Berne Convention, Art. 2bis; TRIPS Agreement, Part II: Standards
Concerning the Availability, Scope and Use of Intellectual Property Rights.
39 See Sandeen, n 2 above.
Chapter 1 INTRODUCTION

secret harmonization is being pursued through a series of initiatives, including the proposed EU Trade Secret Directive, the proposed Trans-Atlantic Trade and Investment Partnership40 and the proposed Trans-Pacific Partnership Agreement.41

1.53 It is an interesting time to practise in the area of trade secret law and this book aims to help make the efforts of attorneys and their clients to identify, protect and enforce trade secret rights throughout the world more efficient and successful.

41 See Trans-Pacific Partnership Agreement, n. 31 above.