

Best Practices in Trade Secret Protection and Enforcement Against Misappropriation

Introduction

APEC economies are committed to promoting innovation and recognize the pro-innovation and pro-investment effects of effective and balanced trade secret protection and enforcement against misappropriation. Trade secrets are an element of an intellectual property toolkit available to enterprises and which help promote APEC economies' economic, innovation, and social policy goals. Given the important role that trade secrets play across many industries, in 2014 APEC Leaders, "recogniz[ing] innovation as an important lever for economic growth," agreed "to promote an enabling environment for innovation" including through "respect for intellectual property rights and trade secrets." In the same year, APEC Ministers "reaffirm[ed] that IPR provide incentives that encourage creativity and innovation" and "renew[ed their] commitment to enhance the protection and enforcement of IPR, including trade secrets." They also welcomed progress made by the Intellectual Property Experts Group on the protection of trade secrets. At the January 2015 meeting in Clark, Philippines, the IPEG endorsed a four-volume report entitled "*Trade Secret Protection in APEC Economies*," and indicated that it "will serve as reference for further actions to identify best practices that will be subject to further discussions by IPEG members intersessionally."

Trade Secrets as a Promoter of Innovation, Including for MSMEs

For some businesses, trade secrets may constitute the most critical intellectual property assets. This is regardless of the size of the business and whether it operates in a developing or developed economy. As a complement to other forms of intellectual property protections, micro-, small- and medium-sized enterprises (MSMEs) may in particular rely on trade secrets to help maintain their competitive standing, secure financing, and integrate themselves into global supply chains. Although trade secret protections do not ensure exclusive rights for the holder of the trade secret, many governments provide legal remedies to help prevent unauthorized acquisition, use, or disclosure that is carried out in a manner that is contrary to honest commercial practices. The effective protection of trade secrets is especially important for MSMEs, which may be disproportionately affected by and less able to recover from a misappropriation compared to larger enterprises.

Best Practices

The manner in which effective trade secret protection and enforcement is achieved in different APEC economies may differ according to varying national legal traditions, and as a function of whether implemented through civil law or code, statutes, tort law, contract law, unfair competition law, and/or criminal law.

Informed by practices adopted by most APEC economies as reflected in the report entitled "*Trade Secrets Protection in the APEC Economies*," and noting reports from bodies including the Organisation for Economic Cooperation and Development and private sector perspectives, the APEC economies identify the following eight best practices in the protection of trade secrets and enforcement against trade secret misappropriation. Presented as a toolkit for good policy development, the recommendations are non-

binding and voluntary, and without prejudice to economies' positions in the WTO and other regional, bilateral and plurilateral negotiations. APEC economies also note the benefits of protecting patents and other forms of intellectual property that encourage public disclosure. Adoption of the following best practices in trade secrets protection is encouraged:

1. **Assertion of Claims:** *Allow a broad range of natural and legal persons lawfully in control of a trade secret to assert a claim of trade secrets protection and assert a claim against trade secret misappropriation, including formally-organized, for-profit businesses and non-governmental organizations.*
2. **Scope:** *In accordance with Article 39 of TRIPs, allow for trade secret protection where natural or legal persons lawfully in control of information take reasonable steps under the circumstances to keep information secret so long as the information has commercial value and it is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question including scientific, technical, and commercial information, which may include business plans, customer lists and preferences, and sources of supply, under appropriate circumstances. APEC economies not having done so already may wish to clarify that the results of early-stage research and development, may be protectable as trade secrets in appropriate circumstances.*
3. **Certainty and Predictability:** *To provide greater certainty and predictability, address any lack of clarity within their respective legal systems as to the extent to which contractual arrangements, written non-disclosure agreements, employment agreements, and other measures, may give rise to obligations to protect trade secrets. APEC economies not having done so already may wish to provide that non-disclosure obligations can extend beyond the term of employment.*
4. **Liability:** *Allow that trade secret misappropriation may give rise to both civil and criminal liability under appropriate circumstances, pursuant to applicable national laws. In providing for civil liability, a variety of legal concepts may be considered such as contractual breach, a breach of confidence, an act of unfair competition, and a tort. In providing for criminal liability, it should be considered that willful trade secret misappropriation can arise in a variety of contexts, especially when for commercial advantage, including theft, fraud, physical or electronic intrusion for an unlawful purpose. APEC economies should also recognize that trade secret misappropriation can involve both domestic and foreign natural and legal persons.*
5. **Defenses against legal claims:** *Provide for legal defenses to a natural or legal person against a claim of trade secret misappropriation including but not necessarily limited to instances in which the person:*
 - a. *reverse engineers an item lawfully obtained*
 - b. *independently discovers information claimed as a trade secret*
 - c. *acquires the subject confidential information from a third party in a legitimate manner and without an obligation of confidentiality or knowledge that the information is a trade secret*

- d. is protected by appropriate immunities, such as measures protecting good faith lawful disclosures to provide evidence of a violation of law*
- 6. Remedies:** *In civil enforcement proceedings, allow that natural and legal persons may seek, and authorities are empowered to grant, effective remedies, including compensatory/restitutionary damages, and injunctive relief, where appropriate; provisional measures to prevent against threatened or likely disclosure of trade secrets, including employment restrictions, or other orders to prevent further use, disclosure, or misappropriation; seizure of goods, destruction of materials; and the potential for the successful party to be awarded costs. In criminal enforcement or other proceedings, remedies and penalties may include the imposition of deterrent fines, sentences and the forfeiture of assets and proceeds of crime, where appropriate.*
- 7. Procedural Measures:** *In trade secrets enforcement proceedings, provide that:*
- a. interested parties can clearly identify the court or other authority having jurisdiction over trade secrets disputes of different kinds, including in cases arising out of possible breaches of non-disclosure, employment and other agreements*
 - b. evidence and asset preservation orders, and orders providing preliminary injunctive relief, are available in appropriate circumstances*
 - c. procedures to obtain evidence for use in civil and criminal enforcement proceedings are available, including mechanisms to allow for searches to preserve and obtain proof, means to compel evidence from a party refusing to provide it and adverse consequences for uncooperative parties, in appropriate circumstances*
 - d. trade secrets may be protected from disclosure during enforcement proceedings, such as through the use of protective orders and measures limiting access to sensitive materials*
 - e. expert witnesses can be used in litigation*
- 8.** *When governments require the submission of trade secrets for investigative, regulatory or other exercises of governmental authority,¹ they should usefully enhance protections against further disclosure by adopting written measures, which will be made available to the public, that:*
- a. limit the required submission of confidential information to that necessary to satisfy the government exercise in question;*
 - b. limit government personnel having access to confidential information;*
 - c. provide procedures to manage and protect confidential information; and*
 - d. allow a process for persons seeking an exemption to disclosure, and a mechanism for challenging disclosure.*

¹ For clarity, the purpose of the recommendations contained in this paragraph is to enhance protections against further disclosure of trade secrets submitted for investigative, regulatory or other exercises of government authority, but are without prejudice to the obligations of TRIPS Article 39.3. The recommendations are also without prejudice to reasonable exceptions to parts (c) and (d) of this paragraph for appropriate law enforcement purposes and/or acts done that are in accordance with law or court orders.