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Transcript from 2017 Mitchell Hamline Trade Secret Conference, Cybaris scholar symposium

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TRADE SECRET ENFORCEMENT: THE REACH OF EXTRATERRITORIALITY AND ITS
ALTERNATIVES

PANELISTS: ROCHELLE DREYFUSS, CHRISTOPH RADEMACHER, SUSY FRANKEL, NARI LEE
MODERATED BY: SHARON SANDEEN

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I. INTRODUCTION

Cybaris Editor-In-Chief Alissa Harrington: Thank you, Professor Sandeen. First off, I want to thank Professor Sandeen for her support as we have gone forward with planning this symposium and helping us to reach out to a very esteemed group of academics so that the Cybaris group can put together this panel.

Cybaris is the Intellectual Property Law Review that is now in its eighth year here at Mitchell Hamline. We, first off, want to say that we will be putting out a special symposium trade secret issue very quickly. It will be appended over the summer when Professor Dreyfuss and her writing partner will be adding a paper on what she's going to present on, today.

Until then, we will have a trade secret symposium issue coming out very soon that will include a transcription of this panel. One very quick thing, I know this is an exciting and very passionate topic for all of you, try not to speak over each other so that our transcribers can tell you apart, I would appreciate very much, as will the future readers. That will be available for download and for purchase this summer.

We also have two great student articles on trade secrets that are going to be in the symposium issue. One on Korean trade secret law, written by Lana Rask who is sitting up here at the front table, and one on maritime law and trade secret law, which is actually written by one of our brilliant hybrid students, Rachel Foote.

With that, I'll move on to introducing our panel, which is entitled, "Trade Secret Enforcement: The Reach of Extraterritoriality and Its Alternatives." As I mentioned, we are very honored to have this panel of guests with us from all over the world.

First, Professor Rochelle Dreyfuss, who is from New York, NYU Law, who is the Pauline Newman Professor of Law, the Co-Director of the Engelberg Center on Innovation Law and Policy, the Co-Director of the Competition, Innovation and Information Law Program, and a special thing to us here at Mitchell Hamline—she was a law clerk to Chief Justice Warren Burger. She can go visit his bust in our library which was named after him.

Moving on to Christoph Rademacher, who is a Professor at Waseda University School of Law in Tokyo. He teaches international business and IP law. He was the first tenured foreign professor at that university; he is also of Counsel at the Tokyo branch of Baker & McKenzie, and a bar member both in New York State, and a Solicitor in the Republic of Ireland.

Next on our panel is Professor Susy Frankel, from the Victoria University of Wellington in New Zealand. She is Chair of the IP and International Trade Section there. She is also the Director of the New Zealand Centre of International Economic Law. She is a Barrister, Solicitor in New Zealand, and a Solicitor in England and Wales.

Finally, on the panel we have Nari Lee who is at the Hanken School of Economics in Finland. She is Professor of IP law, specializing in IP and international trade secrets where she has taught at universities all over Europe and Asia.

With that, I will turn it over to our panel. Thank you.

II. ROCHELLE DREYFUSS

Professor Rochelle Dreyfuss: Thank you very much. I want to particularly thank Sharon for letting me present this. This is absolutely the hardest paper I've ever written. Trade secrecy cases are complicated from an applicable law perspective because often activity is spread around several countries. Information is developed in country A, and is licensed to someone in B from which it's misappropriated; then, it might be used in multiple other places.

Determining whose trade secrecy laws applies presents a real puzzle. That problem is complicated by our international commitments to WTO Agreements, TRIPS Agreement and also changes in ALI's approach to both conflicts and foreign relations.

My co-author and I have yet to take a final position on this, and it's a real favor for me to be allowed to present this to you and hopefully get some input.

I'll start with a little background on why I wrote this paper, or am writing the paper. My interest was initially piqued at a conference where the panel right before mine was discussing a 1337 exclusion order issued in a case called TianRui against ITC, so section 1337—or nicknamed 337—actions asked the ITC to exclude goods from the US market when, among other things, the proprietor engaged in “unfair methods of competition.”

In TianRui, information for making the goods was appropriated in China, and the question before the commission was, what law should be used to determine whether the appropriation was unfair, US law or Chinese law? The Commission and later the Federal Circuit applied US law, in part on the theory that it didn't matter which law it applied, because US and Chinese trade secrecy laws are identical.

I thought that raised an interesting question, especially in light of two recent developments. First, the United States has been busy through its trade deals and special 301 reports persuading other governments to enact trade secrecy law, and it wasn't at all clear to me that they were enacting laws that were identical to US laws.

Second, the easy decision to use US law seemed to me to fly in the face of a whole series of recent Supreme Court cases that express concern about the friction between national laws in an interdependent world and which laid down a strong presumption against applying US statutes outside the United States.

So, I thought I'd look to see how different trade secrecy laws across the world really were, and if they were different, then I'd think about whether US law should apply to activity in places where the law had taken a different turn. On that, I invited my colleague, Linda Silberman to join me. Linda knows very little about IP law, but she is a well-known and highly regarded conflict scholar whose written extensively on applicable law. She has also served as an expert witness in many applicable law cases, including for the people trying to recover Madoff money that's been secreted in foreign banks.

On the first point, I quickly came to the conclusion that trade secrecy laws are quite different. True that in WTO countries, they are all based on the requirement of Article 39 of the TRIPS Agreement, but Article 39 is fairly bare-boned. The Uniform Trade Secrets Act has not led to uniform trade laws, as we all know. Jim Pooley calls it, "the non-uniform trade secrets act," and the UTSA includes considerably more detail of Article 39 of the Trips Agreement.

The EU just enacted a Directive which Sharon has analyzed extensively; I wish her article had been out since I started this. To hit the high points on the differences I found among national laws, they include things like what counts as a trade secret, things not to try, are protectable? What source of efforts to maintain them are considered reasonable? Do you need to give actual notice to employees? The effect of reverse engineering? What if the information could be reverse engineered? How the defendant acquired it? When is it TP liable? What are the defenses? How long does an injunction last? How do you calculate monetary damages?

These differences aren't surprising. As a normative matter, the value of trade secrets is indeterminate. Some jurisdictions think of trade secrets as an important adjunct to patent law, because the availability of protection encourages research and development of inventions that either aren't patentable or of questionable patentability.

Some jurisdictions think the availability of protection channels people out of the patent war regime and keeps it in a place where knowledge is hidden and can't be built upon by others. That sharing and employee mobility are important to knowledge development, and trade secrecy law interferes with that. Some jurisdictions take a hard line on appropriation, others are more protective of the public domain.

Indeed, in a case after *TianRui*, a case now captioned, "Sino Legend Against ITC," the differences were apparent. There, too, information was appropriated in China, but the situation was different from *TianRui* because the trade secrecy action was initially filed in China and the alleged trade secrecy holder lost. Nonetheless, the Federal Circuit applied US law, simply citing *TianRui*. The Chinese government intervened in that action, objecting to the application of US law to activity on its territory. The Federal Circuit simply ignored it, and the Supreme Court denied cert.

