

June 2018

Trade Secrets, Safe Harbors, and International Trade

W. Keith Robinson
Southern Methodist University, Dedman School of Law

Recommended Citation

W. Keith Robinson, *Trade Secrets, Safe Harbors, and International Trade*, 20 SMU SCI. & TECH. L. REV. 177 (2018)
<https://scholar.smu.edu/scitech/vol20/iss2/6>

This Symposium Article is brought to you for free and open access by the Law Journals at SMU Scholar. It has been accepted for inclusion in Science and Technology Law Review by an authorized administrator of SMU Scholar. For more information, please visit <http://digitalrepository.smu.edu>.

Trade Secrets, Safe Harbors, and International Trade

*W. Keith Robinson**

The Trans-Pacific Partnership (TPP) is a proposed trade agreement that establishes terms for trade and business between the United States and eleven Pacific Rim nations. The United States has withdrawn from the TPP, but interest in the agreement remains because some of its provisions serve as a template for future international trade deals. This article focuses on the TPP provisions concerning trade secrets and Internet Service Provider (ISP) Safe Harbors. While both provisions mirror U.S. law, they do lack certain “safeguards.” Commentators have observed that the absence of these safeguards unfairly favor the interests of large corporations and rights holders over individuals and the public. This article argues for a flexible approach that encourages participating countries to include safeguards in future trade agreements that are missing from the TPP. Adding these safeguards will balance the interests of individuals with the interests of corporations and large rights holders.

I. INTRODUCTION

The Trans Pacific Partnership (TPP) is a proposed trade agreement involving the United States of America and several Pacific Rim countries.¹ While the United States has withdrawn from the TPP, future international trade deals will most likely use many of its provisions as a template.² Accordingly, it is still useful to study this proposed agreement and its provisions.

The agreement includes several intellectual property provisions.³ This article examines problematic parts of two provisions in the TPP—the trade secret provisions⁴ and the ISP Safe Harbor provisions.⁵ In many ways, the

* Altshuler Distinguished Teaching Professor, Co-Director, Tsai Center for Law, Science and Innovation, Associate Professor of Law, SMU Dedman School of Law; J.D. *Cum Laude*, 2004, Duke University School of Law; B.S. Electrical Engineering, 1999, Duke University; the Author formerly practiced at Foley & Lardner LLP in Washington, D.C.

1. Trans-Pacific Partnership, OFFICE OF THE U.S. TRADE REP., ch. 18, Feb. 4, 2016, <https://ustr.gov/trade-agreements/free-trade-agreements/trans-pacific-partnership/tpp-full-text> (last visited Jan. 24, 2018) [hereinafter TPP].
2. See Robert J. Samuelson, *The TPP Lives—Maybe*, WASH. POST (Feb. 15, 2017) https://www.washingtonpost.com/opinions/the-tpp-lives—maybe/2017/02/15/c27cdfac-f3a8-11e6-b9c9-e83fce42fb61_story.html?utm_term=.a795fd85fd98 (explaining that the TPP, or at least some of its provisions, are still politically and economically popular with many in Washington, D.C.).
3. TPP, *supra* note 1, ch. 18.
4. *Id.* art. 18.78.
5. *Id.* art. 18.82.

TPP provisions mirror U.S. law.⁶ However, both provisions differ from U.S. law in a significant way.

Specifically, both the trade secret and ISP provisions of the TPP do not include safeguards that are present in their U.S. counterparts.⁷ For example, the trade secret provisions fail to include language that would protect whistleblowers who disclose subject matter that is allegedly a trade secret.⁸ Similarly, the ISP service provider provision does not include a counter notification provision that would provide users accused of posting infringing content an opportunity to respond to a takedown notice.⁹

Critics of the TPP have argued these provisions unfairly favor rights holders and weaken the rights of individuals and the public. For example, in the absence of a whistleblower exemption for disclosing trade secrets, the threat of litigation might discourage whistleblowing activities, which could also harm the public at large. Similarly, there is an argument that, absent a counter notification system, copyright holders can abuse the takedown notice procedure in a way that is detrimental to users.

