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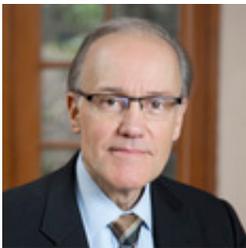
Trade Secrets Bill Likes Quiet Whistleblowers, Not News Hogs

Monika Gonzalez Mesa, Daily Business Review

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The day after journalists around the world published investigations into documents leaked from a Panamanian law firm, the U.S. Senate unanimously passed a trade secrets bill that may give future whistleblowers added reason to shield their concerns from news media.

The Defend Trade Secrets Act of 2016, a bipartisan bill lauded for potentially saving the U.S. economy billions of dollars a year by allowing companies to defend their trade secrets in federal court, offers new federal protection from liability for quiet whistleblowers — but not if they deliver the information to the media.



James Pooley
Jason Doiy

"If a whistleblower, typically an employee or former employee, has trade secret information that may support a claim of illegal activity, the whistleblower would be well-served to only share that information in confidence with an attorney or the government," said Leonard Samuels, a partner at Berger Singerman in Fort Lauderdale who has litigated theft of trade secret claims. "The Defend Trade Secrets Act offers no protection to a whistleblower who feels compelled to share trade secrets with the press."

The bill passed the U.S. Senate 87-0 on April 4, and a similar bill is expected to pass the U.S. House in the coming weeks and be signed into law, according to a news release from U.S. Sen. Orrin Hatch, R-Utah, one of the bill's sponsors.

Criminal penalties for violations include the greater of \$5 million or three times the value of the stolen trade secret to the organization, including expenses for research and design and other costs of reproducing the trade secret. But for whistleblowers, the big concern is civil liability because prosecutors are unlikely to charge whistleblowers criminally, attorneys said.

"They split the baby by allowing a fail-safe mechanism but through what they deemed to be the proper channels, which is to a government official be it on the federal, state or local level, or to an attorney, who then could arguably possibly distribute it to the media or to a federal agency," said Evan Berger, a Fort Lauderdale partner with Becker & Poliakoff who has represented clients on intellectual property matters.

But Berger said an attorney would have to think long and hard about releasing the information to the media because the bill doesn't protect an attorney from civil liability.

Safe Harbor

That said, the immunity offered for civil disclosure liability "is a massive improvement for whistleblowers, which at the moment have very little to no protection under the law from being sued," said James Pooley, a solo practitioner in Menlo Park, California, who focuses on trade secret law and litigation and worked with congressional staffers on the legislation. The bill does not protect individuals who obtain the information through hacking or other improper methods, he added.

Protections that safeguard trade secrets can chill those in the best position to reveal illegal activity, and whistleblower protections should be part of routine nondisclosure agreements, said Peter Menell, a law professor and director of the Berkeley Center for Law & Technology at the University of California, Berkeley, School of Law.

Menell acknowledged his proposed safe harbor would not address all problems associated with reporting illegal conduct.

"Where the intermediating institution cannot be trusted, as in the circumstances surrounding Edward Snowden's discovery of allegedly unconstitutional surveillance by the National Security Agency, the safe harbor might not prove adequate," he wrote, noting in most instances government enforcers and jurists can be trusted to provide protection to both whistleblowers and trade secret owners.

Whistleblowers often take matters to media when a concern involves powerful individuals, government officials, the desire to remain anonymous, fear of retaliation or the fear that an issue will not be seriously investigated by officials.

But other reasons exist as well. If, for example, a single government had been left to investigate the Panama Papers leaked from Panama-based Mossack Fonseca, foreign governments under fire would likely question its motives and possibly retaliate diplomatically.

As it is, Russian President Vladimir Putin claimed the Panama Papers leak is part of a Western campaign to undermine Russia, according to a U.S. State Department briefing Thursday.

Dissemination

The International Consortium of Investigative Journalists and its partner organizations reported millions of documents exposed client lists and Mossack Fonseca's creation of shell companies that helped hide the wealth of public figures worldwide.

"This information in the Panama Papers is not strictly speaking trade secret information — it's

confidential information held by a law firm," Pooley said. "The interest in secrecy is an interest of the clients to protect against embarrassment and the possibility of being prosecuted for tax evasion."

However, there are cases where documents leaked to the media would qualify as trade secrets. A leak of a carmaker's future car designs, for instance, might be of interest to an industry publication's readers but wouldn't offset the damage that could be caused to the manufacturer, Samuels said.

Although the bill opened the door to court-ordered seizure of documents from individuals who misappropriated them to prevent the dissemination of trade secrets, that provision is not expected to be used against news media, said Pooley, who has written books on trade secrets and is a former deputy director general of the World Intellectual Property Organization in Geneva.

To get a seizure order, "in addition to having to prove that the person or organization would evade, avoid or otherwise not comply [with a normal injunction], you also have to prove that that person or organization actually committed the act of misappropriation," Pooley said. "A mere recipient of the trade secret cannot be the target of a seizure order. So newspapers, unless they are a false front for some sort of shadow espionage operation to steal actual trade secrets, cannot possibly be the subject of a seizure order."

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