Yet there does seem to be a problem. In its earliest years, the Supreme Court worked with the presumption that US law did not apply extraterritorially; but by the late 20th Century, it had eased up. The culmination was a case called *Hartford Fire* against California, a 1993 anti-trust case where a conspiracy occurred in the United Kingdom, but the Supreme Court affirmed the application of US anti-trust law because the effect was to restrain trade in the United States.

Significantly, the UK fought back rather than allow US plaintiffs to make off with treble damages, it enacted the Fallback Statute that forbade recovery of those awards. I suspect it was this episode that led the Supreme Court to become concerned about international discord, about friction arising from the extraterritorial application of US law.

In a series of cases, Title VII, other anti-trust laws, the Patent Act, the Securities Act, the Alien Tort Act, civil RICO laws, the racketeering influence corrupt organization, the court pulled back. In *Microsoft and Kilbo*,** it cautioned that US law does not rule the world. To ensure that national laws were to terminate, the Court revived the presumption, and now defers to Congress. Unless Congress clearly indicates that US interests are so strong, it will chance discord, a law applies only domestically.

To be sure, when the Federal Circuit applied US law in *TianRui*, it cited some of these cases, but the analysis was confusing and triggered a strong dissent from Judge Moore who noted, “The potential breadth of this holding is staggering. Suppose that goods were produced by workers who operate under conditions that would not meet the United States’ labor laws, or workers that would not be paid minimum wage. Would we consider those laws unfair trade practices? Absent clear intent by Congress to apply the law in an extraterritorial manner, I simply cannot believe we have the right to determine what business practices conducted entirely abroad are unfair.”

So, our initial research question was on the application of US law, 337 actions, what worked—the GTSAs were passed. It adds a civil action to the criminal EEA, of 1996, which was what I just told you, which had a provision on extraterritoriality. We decided to look at that, as well.

Our thought was that, in light of the different normative positions a country could take on trade secrecy, this was an area there was quite a strong potential for discord. What did we decide? We started with the general rule on extraterritoriality that emerges from the recent line of cases—the *Morrison Two-Step*.

Step one, is there express congressional intent to apply the law extraterritorially? If not, go to step two: characterize the focus of the statute. If the object of the statute’s solicitude is US activity, then the application is not considered extraterritorial.

Finally, this case suggests that before the court actually applies the law, it engage in a comedy analysis; even if the statute would seem to apply, the court must nonetheless determine, under the facts of that particular case and in light of the potential remedy, whether it should refrain from applying US law out of respect for other jurisdictions.

How does this all affect trade secrecy cases? The picture in IP is a little complicated because the first modern case on extraterritoriality was *Steele* against *Bulova* from 1952. In that case, the Supreme Court applied US trademark law to bar use of the *Bulova* mark in Mexico. According to the court, acts committed abroad legally lose that character when they become part of an unlawful scheme.

What about congressional intent? The court found in the definitional section of the statute which referenced commerce within the control of Congress. So, it's no surprise that *TianRui* would reason that US law could be used in 337 actions, which after all, are about goods coming in from abroad, and arguably in unlawful scheme. But, there's a problem. The recent cases on extraterritoriality have held that rote references to the Commerce Clause, or to find commerce are not sufficient to signal intent. They're really a statement about Congress's power to legislate. As some of you may remember, that it was very doubtful that there was federal power to enact trademark legislation under the copyright clause, and Congress put this statement in the second time around.

Because this states Congress's intentions regarding its source of power, such language is generally considered insufficient to overcome a presumption against extraterritoriality. Furthermore, if one looks closely at *Bulova*, sees careful attention to the comedy factors; the defendant would be a US citizen, watches had flowed back into the United States so there were confused consumers. Mexico had cancelled the defendant's Mexican mark, so the possibility of friction was minimized.

Later cases applying *Bulova* similar are recently *Trader Joe's* against *Halal* where the Ninth Circuit listed a whole bunch of factors on why it would be okay to apply trademark law to use in Canada.

Even the seminal case, *Bulova*, did not give courts *carte blanche* to apply US law. Besides that, one of the recent cases in the extraterritoriality line is *Microsoft*, a patent case. That's the one that warned that US law does not rule the world. There the court wanted a much clearer statement of congressional intent.

The case involved sending software from inside the United States to outside the United States for combination into a computer. It looked like section 271 of the Patent Act deals with that exact issue. Nonetheless, the Supreme held that intent was not expressed enough. A recent case this term *Life Sciences* against *Promega* is similar.

Now perhaps different areas of IP are to be treated differently. The trade secrecy cases seem to us more like patent cases than trademark cases, so we think the stricter *Microsoft* standard applies, or that comedy factors need to be taken more seriously.

How does this all apply to 337 and the DTSA? The 337 actions, a persuasive case can be made that at step one, the presumption is overcome; after all, the entire 337 scheme is about goods coming in from abroad, so it must cover some activity that happened outside the United States. Besides, the remedy is limited to exclusion from the US market, the 337 doesn't rule the world in the sense, and by its terms, it doesn't require or prohibit conduct that takes place abroad.

Even so, the result is uncertain. Consider the next section of 337; that provision was enacted after a court refused to exclude patented goods made abroad on the ground that US patent law doesn't apply outside the United States. After that case, Congress revised the statute so it's now explicitly clear that it covers products made abroad by a process that would infringe a US patent if it had happened here.

In other words, Congress knows how to direct a statute with explicit extraterritorial effect. That it did this for patents and not for trade secrets suggests that only when information is misappropriated in the United States are the goods excludable.

It's also worth nothing that, although exclusions about the US market, the US market is very large. The threat of exclusion can affect behavior elsewhere, so in a sense US trade secrecy law does rule the world under TianRui.

In short, it's possible to say that under step one, 337 was meant to apply US law and determine the unfairness or fairness of foreign conduct, but it's not an entirely persuasive argument. What about step two? Here, one can easily say that the focus of the statute is on an injury to US business and that the object of the statute's solicitude is what Linda and I term, "US trade secrets."

As long as the stolen information is a US trade secret, the statute can be regarded as domestic and, therefore, not within the presumption at all. Note, however, that limiting the statute to US trade secrets raises a different problem. Does it apply only to the trade secrets of US firms? Is that what's meant by, "injury to an industry in the United States?" That sounds fine from the standpoint of applicable law, but it could run afoul of the nondiscrimination provisions of the TRIPS Agreement. I'll come back to that in a minute.

For now, let's go on to the DTSA. The basic provision references commerce, but again that has not been held sufficient in other cases to overcome a presumption against extraterritoriality. To be sure, there is this explicit provision on extraterritoriality; the provision says that it applies to this chapter and the civil remedy is in this chapter, so that looks pretty explicit.

Still, there's a question: When Congress originally enacted this provision, it was a criminal statute. The civil DSTSA inherited the provision. In the Nabisco case, the last one in the series, the civil criminal distinction was critical. In that case the EU brought a civil RICO action to recover for injuries caused by Nabisco's activities, the alleged smuggling of cigarettes which deprived the EU of tax revenue.

RICO, like the EEA, is a criminal statute with a civil provision tacked on. Like the EEA, the criminal statute clearly applies extraterritorially, but the Nabisco court held that the extraterritoriality part of it did not carry over to the civil side. Without a check in the form of prosecutorial discretion, international friction, the court said, is a major concern.