So, should the TPP or future trade deals based on the TPP include provisions that arguably level the playing field between rights holders and the public? The answer depends on a few factors, including the goal of the TPP and the country or countries in question. One general criticism of international trade deals is that they are a one-size-fits-all solution for countries that may be in very different stages of development.¹⁰ Less restrictive IP laws benefit developing countries to a certain point. A more rigid IP regime may help the developing country attract outside investment from foreign businesses. The more rigid IP regime could in turn benefit businesses within the country as well. Whether these absent provisions in the trade secret and ISP Safe Harbor provisions are needed may depend upon where a country is in its financial and technological development.

Accordingly, one solution may be to include such provisions but make it optional for countries to adopt them. Another option would be to require that all countries adopt the provisions within a certain time. This flexible approach would allow each individual country to decide when it is best for it to implement the subject exceptions. Further, it would provide some assurance to the more developed countries in the agreement that over time each party to

6. Compare Defend Trade Secrets Act, Pub. L. No. 114-153 (2016) [hereinafter DTSA] with TPP, *supra* note 1, ch. 18.

7. Compare DTSA, *supra* note 6, with TPP, *supra* note 1, arts. 18.78, 18.81–18.82.

8. See TPP, *supra* note 1, art. 18.78.

9. *Id.* arts. 18.81–18.82.

10. Sean M. Flynn et al., *The U.S. Proposal for an Intellectual Property Chapter in the Trans-Pacific Partnership Agreement*, 28 AM. U. INT'L L. REV. 105, 106 (2012).

the agreement can balance the rights of the individuals and the public with that of rights holders.

This article proceeds in two parts. Part II summarizes the trade secret and ISP provisions of the TPP and highlights the critical differences between those provisions and their U.S. counterparts. Part III explains why the differences highlighted in Part II are important and argues for the inclusion of flexible whistleblower and counter-notification provisions. An inclusion of flexible provisions that balance the interest of rights holders and the public will benefit participating countries at various stages of their development, which in turn has the potential to strengthen all parties involved in the TPP or similar trade deals.

II. BACKGROUND

This part introduces the trade secret and ISP Safe Harbor provisions of the TPP, summarizes the related United States' provisions, and highlights some critical differences between them. Namely, the TPP trade secret provision does not include any protections for whistleblowers and the ISP Safe Harbor provision does not include a counter-notification procedure.

A. Summary of TPP Provisions

The TPP's IP provisions include sections on patents, trademarks, copyrights, trade secrets and other IP related laws. One goal of these provisions of the TPP is to make it easier for small businesses to enter markets in new countries.¹¹ This section summarizes the provisions of the TPP that are related to trade secrets and the ISP Safe Harbor.

1. Trade Secrets

Chapter 18, Article 78 of the TPP discusses trade secrets.¹² Article 18.78 incorporates by reference the definition of a trade secret by specifying that trade secrets include undisclosed information "as provided for in Article 39.2 of the TRIPS agreement."¹³ This definition is consistent with the Uniform Trade Secrets Act, which many states in the United States have adopted.¹⁴ Generally, under this definition, a trade secret is any information that derives

11. Press Release, U.S. Trade Representative, Summary of the Trans-Pacific Partnership Agreement (Oct. 4, 2015), <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2015/october/summary-trans-pacific-partnership>.

12. TPP, *supra* note 1, art. 18.78.

13. *Id.*

14. UNIF. TRADE SECRETS ACT § 1 (1985); Roberta L. Horton et al., *Extensive IP Provisions in the Trans-Pacific Partnership*, ARNOLD & PORTER ADVISORY (Nov. 20, 2015), <http://www.apks.com/en/perspectives/publications/2015/11/extensive-ip-provisions-in-the-tpp>.

independent economic value from not generally being known and is the subject of reasonable efforts to maintain its secrecy.¹⁵

