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Striking a Balance: When Should Trade Secret Law Shield Disclosures to the Government?

Elizabeth A Rowe, *University of Florida*

STRIKING A BALANCE: WHEN SHOULD TRADE SECRET LAW SHIELD DISCLOSURES TO THE GOVERNMENT?

ELIZABETH A. ROWE*

* Associate Professor of Law, University of Florida, Levin College of Law. I extend much gratitude to Mary Jane Angelo, Jonathan Cohen, Charles Collier, Hank Chambers, Jacqueline Lipton, Xuan-Thao Nguyen, and Katheryn Russell-Brown for written comments on or conversations about earlier versions of this work. I also thank participants at the University of Virginia School of Law, MAPOC conference, as well as participants at a faculty workshop at the University of Florida, Levin College of Law for helpful comments. Peter Vasat, Derek Fahey, Rachelle Bergeron, and Chase Carpenter provided excellent research assistance. Finally, thank you to the University of Florida, Levin College of Law, for its research support.

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I. INTRODUCTION

Earlier this year, Toyota issued recalls on over eight million vehicles because of faulty acceleration.[1] As a result, several government agencies and Congress are requesting information about Toyota's safety problems, and even the SEC is interested in its disclosure practices related to the unintended acceleration in its vehicles.[2] Assume that a device of potential interest to the government is the event data recorder (commonly known as a Black Box) that Toyota has installed in its vehicles. This device, similar to the Black Box on an airplane can measure and record a wide range of electronic information about the vehicle, and the driver's interaction with it.[3] Assume further that the National Highway Traffic Safety Administration (NHTSA) requests that Toyota allow the government access to the data in black boxes on the recalled cars.[4] The black boxes are operated by proprietary software and can only be accessed with special codes by Toyota.[5]

Assume that Toyota refuses to provide the Black Box data (i.e. the information recorded in the Black Box and the encryption code) to the government, claiming that it would reveal its trade secrets and proprietary information,[6] how should a court decide whether to compel Toyota to

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[1] Peter Valdes-Dapena, *Toyota recalls total 8.1 million vehicles*, CNNMONEY.COM, February 4, 2010, http://money.cnn.com/2010/02/04/autos/toyota_recall_total/index.htm?postversion=2010020410. Among the models recalled were Camry, Avalon, Prius, Lexus. Hibah Yousuf, *Toyota: 3.8 million cars with risky floor mats*, CNNMONEY.COM, Oct. 2, 2009, http://money.cnn.com/2009/09/29/news/companies/toyota_lexus_floor_mats/.

[2] *U.S. launches criminal probe into Toyota safety: SEC also looking into executive behavior as Capitol Hill hearings begin*, ASSOCIATED PRESS, Feb. 22, 2010,http://www.msnbc.msn.com/id/35520628/ns/business-autos. -

[3] Curt Anderson &Danny Robbins*, Impact: Toyota secretive on 'black box' data,* ASSOCIATED PRESS, Mar. 4, 2010, http://news.yahoo.com/s/ap/20100304/ap_on_hi_te/us_toyota_black_boxes

[4] As of the time of this writing, it is unclear precisely what information is contained in the black box. It is believed that the data contained in these boxes include data from five seconds before until two seconds after an air bag is deployed in a crash, speed, the accelerator's angle, gear shift position, whether the seat belt was used and the angle of the driver's seat, the brake's position and the antilock brake system.

[5] Anderson & Robbins, *supra* note 3.

[6] While based on real events, this hypothetical is fictitious and created to help illustrate the problem addressed in this Article. However, in the real world Toyota has generally been secretive about its black box data. *Id*. It

produce the Black Box data? How do we achieve the proper balance between the public benefit from disclosure[7] to the government and the potential harm to the company if its trade secret is lost? In refusing to produce trade secret information to the government (particularly when they are not required to do so)[8], companies often argue that the information is vital and essential to their ability to compete successfully, and that it is the kind of information that competitors desperately desire. Accordingly, sometimes they are either unwilling to provide trade secret information at all or may be willing to provide the information if and only if the integrity and safety of the information will be fully protected against disclosure to competitors either directly or indirectly.