The DTSA similarly lacks a prosecutorial check. More important, the reach of a criminal statute is very different from a civil action. For crimes, there's no such thing as long arm jurisdiction or enforcements against the assets in the United States; instead, the body of the defendant has to be here.

Extradition is possible, but that requires a treaty, cooperation from the other country, and it usually requires that the defendant is accused of doing something that the other country would also regard as a crime. So, that's strong protection against friction and discord.

In addition, there's the matter of relief. Criminal penalties like exclusion orders do not directly affect other countries. In contrast, worldwide injunctions and monetary damages granted on a worldwide basis do have a direct extraterritorial effect. Again, the argument to satisfying step one is weaker than I first thought.

How about step two? Here, the focus of the statute is not as explicit as for 337, but once again, an argument can be made that the goal is to protect US trade secrets—that is for both 337 and the DTSA, one might say that the US trade secrecy law is intended to encourage research and development in the United States, to create products of interest to Americans, give jobs, training and opportunities to US scientists and other workers.

But, once again, applicable law analysis runs up against the TRIPS Agreement, WTO agreements. True, courts can apply US law if the statute is interpreted as focusing on US industry in this way, but TRIPS requires nondiscrimination among rights holders. Foreign rights holders have to be treated the same as US rights holders, and foreign rights holders have to be treated equivalently to one another.

If 337 actions and the DTSA are read to protect only the secrets of US firms, then they arguably violate the national treatment obligation. Of course, one could interpret these statutes as protecting trade secrets developed in the United States, even by a foreign firm. I worked as a chemist for a Swiss company before I saw the light and went to law school. It provided me with training, salary, opportunities to innovate to the benefit of my countrymen. So, there's no de jure discrimination, but arguably there is de facto discrimination, and here's why.

In a case about the EU's decision to record geographical indications—GIs—to US growers on less favorable terms than EU growers, the argument was made that US residents could be growing private in the EU and get more favorable treatment, and EU residents could be growing crops in the United States and suffer from the less favorable treatment.

On that basis, the WTO panel agreed there was no de jure discrimination. But it held there was de facto discrimination; it reasoned that EU residents are more likely to be making products in the EU, and US residents are more likely to be making products in the US, so the difference in treatment is a feature and design of the system, and that it constituted a violation of national treatment obligation.

To be sure, trade secrets don't map our nationality as close as geographical indications do; GIs are designed to designate a specific place. Trade secrets don't do that, so, actual treatment for US trade secrets or US industry might be okay if those terms are defined broadly. But, it's questionable. On the whole, US science is done by US residents, and foreign science is done by foreigners, so the degree of protectionism may run afoul.

So, Linda and I looked for a new approach. I see it in state law trade secrecy cases. In state law cases, courts never ask themselves the intent of the legislature. At one time, they were mostly applying common law, not legislation, so the issue of legislative intent never arose.

Instead, in transnational cases, courts apply a conflict analysis. At one time for torts, it would have been *lex loci delicti*, the law of the place where the tort occurred. Later, they looked to the country with the closest relationship of the transaction, or the strongest interest in the case.

So, BP Chemicals against Formosa, a well-known trade secrecy case, it involved secrets stolen in Taiwan. The Third Circuit held that Taiwan law, not New Jersey law, had the stronger interest—that Taiwan had the stronger interest, and whether the information qualified for protection, and whether it had been misappropriated. The Taiwanese law, rather than New Jersey law applied.

In addition, courts hearing strict states' claims generally honored choice of law clauses in contracts. To me, that seems like the right approach for federal cases, as well. The DTSA, for example, could be seen as codifying the common law, and Congress's intent could be interpreted as using a choice of law analysis to determine which law applied.

Arguable, section 1337 could be approached in the same way. The ITC could determine whether the law of the place where the challenging conduct occurred would regard it as unfair, and then issue exclusion orders. TianRui and St. Allegins,** for example, the ITC would then use Chinese law on the question of misappropriation.

Section approach would have many advantages. US law would not then govern the world. Those in contact with the information would be able to look at the place where they're acting and what law would apply; they wouldn't have to guess whether they were going to affect the US industry.

Rights-holders wary of the law of the place where their licensees do business could engage in self-help in the form of contracts with provisions that choose US law. If the provision were coupled with the requirement that the licensee inform everyone in contact with the secret that it's use will be governed by US law, so much the better.

In addition, there'd be no discrimination amongst rights holders. American firms and foreign firms could both use section 1337 and the DTSA. Their claims would be decided in the same way. Using a choice of law rule that pointed to the place with the closest connection and the greatest interest in the relevant issue.

There are two complications. First, the ALI is busily restating conflict laws and foreign relations laws yet again. I think this is the fourth restatement, and it's rejecting the interest analysis approach it's been using and adopting an effect assess—US law will apply if the effect is on the United States. If that approach is adopted, we're back to square one.

Even if we can use an interest analysis, there's a second issue. While there's now no problem under the TRIPS Agreement, there's a potential problem under the WTO's general agreement on tariffs and trad, the GATT, which also has non-discrimination provisions. The difference is that where TRIPS looks at rights holders, the GATT looks at the origin of products.

If we apply a conflicts rule that looks to the state with the greatest interest, goods from a country that has trade secrecy law is very protective of rights-holders would be treated differently from identical goods that come from a country that's more protective of the public domain.

The question then, is whether a choice of law analysis is GATT compatible. There's a general exception to the GATT that excludes laws necessary to secure compliance with the protection of patents, trademarks and copyrights, and to prevent deceptive practices.

But, does the protection of trade secrets fall within that provision? Trade secrets aren't mentioned. Is a law that uses a conflicts analysis in its implementation necessary as required by section D? To my mind, the exception clause should apply; but WTO panels tend to be very formalistic, so they might not see it my way. I would also argue that it makes no sense to consider a choice of law rule within the antidiscrimination provisions of the GATT.

Countries sacrifice sovereignty when they enter an international agreement. But as long as they adopt substantive law that is consistent with the agreement, they should expect that their choices will prevail within their own territories. That's what the Supreme Court is aiming at with its presumption against extraterritoriality, and it's a result that can be achieved with the conflicts approach that adopts an interest analysis.

Unfortunately, I still have to convince Linda and my trade college and the AOI to adopt a special rule for IP if it moves to the effects test as a general matter. I'm counting on Susy and the rest of this panel and all of you to perhaps help me find a better approach. Thank you.

III. CHRISTOPH RADEMACHER

Professor Christoph Rademacher: Good morning. I would also like to thank the organizers and in particular, Sharon Sandeen for setting up this wonderful conference. We had Sharon at our place, at our university in Tokyo a few years ago, and while we were in the midst of discussing a revision of Japanese trade secret protection—trade secret law—so she was delivering valuable input.

I'm more than pleased to share a little bit of the experience of how trade secret law was changed in Japan in the last years, in the last decades, to provide a bit of a comparative context—a comparative element. Also, maybe to tag along a little bit on what Professor Dreyfuss mentioned on the identical nature of trade secret protection, in your case it was and in TianRui, it was US and China.