Paragraph 1 of Article 18.78 requires parties to enforce laws aimed at preventing the misappropriation or unauthorized use of trade secrets by third parties, including state-owned actors.¹⁶ The TPP includes terms for criminalizing trade secret theft but fails to specify civil remedies for trade secret misappropriation.¹⁷ Paragraph 1 defines the scope of activities that each party's laws must prevent as those "contrary to honest commercial practices," including breaches of contract and confidence.¹⁸

Paragraph 2 of Article 18.78 gives countries the option of imposing criminal procedures and penalties for at least one of three listed offenses: "(a) the unauthorised and wilful access to a trade secret held in a computer system; (b) the unauthorised and wilful misappropriation of a trade secret, including by means of a computer system; or (c) the fraudulent disclosure, or alternatively, the unauthorised and wilful disclosure, of a trade secret, including by means of a computer system."¹⁹

Given the offenses listed in Paragraph 2, Paragraph 3 provides parties the option to limit the criminal penalties imposed to one out of five enumerated cases in which: "(a) the acts are for the purposes of commercial advantage or financial gain; (b) the acts are related to a product or service in national or international commerce; (c) the acts are intended to injure the owner of such trade secret; (d) the acts are directed by or for the benefit of or in association with a foreign economic entity; or (e) the acts are detrimental to a Party's economic interests, international relations, or national defence or national security."²⁰

Given this brief overview of the trade secret provisions, the next section briefly summarizes the ISP Safe Harbor provisions in the TPP.

2. ISP Safe Harbor

The ISP Safe Harbor provision is designed to exclude ISPs from liability if they remove infringing material from their services upon learning of an unauthorized use of copyrighted material.²¹ Article 18.81 generally defines an ISP as "a provider of online services for the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing."²²

15. 18 U.S.C.A. § 1839(3)(B) (2016).

16. TPP, *supra* note 1, art. 18.78, ¶ 1.

17. *See id.* ¶ 2.

18. *Id.* ¶ 1.

19. *Id.* ¶ 2.

20. *Id.* ¶ 3.

21. *See id.* arts. 18.81–18.82.

22. *See* TPP, *supra* note 1, art. 18.81(a).

Article 18.82 requires that parties make legal remedies available to rights holders for copyright infringement through a legal framework that incentivizes cooperation between rights holders and ISPs and precludes liability of ISPs for infringement that falls into several enumerated functions.²³ Those functions include:

- (a) transmitting, routing or providing connections for material without modification of its content or the intermediate and transient storage of that material done automatically in the course of such a technical process; (b) caching carried out through an automated process; (c) storage, at the direction of a user, of material residing on a system or network controlled or operated by or for the Internet Service Provider; and (d) referring or linking users to an online location by using information location tools, including hyperlinks and directories.²⁴

Upon actual knowledge or upon becoming aware of infringing material, Article 18.82 exempts ISPs from liability if they (1) remove the infringing material; and (2) promptly notify the party whose material was removed.²⁵ Article 18.82 also requires ISPs to restore content subject to a valid counter notice but only in countries that have counter notification laws.²⁶ Further, Article 18.82 requires each party to provide procedures that allow copyright owners to learn the identify of alleged infringers to protect and enforce their copyright.²⁷

The language of the text requires parties impose penalties upon those who issue wrongful takedown notices.²⁸ It further provides takedown notices must be verified by a decision-making body consisting of ISPs and copyright owners.²⁹ However, the TPP provisions do not require rights holders to have a good faith belief that the material subject to their takedown request is being used unlawfully.³⁰

23. *Id.* art. 18.82, ¶ 1.

24. *Id.* art. 18.78, ¶ 2.

25. *Id.* art. 18.78, ¶ 3.

26. *Id.* ¶¶ 4–5.

27. *Id.* ¶ 7.

28. Jeremy Malcolm, *The Final Leaked TPP Text is All That We Feared*, ELEC. FRONTIER FOUND. (Oct. 9, 2015), <https://www.eff.org/deeplinks/2015/10/final-leaked-tpp-text-all-we-feared>.