How should courts approach what I coin these refusal-to-submit cases? There is a void in the literature and the case law on appropriate theoretical and doctrinal approaches for the special circumstances created by these cases. There is much inconsistency in the ways in which courts might approach and resolve them, and no coherent framework exists to address the unique challenges and considerations they present. For example, while one might assume that the logical threshold issue should be whether the information sought to be protected indeed qualifies for trade secret protection, courts often bypass that determination in related cases and instead appear to make value judgments about relevance of the information, or whether there is sufficient public benefit to justify disclosure.

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did recently agree, however, to make some readers to its black boxes available to the government to aid in the recall investigation. *See* Stephen Manning & Tom Raum, *U.S. May Require Brakes That Can Override Gas Pedals in New Cars*, ASSOCIATE PRESS, Mar. 2, 2010, http://www.usatoday.com/money/autos/2010-03-02-toyotadeaths_N.htm.

[7] *See, e.g.,* Mary L. Lyndon, *Secrecy and Innovation in Tort Law and Regulation*, 23 N.M. L. REV. 1,2 (1993) (arguing that "[p]roprietary claims to information impose substantial costs on regulation and hinder such regulatory initiatives as waste reduction.")

[8] Companies are often statutorily required to produce information to the government for regulatory reasons in order to obtain approvals for their products or services. Accordingly, even if the information consists of protectable trade secrets, it must be produced unless they wish to forego the opportunity to conduct that aspect of their business in the United States. *See, e.g.,* 7 U.S.C.§ 136a(c)(1)(D) (providing that to sell or distribute a pesticide in the U.S. a manufacture must register it with the EPA and include the complete formula of the pesticide). At other times, such as is presented in this Toyota hypothetical, the government requests information that a company is not statutorily required to submit to the government. While companies may raise objections to submitting trade secrets even where required, it is the latter set of circumstances that is the focus of this Article. *See* discussion at notes 158 to 159 *infra.*

A. *A Timely and Continuing Issue*

The socio-political climate and pending regulatory action in the United States makes this a pressing and timely issue, and one that is likely to continue. The recent financial crisis brought multi-million dollar corporations as well as individuals on the eve of retirement to financial ruin, and required government bail-outs to avert even further widespread economic disaster. In the wake of these events comes a push for greater transparency of governmental decisions and greater oversight of private companies by the government in the hope of better protecting the public. Coupled with this phenomenon is the fact that we live in the information age, with all kinds of information easily and widely available on the Internet. The notion of secrecy is therefore not the in-thing, but rather has probably become passé; when it comes to information, the popular feeling is probably that more is better.

Moreover, almost immediately upon taking office the Obama Administration ordered several agencies to review the propriety of keeping certain company-submitted information secret.[9] The FDA has set up a task force to recommend ways to reveal more information about its decisions, including the disclosure of now secret data about drugs and devices under study.[10] Critics have complained that keeping this kind of information secret can harm the public.[11] Similarly, at the EPA, Congress is considering revisions to the 1976 Toxic Substances Control Act which requires manufacturers to report to the federal government new chemicals that they intend to market. However, the law exempts reporting of trade secrets, and it is believed that "95 percent of the notices for new chemicals sent to the government requested some secrecy."[12] Critics argue that the secrecy

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[9] *See, e.g.*, Letter from Andrew Emmett, Director for Science and Regulatory Affairs, Biotechnology Industry Organization (BIO), to FDA (Aug. 5, 2009) (discussing President Obama's Transparency and Open Government initiative and the FDA task force), http://www.bio.org/reg/20090805.pdf.).

[10] Gardiner Harris, *Drug Agency May Reveal More Data on Actions*, N.Y. Times, June 2, 2009, at A10.

Company information treated as trade secrets before the FDA can include company plans to test experimental medicines, the complete results of most clinical trials, and the FDA's reasons for rejecting a company's application to market a product. Id. Results of clinical trials for a drug that failed to win FDA approval are also secret. Jeanne Lenzer, Drug Secrets: What the FDA isn't Telling, Slate, Sept. 27, 2005 (discussing situation where a 19-year-old clinical trial volunteer committed suicide in testing of drug for urinary incontinence).

[11] *Id.*

For example, a popular diabetes drug made by GlaxoSmithKline, Avandia, was found to increase the risk of heart attack by 42 percent, but that information was kept secret by the FDA. *Id.*

[12] Lyndsey Layton, *Use of Potentially Harmful Chemicals Kept Secret*

provision makes it difficult to control potential dangers or for consumers to know to which toxic substances they may be exposed.[13] No doubt, the public appeal against secrecy in circumstances where public health and safety could be at risk is understandable.