Let's talk a little bit about how Japan developed to see whether it's identical or not. I think we can jump from there then to China and the next step.

As many of you may not be aware, 30 years ago—which is a long time ago, but at that time the UTSA wasn't enacted and the US had looked back already on about 200 years of trade secret protection. There was no trade secret protection in Japan. The reasons for this being manifold, I think the main reason was that the Japanese work force was very loyal. Basically, there was no employment mobility, no significant employment mobility in Japan. Companies simply didn't care about protecting their trade secret as they wouldn't have to face the situations that people would leave and take their know-how and their trade secrets with them.

It's not that Japan was a developing country back in these days, also not an IP point of view, compared, for example with the US in the '80s towards the '90s, Japan has significantly more patent applications, so Japanese companies are very much aware of the need to protect its property. Just trade secret protection was nothing that they were too crazy to get into, as they found themselves frequently on the defending end of trade secret losses in the United States, and there was no interest to create another phase of litigation back on their home turfs in Japan.

Things started to change a little bit in the '80s when the lifetime tenure system gradually started to erode; employees started to look into doing other things—pursuing other careers in the midst of their tenure at their company. Asian economies which were not really relevant in the technology area before the 1980s started to emerge, started to compete. Technology transfer into China, into Taiwan, into Formosa and to Korea started to become relevant.

In particular in the beginning, Korean companies were quite savvy about recruiting Japanese engineers to work towards the end of their careers, making them attractive packages—attracting offers—and thereby started to delve into the know-how of the Japanese companies. Japanese industries started to be a little bit more interested in protecting trade secrets.

Also, the topic came up during the discussion of the TRIPS Agreement as to the US was pushing for trade secret protection as part of TRIPS, as also Professor Dreyfuss mentioned earlier. Japan found it increasingly difficult, as it was aligned with the US and with the EU on most other points, to make a plausible or good case against some minimal trade secrets protection. When it became clear that TRIPS would include a chapter, or at least an article, on trade secret protection, Japan started to prepare itself in earnest to roll out trade secret protection also, domestically.

So, in 1990, the Unfair Competition Prevention Act in Japan was revised for the first time, including a definition of trade secret. Trade secret misappropriation was introduced as an act of unfair competition, as a special tort, and trade secrets as such were defined in Article 2, vi, of the Act as being technical or business information useful for commercial activities such as manufacturing or marketing methods that were kept secret and not publicly known. So, those of you who are familiar with the UTSA trade secret definition, I think we can see some similarities.

Also, the Act went on to define those acts of unfair competition involving trade secrets, as basically the wrongful acquisition of trade secrets, as wrongful use of trade secrets that were being wrongfully acquired, or as the disclosure of a trade secret in breach of legal duty to maintain secrecy. Basically, three types of unfair competition: wrongful acquisition, wrongful use, or wrongful disclosure.

Between 1990 and 2015, we had a number of amendments to the UCPA and to other laws governing or being related to trade secrets. A trade secret owner could file a civil action in a court with some technical knowledge, which would be the IP Division at the Tokyo District Court, and that was, at least when it was rolled out, thought to be relevant.

It didn't really attract too much action, so there was a procedure tool to have an in camera proceeding where, of course, the trade secret owner would have to disclose what the trade secret is in the course of the proceedings. They could seek confidential treatment of these documents and also of the court hearing in order to make sure that the trade secret would not be disclosed, at least in theory. A lot of procedural tools in Japan come from Europe, and at least from a European point of view, that would have been quite advanced.

Looking into trade secret litigation, most trade secret owners who brought actions and civil actions were not very successful. We did a study a few years ago where we looked into all trade secret litigation that was filed in the Tokyo and Osaka District Court, and you can see that in most cases, the trade secret owner—or the person named to have a trade secret—would not prevail. The reason most often being that the Court took a relatively strict approach on looking into whether the information was really properly governed, kept secret, in order to constitute a trade secret. In many cases, they found that that was not the case.

The topic of the panel—the extraterritorial reach of trade secrets—Japan started its process of properly thinking about the nature of trade secret protection back in 2013-2014. This thought process was triggered again by two high-profile cases which were international in nature. There was a case of Nippon Steel and Sumitomo, a Japanese steel manufacturer that alleged the misappropriation of material production know-how by a Korean former joint venture partner and competitor.

There was a Toshiba case. Toshiba, one of the early manufacturers and innovators in the area of ram, amongst other things, of memory chip production and design, alleged that Hynix, a Korean competitor, misappropriated significant data and technical know-how related to the production of memory chips.

In both cases, there were engineers of the Japanese companies who were later found that they had disclosed information to the Korean business competitors and that cost a significant outflow of technical know-how to the Japanese companies; it kind of changed the market positions. Of course, it was also marketed in a way that it gave a nice public outcry and maybe started to become active.

In 2014-2015, METI, the Japanese Ministry of Economy, Technology and Industry, prepared a change of the UCPA. Amongst other things, it expanded criminal liabilities. The graph I showed you earlier was only talking about civil cases. While there had been the possibility of criminal sanctions and criminal prosecution in Japan, that was not really much used, as prosecutors and police didn't really want to get involved into something as esoteric as trade secret misappropriation.

Amongst other things, the scope of criminal liability was expanded to international, to extraterritorial conduct. So, even before a wrongful use or wrongful disclosure outside Japan had been subject to Japanese criminal law, but now also the conduct of wrongful acquisition was made subject to Japanese criminal law.

In addition, there were a few other elements that were changed. For example, criminal liability for attempted misappropriation was included, not only completed misappropriation. The fine for trade secret misappropriation was increased, and there was an increase or the possibility to increase the fine in the case of misappropriation that would negatively affect the Japanese economy through international or foreign conduct. In this case, there was the probability to have up to a billion yen against companies, and 30 million yen fine against individuals.

The possibility was introduced that the prosecutor could start prosecution of trade secret misappropriation without having a complaint by the injured party, which was a requirement before.

Another thing that was introduced more recently, was the system of board of measures. The TianRui case was watched with quite some curiosity in Japan as—prior to this 2014 amendment, there was no board of measures available to stop the import of trade secret misappropriating goods, so in 2015, the idea of the board of measures system was rolled out. It was specified a little bit more throughout 2015 and actually this year, 2017, the new board of measures, the new custom procedure was introduced.

Kind of interesting, a little bit different from the board of measures that had been in place for patent and for trademark infringing goods—this was under a two-step procedure. First of all, somebody who suspects that a competitor or somebody they expect would be importing trade secret misappropriating goods, then in the first step, this person would need to obtain an infringement option from the Ministry, from the IP department within METI. Only upon convincing METI that there's really a likelihood of trade secret misappropriation through importation, then could you request seizure of goods through the custom authorities upon arrival of the goods in a Japanese port or airport.

After such seizure, there would be a notification of such seizure and an initial determination by the custom authorities. There could be a consultation with the relevant part of the METI, again; if considered infringing, there would be an import stop. Then, of course, if the importer would insist there was no trade secret misappropriation going on in the creation of those products and the manufacture of those products, then there would be a lawsuit at the Tokyo or the Osaka District Court.