29. *Id.*

30. Annemarie Bridy, *A User-Focused Commentary On The TPP ISP Safe Harbors*, INTELLECTUAL PROP. WATCH (Nov. 24, 2015), <https://www.ip-watch.org/2015/11/24/a-user-focused-commentary-on-the-tpp-isp-safe-harbors/>.

Finally, the TPP provides for certain remedies for rights holders and users.³¹ Exemplary or statutory damages are available to copyright plaintiffs.³² Enhanced damages are unavailable to users who win abusive take-down cases against rights holders.³³

B. The Differences Between the TPP Trade Secret and ISP Safe Harbor Provisions, and U.S. Law

This section summarizes critical differences between U.S. law and the TPP trade secret and ISP Safe Harbor provisions. Specifically, the TPP trade secret provision does not include any protections for whistleblowers and the ISP Safe Harbor provision does not include a counter-notification procedure.

1. Trade Secrets

The TPP mirrors the basic concepts of other agreements such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).³⁴ For example, the civil trade secret provisions are very similar to their TRIPS counterparts.³⁵ However, there are a few key differences between the TPP trade secret provisions and the treatment of trade secrets under U.S. law. For example, one commentator has argued the definition of trade secret in the TPP is too broad and, thus, disadvantages former employees turned entrepreneurs.³⁶ Second, in contrast to U.S. law, the trade secret provision of the TPP does not require a trade secret owner to be harmed or for some party to have benefited from the theft for a criminal penalty to be enforced.³⁷ In addition, the willful access of a trade secret on a computer is

31. TPP, *supra* note 1, art. 18.72, 18.82.

32. *See id.* art. 18.74, ¶¶ 6–7.

33. Bridy, *supra* note 30.

34. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 [hereinafter TRIPS]. *See* Barry Sookman, *TPP and Trade Secrets: A Wonderful Idea*, BARRYSOOKMAN.COM (Dec. 31, 2015), <http://www.barrysookman.com/2015/12/31/tpp-and-trade-secrets-a-wonderful-idea/> (explaining the TPP trade secret provisions are like that of other treaties).

35. *Id.*

36. Dan Breznitz, *Trans-Pacific Partnership is a Wonderful Idea—for China*, GLOBE & MAIL (Dec. 26, 2015, 5:00 AM EST), <http://www.theglobeandmail.com/report-on-business/rob-commentary/trans-pacific-partnership-is-a-wonderful-idea-for-china/article27939142/> (criticizing trade secret provision of TPP).

37. Jeremy Malcolm, *Cyber-Espionage and Trade Agreements: An Ill-Fitting and Dangerous Combination*, ELEC. FRONTIER FOUND. (Oct. 17, 2014), <https://www.eff.org/deeplinks/2014/10/cyber-espionage-and-trade-agreements-ill-fitting-and-dangerous-combination>.

an offense under the TPP, even if trade secret subject matter is not copied or disclosed.³⁸ Finally, Article 18.78 does not include any safeguards for individuals such as whistleblowers, investigative journalists, or security researchers who gain access to trade secret information.³⁹ Not only does such a provision benefit a specific individual, but it is also viewed as a public safeguard since the information at issue may be of vital interest and benefit to the public.⁴⁰ The absence of a similar whistleblower provision from the TPP supports the narrative that the TPP favors large corporations and rights holders over the public.

2. ISP Safe Harbor

Similarly, rights holders seem to be the primary beneficiaries of the TPP's ISP Safe Harbor provisions. There are several key differences between the TPP ISP Safe Harbors and those included in the DMCA.⁴¹ First, unlike the DMCA, the TPP does not include a provision requiring parties to terminate the accounts of repeat infringers.⁴² Second, the fact the TPP does not require rights holders to assert takedown notices under a good faith belief that the subject material is being used unlawfully eliminates a tool used to deter abusive takedown requests.⁴³ Furthermore, while the TPP requires that parties make monetary awards available to users that win takedown abuse cases, it does not require awards of attorney fees and costs.⁴⁴ A final major difference between the TPP and the DMCA provisions is that whether countries implement a counter-notification procedure depends on whether that country has such a law or procedure in place.⁴⁵ Accordingly, TPP countries without existing counter-notification procedures are not required to implement them.⁴⁶ This leaves users in some countries unable to make administrative challenges to takedown requests by rights holders.⁴⁷

38. *Id.* at 2.