On the other hand, the fact that the existing rules governing the protection of trade secrets by the various agencies could be revised to offer even less protection, is further cause for concern for trade secret owners. Even without any changes, the current patchwork of agency regulations and practices could pose risks to company trade secrets in the hands of the government, since trade secrets involve a unique form of property right that can vanish upon disclosure. Accordingly, the decision whether to produce trade secret information to the government in the first instance is not one to be made lightly. The current regulations as well as the direction of pending revisions to the regulations that shield trade secrets in the government's custody suggest that the scope of protection is unclear. This Article therefore takes on the novel approach of focusing on the front end of the process – the submittal of company trade secrets to the government in the first instance.

B. *The Article's Mission*

Disclosure of company trade secrets by the government to the public is already addressed in the elaborate regulatory scheme of agency rules and regulations, as well as in the FOIA case law.[14] However, there is a paucity of case law and other guidance specifically relevant to refusal-to-submit cases, and when the government is entitled to a company's trade secret information. This Article is the first to identify this gap in the law and to examine the problem from the lens of trade secret law with an eye toward developing a more principled approach to resolving these cases. Since it is the fear of disclosure by the government that triggers the reluctance to release trade secret information to the government in the refusal-to-submit cases, I consider existing regulations that govern how the government treats confidential business information already in its possession. In addition, I examine cases that address, in other contexts, when one party can be ordered to produce its trade secrets to another. Lessons from these cases ultimately help frame my proposed "shield or disclose" model.

The framework proposed in the Article has wide reaching application and could be instructive to the larger body of cases where a party seeks to compel production of another's trade secrets. However, the Article, by necessity, has a more targeted analytical focus that pays particular attention to the void that has been identified in the refusal-to-submit cases. In

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Under Law, The WASH. Post, Jan. 4, 2010, at A01.

[13] *Id*.

[14] *See* discussions *infra* Part II.C.

particular, it focuses on the scenario represented by the Toyota hypothetical where a company refuses to submit trade secret information to the government for compliance or regulatory reasons.[15] The shield or disclose model, among other things, makes clear the roles and burdens to be assumed by the various players. It requires a threshold determination that the information in question qualifies for trade secret protection under the common law. It also requires evidence of need, relevance, and potential harm before a court could order disclosure.

In the process of deriving guidance for the creation of the shield or disclose model, the Article makes a further contribution by analyzing the varied and obscure patchwork of agency rules, as well as related areas of case law, to succinctly identify themes and approaches relevant to the refusal-to-submit problem. Following this introduction, Part II provides relevant background on trade secret law, and a sampling of the agency rules that govern the protection of trade secrets received by the government. It also explores why companies may have reason to be concerned about submitting trade secret information to the government. Part III undertakes a review of the approaches courts use to determine when to order the production of trade secrets in other contexts. Part IV introduces the shield or disclose model, and suggests other contexts in which the framework might be useful. Finally, the Article concludes in Part V that the guidelines proposed provide a more balanced approach that is specifically tailored to the needs of the individual case and reaches more of a middle ground solution than currently exists to achieve the balance between secrecy and access.

II. RELEVANT BACKGROUND

This part provides relevant background on trade secrets and the kinds of

[15] Accordingly, the Article is not directly concerned with other scenarios such as the disclosure of trade secrets between parties in litigation, or cases where companies have entered into a business relationship with the government, such as with vendors or contractors for government services. These scenarios have been appropriately addressed elsewhere. *See, e.g.*, David S. Levine, *Secrecy and Unaccountability: Trade Secrets in our Public Infrastructure,* 59 Fla. L. Rev. 135 (2007) (arguing that companies that provide services for public infrastructure should disclose trade secrets for access and transparency).

injury that could result from the government's inappropriate disclosure of a company's trade secrets. It also introduces the relevant regulatory landscape by discussing the mechanism by which the federal government makes third party information available to the public – the Freedom of Information Act (FOIA). Moreover, it provides a snapshot of the intricate patchwork of agency rules and regulations that govern the treatment of trade secret information. Finally, in light of this regulatory framework and the unique nature of trade secrets, it explains why companies may fear submitting trade secrets to the government. Before going further, it is worth clarifying that the Article treats trade secret information as separate from the larger category of confidential business information. Thus, it is worth keeping in mind that when regulations refer to confidential information, in keeping with the principles of trade secret law, they necessarily refer to a larger body, a small subset of which would be legally protectible trade secrets.[16]