In a way, this is not so different maybe from the export procedure that the DTSA rolled out in the United States, and this is basically a procedural tool that an information owner could resort to stop, in an international cross-border context, the importation of goods into Japan.

I think I want to stop here and pass onto the next person in the panel. This, as a comparative background and an interesting showcase how a trade secret protection can be ramped up in a country within 20 or 30 years, often following examples of the US development. Thank you very much.

IV: SUSY FRANKEL

Professor Susy Frankel: Hello. Thank you. First, I would like to begin with thanking Professor Sandeen, who is now here to my right. Thank you very much, Sharon, for inviting me to this event.

You can think of my job is to, along with my panelists, bring the rest of the world into the room. In fact, everything I know about trade secrets really comes from Sharon Sandeen; she has extreme extraterritorial reach of her work in trade secret law. What I don't know from Sharon, I know from Rochelle's work in international intellectual property, and also from Elizabeth Rowe, who spoke a little earlier—her joint work with Sharon.

I'm actually not really a trade secrets lawyer, so you might say to yourself, "So, what is this New Zealander who is saying she is not a trade secrets lawyer doing here?" My main area of research is international intellectual property rules and the interpretation of the TRIPS Agreement.

I'm going to spend a bit of time referring to the provisions that we've heard about here from both Rochelle's and Christoph's talks, and expand on those a little, and give, if you like, a little bit of the perspectives from some of those extraterritorial places. Of course, they don't consider themselves extraterritorial, right?

I'm going to focus a little bit on some of the trade negotiation dynamics that occur. Of course, as Rochelle mentioned in her talk, there is a number of difficulties internationally with trade secrets; indeed, of course, I come from a breach of confidence jurisdiction.

Some of you will know that is essentially the rest of the common law world—the other parts of the common law, and these doctrines, whilst they have a relationship between each other, and Nari Lee will talk more about the EU in that context. Of course, whether England remains part of the EU is another question and another difficult out there. But these doctrines, while they don't particularly net very well onto each other.

There's nothing quite like the notion of extraterritorial application of US law that makes sense from a US business point of view, that really doesn't make a lot of good international relations. Rochelle mentioned, in particular, a UK case where the idea was, "Hold on a minute; we're not having that ruling for a UK business."

What can we do about this situation, and what can we observe about the different approaches around the world? I'm going to refer back to GATT XX, a provision that Rochelle mentioned in her talk. I'm going to begin there.

This provision really is an exception to the idea of the nondiscrimination principles in GATT, as Rochelle mentioned. Just to remind you—for those of you who don't read the GATT Agreement daily. What is this exception about?

It really says, "Look, okay. Sometimes in making laws and regulations you have to do things that look a little discriminatory, right?" You work for your national businesses. How do you overcome that? Rochelle mentioned that there's this provision—the exception, indeed, and it doesn't specifically refer to trade secrets.

The GATT Agreement was written first in 1947; it was a post-war agreement that was designed to bring about security. Then it was re-enacted in the WTO in 1994. At that time, the TRIPS Agreement became part of the WTO's single undertaking. I would argue that one of the things that can be done with this provision is to read the intellectual property part widely.

This argument I would base not only on the text that it refers in subparagraph there to including those relating to and highlighted patents, trademarks and copyrights, but also because when treaties are interpreted—believe it or not, there is an international agreement that is also part of the WTO about how you interpret treaties, and that is the Vienna Convention on the Law of Treaties. You read that these clauses, not only by their ordinary meaning, but also take into account object and purpose.

That's a huge area that I won't have time to go into at the moment, but I would push against the formalism of the WTO that Rochelle referred to, to take on what is often described as the wholistic part of the WTO, to read this to include trade secrets as an exception. Why do that?

Because it doesn't make a lot of sense, really to say, "Part of the TRIPS Agreement is relevant to this exception, and other parts of it aren't." So, turning to the TRIPS Agreement itself in Article 39 that has a couple of mentions. Referring here, of course, this is the article that Rochelle referred to as having bare bones. I want to focus a little bit on what some of those bare bones are, and why I think they're likely to remain bare on the international stage.

We had this idea that you have effective protection against unfair competition and protecting undisclosed information. Already, there is WTO jurisprudence about the word, "effective." From a plaintiff's point of view, you might think effective protection is protection where you can bring a case and have enforcement. But the WTO, in the Tyner** enforcement case brought by the US against China did not take that view of the equivalent sort of wording in another part of TRIPS that was there. That was Article 41 of TRIPS and the use of effective.

So, effective isn't a plaintiff-centric or in today's WTO's state-centric approach; rather, it's effective to a certain extent within national law. What does unfair competition mean? That is, of course, a very EU-driven concept, and I won't spend my time on that.

What does undisclosed information mean? We also know, under paragraph 2, that this action allows—that the TRIPS Agreement at least requires countries protect the laws to a reasonable degree, providing the information is secret, has commercial value, and so on. Of course, these terms are all somewhat subjective. How do you define them?

They're subjective on a jurisdiction by jurisdiction basis. This provision has a footnote—footnote 10—which really brings us to the core of the international difficulty. The purpose of this provision, "a manner contrary to honest commercial practices" shall mean at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information.

Another way of reading this footnote is that it includes all variance on common law breach of confidence, all variance on common law contract, and of course, there's also this important intersection with employment law.

If there's anything that is jurisdictionally specific and that countries do not like to agree to standards internationally, it is the area of employment law, or indeed, labor law, where you can call it different things. Once you combine intellectual property with issues of employment law, and the notion that some countries because they are large economies should have extraterritorial reach of the law, you have what is known as one of those things that it's really hard to negotiate internationally.

One of the interesting developments in the trans-Pacific partnership that was, was that it actually attempted to have both an IP chapter with trade secret definitions, and an employment chapter. I'm going to return to the TPP that was, shortly, and discuss whether it was a good method to overcome some of this difficulty.

Why does this diversity of laws matter? It matters, of course, because if you are an international business, if you are part of a global value network, then you may actually want some consistency around the world. As a general rule, I'm not in favor of detailed harmonization, largely because I think it's important that countries can adjust to their particular economic needs.

One of the problems with this provision and Article 29 of the TRIPS Agreement—sorry. It should really be 39; I think I had a little plane lapse on the number. Excuse that. I suddenly thought, “How did I lose 10 articles?”

Of course, it's relationship with the national treatment principle. National treatment is incredibly important, as Rochelle mentioned, because it's about how foreigners should be able to bring action in national courts. That, of course, works within the US, and the US businesses also want that ability outside of the US. That is one of the points of agreements such as the TRIPS Agreement.

National treatment really works hand in hand with minimum standards. When you have something that is a minimum standard defined as broadly as Article 39 and its footnote, you really actually don't have a minimum standard at all. What you have is a collection of diverse national laws. In that situation, national treatment really largely becomes slightly malfunctioning. But, nonetheless, it continues to apply. It applies to the scope, maintenance and enforcement of laws.

