Open Secret—Trans Pacific Partnership Terms Revealed But Trade Secret Provisions Still Murky

Article By
James P. Flynn
Epstein Becker & Green, P.C.
Trade Secrets and Noncompete Blog

- Antitrust & Trade Regulation
- Election Law / Legislative News
- All Federal

Thursday, November 5, 2015

This morning the Obama administration publicly released the previously-undisclosed text of the Trans Pacific Partnership, or TPP, revealing, among other things, the provisions related to trade secrets that had previously been discussed here. As noted in that earlier piece, the administration had said that the TPP would “provide strong enforcement systems, including, for example, civil procedures, provisional measures, border measures, and criminal procedures and penalties for commercial-scale trademark counterfeiting and copyright or related rights piracy. In particular, TPP Parties will provide the legal means to prevent the misappropriation of trade secrets, and establish criminal procedures and penalties for trade secret theft, including by means of cyber-theft...,” according to the statement from Office of the United States Trade Representative (“USTR”). The just released terms do specify that member parties must provide criminal procedures to combat trade secret theft, but it is not clear that any enhanced civil remedies will be required.

Chapter 18, at Article 18.78, addresses trade secret protections, and requires each
member country to assure that “persons have the legal means to prevent trade secrets lawfully in their control from being disclosed to, acquired by, or used by others (including state-owned enterprises) without their consent in a manner contrary to honest commercial practices.” Article 18.78.1. The TPP then defines “a manner contrary to honest commercial practices” to mean “at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties that knew, or were grossly negligent in failing to know, that those practices were involved in the acquisition.” That article then goes on to state in Article 18.78.2 that “each Party shall provide for criminal procedures and penalties (emphasis added) for one or more of the following:

1. the unauthorised and wilful access to a trade secret held in a computer system;

2. the unauthorised and wilful misappropriation of a trade secret, including by means of a computer system; or

3. the fraudulent disclosure, or alternatively, the unauthorised and wilful disclosure, of a trade secret, including by means of a computer system.

While some would have wanted member nations to provide for both criminal and civil remedies so that trade secret owners might have a more direct role in enforcing their rights, the lack of direct mention in this article of civil remedies is not likely the area of greatest concern for such trade owners.

Of greater concern should be the somewhat strange language of Article 18.78.3:

With respect to the relevant acts referred to in paragraph 2, a Party may, as appropriate, limit the availability of its criminal procedures, or limit the level of penalties available, to one or more of the following 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. (emphasis added)

Let’s hope something got lost in the translation or in the printing because, reading section 2 and 3 together, it looks like member countries have to provide procedures addressing unauthorised and wilful access, misappropriation and disclosure unless those acts were undertaken for financial gain in commerce to the intended detriment of the trade secret owner, perhaps in connection with a foreign entity. If that article really means what it says, the TPP has promised nothing regarding trade secrets.

©2020 Epstein Becker & Green, P.C. All rights reserved.