A. *Trade Secret Introduction*

A trade secret can be any business information that is secret and derives value from its secrecy.[17] Trade secret law is based on state law.[18] Most states have adopted the Uniform Trade Secrets Act (UTSA), which provides some uniformity in defining trade secrets and trade secret misappropriation. The states that have not adopted the UTSA tend to rely on common law based on the Restatement of Torts.[19] Finally, and more recently, the Restatement (Third) of Unfair Competition[20] also addresses trade secrets.[21]

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[16] *See generally* Elizabeth A. Rowe, *Trade Secret Litigation and Free Speech: Is it Time to Restrain the Plaintiffs?*, 50 BOSTON COLLEGE L. REV. 1425, 1447-48 (2009)(discussing the substantive requirements for establishing that business information is a protectible trade secret).

[17] UNIF. TRADE SECRETS ACT § 1(4) (amended 1985), 14 U.L.A. 538 (2005).

[18] There are federal criminal statutes that address espionage and the inappropriate disclosure of trade secrets by a federal employee. These are the Economic Espionage Act and the Trade Secrets Act, respectively. However, the bodies of civil law are state based.

[19] See Michael A. Epstein, Epstein on Intellectual Property § 1.02 at 1–4 (5th ed. 2009 Supp.). The Restatement (Third) of Unfair Competition now also governs trade secrets, and its rules apply to actions under both the UTSA and the Restatement of Torts. See Restatement (Third) of Unfair Competition § 39, reporters' note (1995).

[20] RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 39-45 (1995).

[21] This is an interesting shift in the overall treatment of this area of the law, which corresponds with the growing union of trade secret and unfair competition issues becoming evident in the case law. For instance, unfair competition claims involving trade secrets often mirror trade secret misappropriation claims. *See, e.g.*, GlobeSpan, Inc. v. O'Neill, 151 F. Supp. 2d 1229, 1235-36 (C.D. Cal. 2001); IBM v. Seagate Tech., Inc., No. 3-91-630, 1991 U.S. Dist. LEXIS 20406, at *11 (D. Minn. Dec. 31, 1991).

Its rules apply to actions under both the UTSA and the Restatement of Torts.[22] Most courts appear to rely on the definitions in the UTSA[23] or in the Restatement of Torts,[24] and, as such, this Article will as well for most of the analysis which follows.

The modern formulation of trade secret law in the UTSA defines a trade secret very broadly, and virtually anything of competitive value to a company can be a trade secret as long as it is kept secret.[25] Accordingly, a wide range of confidential business information including customer lists, sales records, pricing information, and customer information can be protectable trade secrets.[26] Some jurisdictions have also granted trade secret protection to secret contract terms, marketing strategies, and industry studies.[27] Further, under the UTSA, a trade secret does not need to be in use

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[22] *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39, Reporters' Note, at 438 (1995).

[23] The UTSA defines a trade secret as:

> [I]nformation, including a formula, pattern, compilation, program, device, method, technique or process, that: (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

UNIF. TRADE SECRETS ACT § 1 (amended 1985), 14 U.L.A. 538 (2005). The UTSA requires only reasonable efforts, not all conceivable efforts, to protect the confidentiality of trade secrets. *See* Surgidev Corp. v. Eye Tech., Inc., 828 F.2d 452, 455 (8th Cir. 1987); s*ee also* Religious Tech. Ctr. v. Netcom On-Line Commc'n Servs. Inc., 923 F. Supp. 1231, 1253-54 (N.D. Cal. 1995) (stating that the church made reasonable efforts under UTSA to protect secrecy of religious documents through the use of locked cabinets and safes, logging and identification of materials, electronic sensors, alarms, photo identifications, security personnel, and confidentiality agreements for all given access to materials).

[24] *See* EPSTEIN, *supra* note 13, § 1.02, at 1-4. The Restatement of Torts defines a trade secret as "any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it." RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939). The Restatement then provides examples, stating that a trade secret "may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers." *Id.*

[25] UNIF. TRADE SECRETS ACT § 1(4) (amended 1985), 14 U.L.A 538 (2005). The UTSA requires reasonable efforts to protect the confidentiality of trade secrets. *See* Surgidev Corp. v. Eye Tech., Inc., 828 F.2d 452, 455 (8th Cir. 1987).

[26] McFarland v. Brier, No. 96-1007, 1998 WL 269223, at *3 (R.I. Super. Ct. May 13, 1998).