One question that arises is whether trade secret protection and the style of trade secret protection that is found here in the US—of course, I appreciate that state variability in it as well—whether that is actually caught in any way by the TRIPS Agreement. The TRIPS Agreement doesn't actually define intellectual property except by saying, “intellectual property means all the things within the TRIPS Agreement.” So, it means Article 39, as well as the other things within there.

Why does this matter? Because if trade secrets are within the TRIPS Agreement, then members of the TRIPS Agreement have to apply trade secret law on this national treatment non-discrimination basis. However, if you say trade secrets without the TRIPS Agreement, so they're not fully caught by the TRIPS Agreement, then you have the idea that you can have discrimination in the sense that you can treat nationals from different countries differently. That is, of course, the antithesis of global cooperation, but we do see this occurring in some countries.

One example is the Database Right, the EU Database Right. It's applied by the EU on a non-national treatment basis, so on a reciprocity basis. Unless you provide that equivalent unfair extraction right, you cannot seek the EU right. The United States in comparison, of course, the Database Right, the United States doesn't have the equivalent—tends to apply a national treatment rule.

The example that I would give of this is in copyright. The copyright term is not uniformly the life of the author plus 70 years, or 70 years around the world, but the United States will, in most situations, will apply that rule. The EU, on the other hand, would say, "Oh, you only have 50 years; you only get 50 years."

This really matters whether you have national treatment or otherwise. When countries can't achieve protection in other countries, this also tends to push them sometimes towards trying to negotiate harmonization worldwide. If trade secrets are without the TRIPS Agreement, national treatment doesn't apply, but because the matter of undisclosed information is referred to within the TRIPS Agreement, I think that, at least to a certain extent, parts of trade secrets are clearly within the scope of the TRIPS Agreement, and national treatment should apply.

Not everyone agrees with that. When you get into areas of enforcement and what level of national treatment is applicable to enforcement, the area gets even more complicated because the obligations in TRIPS with regard to enforcement are not all that detailed. Additionally, of course, when it comes to criminal enforcement, they're even less detailed.

What attempts are happening? This is the beginning of the Trans-Pacific Partnership that was, and you can see on the slide I say, "TPP now active." In fact, although at least from the United States point of view, the Trans-Pacific Partnership is no longer proceeding, although rumors are rife as to whether some of the clauses from the Trans-Pacific Partnership may take place in the new negotiation of NAFTA.

The TPP is not really dead to the rest of the world. It's certainly not going forward in that way, but what has happened is that it's text has been introduced into other trade negotiations. One example—and I stress it's only one, but it's a pretty important one—it's what known as RCEP. Now RCEP is the regional cooperation economic partnership between the Asian countries, or the Southeast Asian countries and six other countries. Those six other countries include Japan, China, Korea, India, Australia and New Zealand.

This is sometimes being referred to as the TPP with China but without the US. It's not quite that simple. Why does this matter? We see this type of attempt to develop the TRIPS provision moving into other trade agreements. In fact, this isn't the way the TRIPS Agreement came about. There wasn't any bilateral and some regional negotiations, and eventually it moved towards this. This is part of a slightly predictable but totally unpredictable international negotiation pattern.

What happened in the TPP? Well, it brings in the TRIPS language; it brings in again the unfair competition language of the Paris Convention, and it reserves to, as a subject matter point—at least in this chapter—trade secrets encompass at a minimum, undisclosed information as provided for in 39 ii of the TRIPS Agreement.

You can see that, within the TPP negotiations between the US and other countries was actually unable to get a definition at least at this end of trade secrets. Continuing with this part of the TPP, subject to paragraph 3, “Each party shall provide for criminal procedures and penalty.”

When I'm able to define in further detail what is a trade secret? What is the relationship with labor law, although, as I mentioned, there is a separate labor law chapter in the TPP, but I'm unable to really get harmonization of full extent of law at international level, the TPP did what I think is becoming a common theme—to actually try and develop the side of enforcement.

Whilst that's understandable, it's also very problematic because whilst enforcement, of course, is enormously important, if you still don't have any greater definition about what you're enforcing, then that notion of providing effective protection that the TRIPS Agreement refers to becomes even more difficult. “Oh, you call that a trade secret? We don't call that a trade secret, therefore we don't have to enforce that trade secret.” You end up a little bit at square one, but you are creating, if you like, a trajectory to push that international harmonization negotiation.

You can see these are the areas of criminal enforcement that were referred to in the Trans-Pacific Partnership, the unauthorized and willful access to a trade secret I won't read through it all. There is a third paragraph that refers again to limitations on those enforcements. With respect to the X* in paragraph 2, the previous slide, “the party may, as is appropriate”—so that's like, just as you like—a matter of national discretion, “limit the availability of its criminal procedures or limit the level of penalties in one or more of the following cases: where the X are for the purpose of a commercial advantage or financial gain; where the X are related to a product or service in national or international commerce; the X are intended to injure the owner of a trade secret.”

So, who is the owner of a trade secret? Where does that take place? You can see that even with these trade agreements, there remains a number of diverse possibilities for enacting this law at jurisdictional level, but you can also see that there is a push to add a bit of flesh to the naked bones of the TRIPS Agreement. That is slow coming.

I'll return to why that is slow coming in wrapping up my comment. It's slow coming because, as I began, the notion of US law governing the world, whilst often it's very true, it's actually the notion that creates quite a lot of push back in trade agreements. With the current lack of clear knowledge outside of the US—I won't comment on in the US—it's not my job as to where trade policy sits in IP at present, then it becomes even more difficult.

I think that we're in this very non-harmonized phase that will continue for a while, but I think we are going to see a greater push towards trying to harmonize something. I'm skeptical about the ability to do that when the roots of these doctrines in other places are so fundamentally different. When we call it IP, it makes a lot of sense to look a little closely—not at detailed harmonization, but at least at something that truly is a minimum standard, like patents in the TRIPS Agreement. There's a lot of jurisdictional variation there, but the bones that are of patent law have more flesh on them than the bones of the undisclosed information provisions.

I think what's linked with labor law is likely to create a considerable push back internationally, but I think that where the push forward will come from is that the US lacks traditionally in its international negotiations having allies with large developed countries, so often whilst the trans-Atlantic debate is quite furious, there is at least a clear move towards greater protection and sometimes drawing in the third axis of Japan.

Trade secrets are actually very interesting and important for businesses deeply embedded in global value networks. In case you're wondering what kind of intellectual property goes on in New Zealand, while a lot of it is connected to the dairy industry, there's also a lot of long-distance manufacturing, high-tech manufacturing that is like the US sent off shore, but a lot of the research occurs in New Zealand. Of course, it's on a much smaller scale. What that's taught me is that when businesses are involved in global value networks, they value trade secret.

One of the things you may know about the TPP is that—or you may not know about the TPP, so I'll have the pleasure of telling you—New Zealand was really at loggerheads with the US over several parts of the TPP. But, the trade secrets part was one of the few where there was a much closer alliance than previously thought. That is because small and medium sized businesses—and of course that means differences around the world—actually are very interested in trade secret protection.

I believe there is a lot of work to be done by the Academy as to actually how trade secrets help businesses—I think Sharon is leading the way with that. Around the world, I think we'll see whether trade secrets really do help innovation, or whether they, in fact, hinder innovation.

