



Protecting Trade Secrets in the U.S. and Canada

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Information that is technical and valuable may be property called a “trade secret”. The proprietary protection only lasts as long as the secret is treated as such by the owner and remains as a secret. This article will discuss trade secret protections in the United States and Canada.

The U.S. has federal and state trade secret laws. Almost all states have passed their own version of the *Uniform Trade Secret Act*. These statutes define what constitutes a trade secret, prohibit certain wrongful acts and set out enforcement mechanisms. On May 11, 2016 the *federal* Defend Trade Secrets Act of 2016 came into effect.¹ The new federal law is based on the Uniform Trade Secret Act structure. It allows trade secret owners to bring civil actions in federal court for trade secret misappropriation where the secrets relate to a product or service for use in interstate or foreign commerce². Now, trade secrets owners have a choice between federal and state court. Which one to pick depends on many factors beyond the scope of this article. As an example, a federal action may simplify evidence-gathering across state lines. The federal law also makes additional enforcement mechanisms available, such as court seizure orders issued without notice (ie. *ex parte*) against a defendant. The order would only be available in extraordinary circumstances, and would be limited to “the seizure of property necessary to prevent the propagation or dissemination of the trade secret that is the subject of the action³”.

In Canada, there is no provincial or federal statute comparable to the US trade secret statutes. Trade secret owners can sue for trade secret misappropriation based on common law, for example, by starting a lawsuit based on one or more of the following: unjust enrichment, breach of confidence, breach of fiduciary duty, breach of contract, and wrongful interference with the contractual relations of others. Trade secret ownership has been successfully enforced in the Supreme Court of Canada⁴. A Canadian trade secret statute would expand and improve the protections available to trade secret owners.

Both Canada and the U.S. also have criminal laws specific to trade secret theft. In the U.S., 18 U.S. Code § 1831 criminalizes trade secret theft that, to the knowledge of the doer, “will benefit any foreign government, foreign instrumentality, or foreign agent”, and 18 U.S. Code § 1832 criminalizes intentional theft of a trade secret “that is related to a product or service used in or intended for use in interstate or foreign commerce”. In Canada, the federal Security of Information Act (s.19) criminalizes trade secret theft sponsored by, for the benefit of, or in association with foreign entities. The Criminal Code (s.380) criminalizes fraud generally and may, in some cases, render trade secret misappropriation a criminal offence.

Given the complexity and expense of trade secret lawsuits, and the lack of control the trade secret owner has over criminal prosecution, trade secret owners should take careful precautions against misappropriation and theft. The trade secret should be identifiable and secured by measures to protect it, including all electronic and paper copies. Confidentiality agreements should be signed by all those who may obtain access to a trade secret, whether employees, research partners or business collaborators. Employers should periodically remind staff of policies on safeguarding trade secrets, including at exit interviews.

Pros and cons of keeping a trade secret should be weighed against seeking intellectual property protection, such as a patent registration. This is a careful decision to be made on a case-by-case basis.

In summary, there are effective mechanisms to enforce trade secret rights. However, an ounce of prevention is worth a pound of cure so carefully control the trade secret. Weigh the realistic likelihood of maintaining the secret against the benefits of registering a patent.

¹ See Public Law No. 114-153 or amended Chapter 90 of title 18 of the United States Code.

² Public Law No. 114-153, sec. 2(a).

³ *Ibid.*

⁴ *Cadbury Schweppes Inc. v. FBI Foods Ltd.*, [1999] 1 SCR 142.