[27] *See* PepsiCo, Inc. v. Redmond, 54 F.3d 1262, 1265–70 (7th Cir.

to be protected, and negative information[28]—comprised of failed research or an ineffective process—is also protected.[29]

Trade secret rights derive, in large part, from property interests.[30] The value of a trade secret rests in the information itself, not just the medium on which it is recorded. Once the information becomes public, the property aspect is gone. Thus, when a trade secret is disclosed and becomes generally known to others, it loses its status as a trade secret, and cannot be reclaimed.[31] If the trade secret information passes into the hands of a third party, such as a competitor or the press, the trade secret owner may not have any recourse against the third party or any ability to stop the dissemination or use.[32] That is because where a party learns a trade secret through a disclosure that was not made in breach of a contract or special relationship, or with knowledge of such a breach, she is entitled to use it.[33] Therefore, a trade secret owner may have no protection for a trade secret that is accidentally disclosed.[34] If a trade secret is disclosed to one who has not promised confidentiality, and it is then released publicly, its status as a trade secret vanishes.[35] The significance of these basic principles in the context of the refusal-to-submit cases is discussed below.

1995) (finding strategic financial and marketing information to be protected trade secrets under the UTSA); ConAgra, Inc. v. Tyson Foods, Inc., 30 S.W.3d 725, 728–30 (Ark. 2000) (recognizing that Tyson's business information concerning production, marketing strategies, pricing programs, and contract terms are protectable trade secrets under the UTSA, but refusing to grant such protection for failure to maintain their secrecy).

[28] A negative trade secret is the knowledge of what not to do or what does not work, a lesson learned from a certain process or research and development effort that failed. *See* JAMES POOLEY, TRADE SECRETS § 4.02[3] (1997).

[29] *See* ROGER M. MILGRIM, MILGRIM ON TRADE SECRETS § 1.01[2][a] (2009) (discussing the UTSA).

[30] *See* Mark A. Lemley, *The Surprising Virtues of Treating Trade Secrets as IP Rights*, 61 STAN. L. REV. 311, 324-26 (2008).

[31] FMC Corp. v. Taiwan Tainan Giant Indus. Co., 730 F.2d 61, 63 (2d Cir. 1984).

[32] *See generally* Elizabeth A. Rowe, *Saving Trade Secret Disclosures on the Internet Through Sequential Preservation*, 42 WAKE FOREST L. REV. 1, 14–17 (2007).

[33] *See* Restatement (First) of Torts § 757 cmt. a (1939).

[34] *See Kewanee* Oil Co. v. Bicron Corp.,, 416 U.S. 470, 476 (1974); Fisher Stoves, Inc. v. All Nighter Stove Works, Inc., 626 F.2d 193, 196 (1st Cir. 1980) ("[E]ven a bona fide trade secret is not protected against discovery by fair means, including accidental disclosure.").

[35] See Lockridge v. Tweco Products, Inc., 497 P.2d 131, 134 (Kan. 1972) ("Once the secret is published to the 'whole world,' . . . it loses its protected status and becomes available to others for use and copying without fear of legal reprisal from the original possessor.").

B. *The Cost of Disclosure by the Government*

If a company submitted trade secret information to the government and that information were to later be disclosed by the government, it is the trade secret owner who would ultimately bear the cost of the government's misguided action. This is in part because, when a trade secret is revealed it loses all of its value, the loss is irreparable, and the company may not be made whole by monetary damages.[36] An aggrieved trade secret owner may have a trade secret misappropriation claim or constitutional takings claim against the government.[37] There may also be a possible criminal action under the Trade Secrets Act against an individual government employee who discloses a trade secret.[38] However, none of these options may provide a satisfactory remedy, and legal recourse against the government may also be tenuous. The Trade Secrets Act does not provide a private right of action.[39] Moreover, a claim under the TSA could only be against an individual, and any fine may not exceed $1,000.[40] It therefore provides practically no compensation to a company that may have suffered a multi-million dollar loss as a result of an inappropriate disclosure of its trade secret. Accordingly, the more feasible option with a better chance for damages may be a takings claim. As discussed below, however, those claims present their own challenges.

Trade secrets are a type of property.[41] Under the Fifth Amendment

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[36] *See* Wearly v. FTC, 462 F. Supp. 589, 599-600 (D.N.J. Oct. 18, 1978), *vacated*, 616 F.2d 662 (3d Cir. 1980) (holding that the matter was not ripe for judicial review).