If we are going to develop trade secret law internationally, we have to think about what actually is international innovation, and how do trade secrets work in global value networks. Certainly, companies like 3M—and I know that we're hearing from a speaker later—this comes as a company that springs to mind that really the global value network of the trade secret is the great unknown.

This is the area where, if we're going to have international harmonization, we're going to see greater international fracture as around moving trade secrets to do more with labor law and less with IP.

I believe that Sharon believes this is a considerable intellectual property issue, and so my challenge to you is, not only how do we make this work internationally, but is it really intellectual property? I think we need to work on that definition. I'll leave it with a lot of questions. Again, thank you.

V: NARI LEE

Professor Nari Lee: Thank you very much. I'm also going to start this by thanking Sharon. I actually begged her to let me come to this event because I've been studying—unlike the introduction that was given, I actually haven't done trade secret law for a long time; I've been doing international trade law and trade and IP law.

Trade secret is something that I started studying when Sharon visited Finland, two or three years ago when she visited. When she started talking about trade secret, I realized that this is something that I have to start studying. Coincidentally, that was the time when we started to discuss more seriously about EU's Trade Secret Directive. That's the point of my presentation today.

I don't have to tell you details of this Directive because there is a wonderful article written by Sharon. I'm going to add two more points to that, why it is problematic. One is a question that is related to enforcement, and another is a question that is related with the definition. It ties very nicely with the discussion that Susy just started.

Firstly, the Directive. The Directive was adopted 2016, last year, summer. Member states of the European Union have to transpose this international law by next year, summer. I think there's one member state already—Denmark, I think has proposed the bill to its Parliament that changed its law. Many other member states are working on implementing this Directive into their national law.

It contains a whole bunch of articles on substantive aspects on the protection of trade secret within European Union with the aim of harmonizing protection of trade secret within European Union, and this being a Directive—not being a regulation—it is a harmonization. It is meant to be worded generally in a way leaving some room for member states to implement it in the way they fit in their national law.

As I put on this slide, it contains 40 verses, the preamble paragraph. It also shows that there are a lot of justifications and political compromises that have been made in terms of justifying, why we need this Directive. I read through all the preambles very closely, and looked at this work that was on the way—various proposal. It's still very unclear what was the point of this Directive other than this purpose to harmonize trade secret protection within the European Union.

The two main things, if you read the versatiles carefully, is that trade secret protection is very important for European businesses; therefore, we need harmonization, and so on and so forth. Two things that come very clear is that it aims to harmonize actually the definition of trade secret among the member states of the European Union, trade secret law, and also provide remedies that are available for the misappropriation of trade secrets in a harmonized manner.

In both accounts, in my opinion as a desktop academic, it failed to provide harmonization for both definitions, in terms of enforcement of those remedies that it actually included in this Directive.

In the interest of time, I'm not going to talk so much about the definition part of it. I'm going to look more on the harmonization of the enforcement aspect of this Directive aims to bring. Because of the very fact that the definition is very broad and contains definitions on trade secret misappropriation and lawful appropriation and lawful uses, as well as unlawfulness, why the underlying ground for trade secret misappropriation, it contains a bunch of articles on that. Because of the very fact that the nature of what this protection is, as Susy said, is it an IP? Is it a property right? Is it a contractual right? Is it a breach of confidence?

The very fact that there is no harmonization, that aspect of trade secret protection in this Directive, and member states are basically free to choose which type of right that they would like to give, as long as these particular conducts are prohibited as an unlawful conduct. Because of that freedom, there is no harmonization on the nature of the right, that makes it very difficult to enforce this right in a harmonized manner. There is no uniform harmonized rule on that. Member states can decide.

There are debates ongoing after Directive text has been adopted, whether it is still IP, or it is not an IP, or whether it is something entirely different. Because many of the member states at the time of the adoption of this Trade Secret Protection Directive have embedded this trade secret protection in their unfair competition law, criminal law, employment law or labor law, and the scope of the Directive is such that it covers only civil and commercial matters, it only harmonizes only a tiny part of this protection.

The part concerning the trade secret enforcement contains some kind of minimum level of remedies as a matter of civil redress. Criminal sanctions that are provided by member states' criminal law cannot be harmonized because you do not have a mandate to harmonize criminal law of the EU member states.

Civil remedies, civil redress only are included in this harmonization Directive. It includes a minimum level of remedies that should be available for the member states in the member states as a civil redress for the violation of trade secret protection. There are no rules concerning how these remedies should be enforced.

If I show you versatile 37 of the preamble, the “Directive does not aim to establish harmonized rules for judicial cooperation, jurisdiction, the recognition and enforcement judgments in civil and commercial matters, or deal with applicable law. Other union instruments which govern such matters in general terms, should in principle, remain equally applicable to the field covered by this Directive.”

There is no rule that deals with the enforcement of—to get to this remedy, so the enforcement of the trade secret protection. This creates a problem because there is actually a uniform rule in European Union concerning choice of forum, concerning civil and commercial matters, called VERSA Regulation, and room one** and room two** regulations: regulations meaning that the law of the European Union, not Directive harmonizing, but uniform law that decides on applicable law.

Whether trade secret falls under these two regulations, or under three, actually—there are layers of regulations—or whether it should be classified as IP, which actually contains a different set of rules in exceptions in this regulation, but has to be decided first. That creates a complexity in terms of enforcement.

As Rochelle showed with her presentation beautifully, there are a lot of extraterritorial enforcements that have to be done in trade secret protection, and none of that is reflected in this Directive. Not only does it fail to deliver a uniform definition of the right—what is the nature of the right? It doesn’t say what that right is; it doesn’t say anywhere that trade secret should be protected as intellectual property.

It actually says in versatile 6 that it is, to the contrary, that no new exclusive right should be created based on this. Member states are not obliged to create new exclusive rights. Member states may choose to do so, if they want to, but they are not obliged to create a new exclusive right. There is no definition on the nature of the right. No new means of enforcing this new set of remedies that are actually provided under this Directive.

That is problematic in a way because of the fact that some of this, as Sharon has beautifully shown in her article, in Article 4 this initial definition of unlawfulness. There are several places where new types of unlawfulness seem to be introduced. One of them is Article 4, paragraph 5, “importation of goods that may be embodying trade secret information.”

That importation rule creates a problem because of the fact that that requires border measures to be somehow regulated, and that goods importing into a European Union member state has to be some how regulated. That seems to be a new type of law, and how that has to be enforced, is not clearly defined.

It is also an interesting angle that this Directive brings about, because it’s ambivalent about whether it’s IP or not IP, existing rules on the forum choices that was applied to cross-border injunction—that’s basically what probably litigants want within European Union. That rule may change after this Directive is adopted.

What do I mean by this? Under the Brussels Regulations, Article 8, when there are multiple defendants, then this close connection rule allowed in a way that multiple right holders or claim holders can initiate the litigation in one court, combining all the litigation and allowing the court that sees the jurisdictions to be able to issue or hear a case with multiple defendants.