39. Moner Amir, *Final TPP Language on Trade Secret Protection Disclosed*, TRADE SECRETS WATCH (Oct. 22, 2015), <http://blogs.orrick.com/trade-secrets-watch/2015/10/22/final-tpp-language-on-trade-secret-protection-disclosed/> (summarizing trade secret provisions of the TPP).

40. Malcolm, *Cyber-Espionage and Trade Agreements*, *supra* note 37 (criticizing the trade secret provision for not including exceptions).

41. *Compare* Digital Millennium Copyright Act of 1998, 17 U.S.C. § 101 et seq. (2017) [hereinafter DMCA] *with* TPP, *supra* note 1, art. 18.81–18.82.

42. DMCA § 512(i)(1)(A); Bridy, *supra* note 30.

43. *Id.*

44. *Id.*

45. *Id.*

46. *Id.*

47. *Id.*

III. IMPLEMENTING ADDITIONAL SAFEGUARDS

Given the discussion in Part II, this part analyzes the implications of the differences between U.S. law and the trade secrets and ISP Safe Harbor provisions of the TPP. Considering a pro-rights holder stance, this part provides recommendations for implementing additional safeguards in a flexible manner. A flexible implementation of the safeguards will allow countries to respond to the concerns of individuals and the public as their economy and IP regime evolve.⁴⁸

A. Upsetting the Balance Between Rights Holders and the Public

One general criticism of the TPP and similar trade deals is that the IP provisions strengthen the position of rights holders while weakening individual rights in ways that could also be detrimental to the public.⁴⁹ For example, because the trade secret provision of the TPP does not suggest parties exempt whistleblowers from liability, it disincentives individual actions that in some circumstances may benefit the public at large.⁵⁰ In turn, rights holders may unfairly treat individuals they perceive as a threat to disclose trade secret information.⁵¹

Critics of the TPP also argue its failure to require all parties to participate in a counter notification system makes its takedown procedures overly protective and more likely to be abused by rights holders.⁵² For example, the ISP Safe Harbor provisions strengthen the ability of ISPs to issue takedown notices without fear of being challenged by users.⁵³ This may unfairly strengthen the power of rights holders while weakening the impact of individuals on the IP system.⁵⁴

B. Establishing a Balance Between Rights Holders and the Public

To establish a balance between rights holders and the public, the TPP or any other trade deal should give parties the option to implement additional safeguards over a determined period of time.⁵⁵ Additional safeguards will

48. See, e.g., Summary of the Trans-Pacific Partnership Agreement, *supra* note 11.

49. See, e.g., Bridy, *supra* note 30.

50. See generally Marie Brenner, *The Man Who Knew Too Much*, VANITY FAIR (May 1996), <http://www.vanityfair.com/magazine/1996/05/wigand199605> (detailing the story of Jeffrey Wigand, the former head of research and development at a tobacco company and a famous whistleblower).

51. Amir, *supra* note 39.

52. Bridy, *supra* note 30.

53. *Id.*

54. See *id.*

55. See, e.g., Summary of the Trans-Pacific Partnership Agreement, *supra* note 11.

balance the interest of the public with that of rights holders.⁵⁶ Requiring that countries implement these safeguards on their own time frame will assist each party in ensuring that its IP system evolves at the pace they desire.⁵⁷

The Electronic Frontier Foundation has argued that the absence of a whistleblower exemption or safeguard may chill the speech of those seeking to publicize information that may be of interest and benefit to the public's health and safety.⁵⁸ Accordingly, similar to the DTSA, the TPP should include a safeguard for whistleblowers.⁵⁹ This provision will exempt individuals from liability for disclosing trade secrets.⁶⁰ This safeguard would encourage individuals to come forward with information that could be useful in maintaining public safety.⁶¹ Further, it prevents businesses from using litigation as a tactic to silence whistle blowers.⁶²