[37] Sovereign immunity does not bar the filing of a trade secret claim against the government for disclosure of trade secrets. Jerome Stevens Pharm., Inc. v. FDA, 402 F.3d 1249, 1256 (D.C. Cir. 2005)

[38] The Trade Secrets Act provides that: whoever, being an officer or employee of the United States or of any department or agency thereof. . . publishes, divulges, discloses, or makes known in any manner or to any extent not authorized by law any information coming to him in the course of his employment or official duties or by reason of any examination or investigation made by, or return, report or record made to or filed with, such department or agency or officer or employee thereof, which information concerns or relates to the trade secrets,. . . shall be fined not more than $1,000, or imprisoned not more than one year, or both; and shall be removed from office or employment. 18 U.S.C. § 1905.

[39] 18 U.S.C. § 1905 (2006). While the TSA does not furnish a private cause of action to enjoin government disclosure, a violation of the TSA may be decisive in a judicial review of agency action under the Administrative Procedures Act. *See* Chrysler Corp. v. Brown, 441 U.S. 281, 316–18 (1979).

[40] 18 U.S.C. § 1905 (2006).

[41] *See, e.g.,* Mark Q. Connelly, Secrets and Smokescreens: A Legal and Economic Analysis of Government Disclosures of Business Data, 1981 WIS. L. REV. 207, 242 (1981).

Takings Clause, the government may take property for public use only upon just compensation.[42] When the government takes for public use and compensates the owner of the trade secret, it is not a taking.[43] However, the government may not exercise its sovereign power to take for private use.[44] In *Ruckelshaus v. Monsanto*, the U.S. Supreme Court held that a federal pesticide statute constituted a taking of trade secrets in some circumstances, when the EPA used studies submitted by one pesticide manufacturer in evaluating similar pesticides by the manufacturer's competitors.[45] In the circumstances where it found a taking, the Court focused on statutory language that seemed to guarantee the manufacturer confidentiality for its trade secrets, noting that "this explicit governmental guarantee formed the basis of a reasonable investment-backed expectation."[46]

For information submitted by Monsanto during another period, however, the court found that the government had made no guarantee of confidentiality.[47] Rather, Monsanto chose to enter a U.S. market "that long has been the focus of great public concern and significant government regulation, and should not have reasonably expected that the trade secrets would remain confidential."[48] Accordingly, it ruled there was no taking with respect to that information.[49] The Court also held that Monsanto could not rely on any promise of confidentiality from the Trade Secrets Act.[50]

Monsanto is therefore a mixed bag for trade secret owners whose trade secrets have been inappropriately used or disclosed by the government. There is a real risk that when a company submits business information to an agency and it falls into the hands of a competitor that a court could find there was no promise of confidentiality and thus no taking.[51] Query whether the various agency provisions dealing with confidentiality might serve to craft an argument in favor of confidentiality, establishing the government's

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[42] *See* Wearly v. FTC, 462 F. Supp. 589, 599-600 (D.N.J. Oct. 18, 1978), *vacated*, 616 F.2d 662 (3d Cir. 1980) (holding that the matter was not ripe for judicial review).

[43] *See* John Janka, Federal Disclosure Statutes and the Fifth Amendment: The New Status of Trade Secrets, 54 U. CHI. L. REV. 334, 338-39, 343-44 (1987) (discussing *Monsanto* and public use).

[44] *Wearly*, 462 F. Supp. at 598.

[45] 467 U.S. 986, 1020 (1984); *see also* Philip Morris, Inc. v. Reilly, 312 F.3d 24, 45–46 (1st Cir. 2002) (citing *Monsanto* to conclude that a Massachusetts statute effected a taking of tobacco companies' trade secrets).

[46] *Monsanto*, 467 U.S. at 1011.

[47] *Id.* at 1008.

[48] *Id.* at 1008.

[49] *Id.* at 1008.

[50] *Id*. at 1008-09.