That clause was used in patent infringement litigation for some time. You may have heard about this by Dutch court, particularly, issuing cross-border injunctions, 10 European injunctions, provisional injunctions, cross-border injunctions using this clause. The European Court of Justice put a stop to that in 2003. The Roche v. Primus case, and two other patent cases where this close connection rule in terms of foreign selections were not allowed.

This was the patent case, and now because of the very fact that this is not patent, will this Directive not allow when there is a claim for trade secret, will it be now be used using Article 8 of the Brussels Regulations that deals with the questions that are related with the civil and commercial matters? Litigations. That is one of the interesting angles that this Directive brings about.

There are also many questions that are related to the applicable law, as well as the forum selections that are regulated under Brussels Regulation. In the interest of time, I'm not going to go into detail. What I want to highlight with this presentation is that there is a push to harmonize within the European Union with the assumptions that there have been 20 years of exercise with TRIPS Agreement with the skeletal definition of trade secret, and therefore it was possible to harmonize this trade secret.

With this Directive, the text and the whole process of how this text was adopted and the problems that it would present the member states to implement, this Directive shows that harmonization of trade secret is a very difficult project. It would lead to a situation as the text adopted by this Directive shows, that you cannot help wondering whether harmonization of trade secret protection is altogether possible at all.

In the end, this is not something that is like an intellectual property right that is clearly neutrally definable according to some objective rules. It is something that falls between property rules as well as contracts, based like a private order in practices, as well.

It raises a lot of questions, and it doesn't in the end, harmonize either the definition or the means of enforcing the trade secret protection for the EU member states. That's all I have to say. Thank you very much.

VI. DISCUSSION

Professor Sandeen: Alissa reminded me I'm listed as the moderator, so I'm going to moderate. We might have time for questions. We're on time; we started a little late.

Hearing everybody's presentations, first of all, I love puzzles. Now you know why I love international intellectual property law, or international trade law. It's this huge puzzle, and if I were to summarize the theme of what I heard from everybody is that it's really easy to say in the abstract, "Gee, we need to harmonize trade secret law internationally. Let's just, in the case of the EU—TRIPS before it, but then the EU Trade Secret Directive, we've basically said, "Let's take US law mainly based on the Uniform Trade Secrets Act and let's require all countries to adopt it."

The problem is that you're not writing on a blank slate. Even if they adopt that law, there are always these other things that come into play, including other laws, other treaties, social norms, and so forth. I agree with the conclusion that the ability to actually harmonize trade secret law from a point of view where companies can be sure that, if they have a trade secret in the United States, it will be recognized in Japan or Finland, or whatever, is really problematic. That's not because those countries don't want to protect trade secrets, it's just because they have other issues going on.

With that, let me see if there are any questions from the audience that I can ask, repeat. This is that pause, like in class when I ask a question.

Okay. Let me repeat that. Where does the EU stand with respect to trade secret law? I'll let Nari talk about that.

Professor Lee: There is a new Directive that was adopted 2016 that has to be implemented in national law by next year, summer. All the member states of the EU are changing their trade secret law at this point—drafting, re-drafting their law statutes—reviewing them at least, to figure out how to implement this 15 Articles or more—procedural matters also into their national law.

To answer your question in a more practical manner, does it change a lot? No, it actually doesn't change a lot.

Professor Sandeen: If I may, Nari, for those of you who aren't aware of EU law, the basic point is a directive directs countries to adopt laws that comply with the directive. Each country's laws can be slightly different. Built into the directive usually is what they call international flexibilities where you have choices that you can make.

What's going on in Europe is that they currently have some principles—Nari and Susy alluded to it—under different areas of law: unfair competition, labor law, a sui generis law in Sweden, for instance, and they have to make a decision of whether their existing laws comply with the Directive or not. If they decide, no, then they might adopt supplemental law.

Christoph and I were at a program in Munich in November where the other speaker opined that Germany is probably is not going to change its law; it will simply conclude that its law complies with the Directive.

I don't know if you want to add anything.

Professor Lee: That's something as I was trying to point out because of the fact that this Directive does not add so much useful. There are, of course, very important declaratory statements that are made that it's related with the freedom of information and rights of generalist and whether trade secrets should cover or not, so that as a minimum rule.

Because of the fact that it doesn't really necessarily change anything dramatically, some member state might choose not to change their laws almost at all. Some member states may have to change the law and at least introduce the definition. Maybe they might consider that their case law—some member states don't even have a definition of trade secret, but based on their case law—court decisions only, they might have to provide a statute. That's something that member states have freedom to decide because it is a directive.

Professor Sandeen: Susy, in one minute tell Wayne why there are problems in trade negotiations.

Professor Frankel: As Travis indicated, it's a huge question. If I focus particularly on the trade secrets, it occurred to me with the previous question, we tend to think of patent law as very diverse around the world, but if you plot things on a totally diverse law to harmonized continuum. The purpose of international negotiations actually is often to point towards harmonization, but not to reach it. The flexibilities allow you to adjust and calibrate to domestic needs, which may be to import innovation, or it may be to locally grow that innovation. It may be to enter into global value networks, right?

I think the most contentious area of IP for the TRIPS Agreement has been around patent and particularly around pharmaceuticals. Even though there is a lot of diversity and a lot of debate around that, it's considerably more harmonized than trade secrets. It's considerably further toward this harmonization, so whilst you're still going to get very diverse results even within this country, and so on.

There are certain pin pointers of common norms. It doesn't exist in trade secrets. One of the great suspicions internationally, and whether it's true or not, is partly beside the point, is that when a country such as this one moves from pushing patent law into also pushing trade secret law, then other countries are like, "Well, actually, we like patents because that's all open and that's global disclosure." You have a disjuncture between the reality for business and the trade rhetoric.

The important nexus between those—and then I will stick to the one minute—is that the reality is that something doesn't look like a trade secret in one place, necessarily—and it doesn't mean that that place has pirates. It doesn't mean that they're taking the technology and misusing it or misappropriating it; rather, what is secret about it? Wouldn't it be good if we could use it to follow an innovation to make a better product for local circumstances? To make products more available. That, I would say, is the biggest tension: how does everyone get their piece of the innovation game?

Professor Sandeen: I'll let Rochelle conclude.

Professor Dreyfuss: I'll put it more bluntly: some countries are information importers and some countries are information exporters. The countries that are information exporters want strong protection for the information they create; the countries that are net information importers see this as a tax on public welfare and their ability to access information. As Susy says, build on it for their own particular needs. It's very hard to get agreement amongst those different countries.

Professor Sandeen: I'll make one concluding remark related to that. That's why Benjamin Franklin was a copyright infringer.

We want one more question?

Professor Dreyfuss: There's a case about Kevlar taking of DuPont's Kevlar secret—Kolon against DuPont, in which we applied US law and tell this Korean company they couldn't make Kevlar, even in Korea. There are different ways that you can parse this; you could say US law applies as far as the US market is concerned, but a US can't tell the Kolon company what they can and can't do in Korea. They can't supply Kevlar to the Korean army? That's a big step.

I think there are some cases, but they're not completely harmonized. They show a lot of different approaches, and we have to think about what the right approach is under the DTSA where there probably is a little bit more scope to apply US law extraterritorially. Whether that's a good thing to do or not.

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