Concerning the ISP Safe Harbor provision, the TPP should also require parties to implement a counter notification system like that of the DMCA.⁶³ This safeguard would allow users to dispute a takedown notice received by an ISP.⁶⁴ Accordingly, this increases the ability of users to dispute arguable takedown notices and requires rights holders to be more precise in issuing takedown notices.⁶⁵

One challenge with all trade deals, like the TPP, is that provisions can impact parties differently, depending upon the characteristics of each country.⁶⁶ IP provisions that are prevalent in some countries may not be the best fit for others.⁶⁷ Implementing the safeguards mentioned above may harm some countries, whose goal is to attract businesses and content owners with

56. See Bridy, *supra* note 30, at 2.

57. See Summary of the Trans-Pacific Partnership Agreement, *supra* note 11.

58. Amir, *supra* note 39; Malcolm, *Cyber-Espionage and Trade Agreements*, *supra* note 37.

59. Malcolm, *Cyber-Espionage and Trade Agreements*, *supra* note 37.

60. See Daniel Hurson, *United States: The Whistleblower Protections of the Defend Trade Secrets Act Could Have a Broad Impact—But Only if Employees are Told About Them*, LAW OFFICES OF DANIEL J. HURSON, LLC (Sept. 13, 2016), <http://www.mondaq.com/unitedstates/x/526468/Whistleblowing/The+Whistleblower+Protections+Of+The+Defend+Trade+Secrets+Act+Could+Have+A+Broad+ImpactBut+Only+If+Employees+Are+Told+About+Them>.

61. Malcolm, *Cyber-Espionage and Trade Agreements*, *supra* note 37.

62. See *id.*

63. See Bridy, *supra* note 30.

64. *Id.*

65. *Id.*

66. See, e.g., *id.*; Summary of the Trans-Pacific Partnership Agreement, *supra* note 11.

67. See, e.g., Bridy, *supra* note 30, at 3.

IP protections that favor rights holders.⁶⁸ But, countries may want to implement these safeguards as their IP system evolves.⁶⁹

Accordingly, parties should be given the option to implement the above-mentioned safeguards over a specified period.⁷⁰ This flexibility would allow parties to make a policy decision based on their country's unique characteristics.⁷¹ Further, it eventually ensures all parties will provide important safeguards for users and the public.⁷²

IV. CONCLUSION

Future international trade deals should provide parties the option to phase in two key provisions over time that are missing from the TPP. First, the trade secret provision should include an exemption for whistleblowers.⁷³ Second, the ISP Safe Harbor provision should include a counter notification procedure.⁷⁴ Some commentators view the IP provisions of the TPP as favoring rights holders over individuals and the public.⁷⁵ The whistleblower exemption included in the DTSA benefits the public by providing whistleblowers with incentives to come forward.⁷⁶ The counter notification procedure provides individuals and smaller entities with a way to respond to unwarranted takedown requests.⁷⁷ Finally, the option to phase in these safeguards provides parties with the flexibility to choose a time that is right in the evolution of their IP laws to add important safeguards for individuals and the public.⁷⁸

68. *See, e.g., id.*

69. *See* Summary of the Trans-Pacific Partnership Agreement, *supra* note 11.

70. *Id.*

71. *Id.*

72. *Id.*

73. Malcolm, *Cyber-Espionage and Trade Agreements*, *supra* note 37.

74. *See* Bridy, *supra* note 30.

75. *See, e.g., id.*; Malcolm, *Cyber-Espionage and Trade Agreements*, *supra* note 37.

76. Malcolm, *Cyber-Espionage and Trade Agreements*, *supra* note 37.

77. *See* Bridy, *supra* note 30.

78. *See* Summary of the Trans-Pacific Partnership Agreement, *supra* note 11.