[51] *See Monsanto*, 467 U.S. at 1022 (O'Connor, J., dissenting) (stating she was "frankly puzzled" by the majority's premise that "the degree of Government regulation determines the reasonableness of an expectation of confidentiality").

explicit guarantee of confidentiality.[52] One court has found that a trade secret owner was within its rights to seek a protective order prior to responding to an agency's administrative subpoena where the agency was not acting pursuant to an explicit rule that provided protection for the trade secrets.[53] As is discussed, below, however, a review of a sampling of those regulations suggests that any such guarantee would not be absolute since the government generally reserves the right to disclose trade secrets to those not covered by the regulations. This includes Congress, for instance, and any disclosures by a member of Congress, may not constitute a taking for private use.[54]

C. *Snapshot of the Rules*

There is a dearth of case law and other guidance specifically relevant to refusal-to-submit cases, and when the government is entitled to demand trade secret information. For that reason, I will now consider a sampling of existing regulations that govern how the government treats confidential business information already in its possession. This will provide insight into how the government safeguards trade secret information, a relevant consideration in deciding whether trade secrets should be entrusted to a government agency in the first place. Moreover, it is the fear of disclosure by the government that sets the stage for the reluctance to release trade secret information to the government in the refusal-to-submit cases. Lessons from this review will be incorporated into my shield or disclose model.

The government has an interest in maintaining the confidentiality of trade secret information disclosed to it. Agencies, as part of their regulatory function, receive a vast amount of proprietary information from businesses. Accordingly, the agencies have instituted rules by which such information will be kept confidential and not disclosed to the public or to competitors, and a sampling of those rules is discussed in this section. Even in the absence of an explicit obligation, however, the government should have an

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[52] *See* 3-12 Milgrim on Trade Secrets § 12.04 (listing statutes prohibiting disclosure of trade secrets or confidential information by FTC, SEC, IRS, FDA, FAA, Social Security Administration, and others).

[53] *See* United State International Trade Commission v. Tenneco West, 822 F.2d 73, 80 (D.C. Cir. 1987).

To the extent the government was planning to use trade secret information submitted by a company to prosecute the company, it may implicate another right under the Fifth Amendment, the right against self-incrimination. The right not to be compelled to testify against oneself when the testimony may tend to incriminate the witness is a central tenet of criminal procedure. In that context there is also a balancing test. 18 USC § 6001. However, that discussion is beyond the scope of this paper.

[54] See Janka, supra note 43, at 338-39.

incentive to secure the privacy of business information, because without such assurances, companies will be less willing to provide information or complete information to the government. As the FTC argued in a case involving their inadvertent disclosure of Whole Food Inc.'s trade secrets:[55]

> It is axiomatic that if business secrets turned over to the Federal Trade Commission in furtherance of law enforcement efforts are thereby made available to firms in the same industry, companies will be less willing to provide that information to the Commission in the first instance. As a result, the Commission's ability to enforce the antitrust laws, among others, is impeded to the public's detriment.[56]

This lack of candor could hinder the government's regulatory activity, and ultimately the public interest. These values are reflected in the standards that the courts have applied in FOIA cases to determine whether requested information will be withheld from the public.[57]

A qualified right to protect trade secrets is reflected in the agencies' rules. One of the challenges in beginning to understand this body of rules is that it consists of an intricate patchwork of regulations and statutes, often with each agency having several separate regulations governing the treatment of trade secrets. Accordingly, this part of the paper attempts to present a snapshot of the regulatory landscape to provide a sense of the wide variation with which businesses must contend. First, however, it is important to understand FOIA as is relevant to this discussion, since the agencies' protection regulations aim to describe what information should and should not be available to the public through FOIA.

1. FOIA

Under the Freedom of Information Act ("FOIA"),[58] anyone may request copies of documents which form the records of agencies of the Executive

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[55] *See* Christopher S. Rubager, *Error by FTC Reveals Whole Foods' Trade Secrets*, Wash. Post, Aug. 15, 2007, at D03.

[56] Plaintiff's Memorandum In Opposition To Defendant Whole Food Market, Inc.'s Motion For Entry Of A Final Protective Order at 7, FTC v. Whole Foods Market, Inc., No. 07-cv-01021-PLF (D.D.C. June 20, 2007), *available at* http://www.ftc.gov/os/caselist/0710114/070620response.pdf.

[57] *See* discussion accompanying notes 209 to 210 *infra.*

[58] 5 U.S.C. § 552.

Branch.[59] One does not need to show standing, legitimate interest or any other threshold requirement to be entitled to the information.[60] Most FOIA requests come from businesses seeking information on their competitors.[61] If trade secret information is disclosed through a FOIA request it could become the kind of private use of information that constitutes a taking under the Fifth Amendment Takings Clause.[62] FOIA therefore presents a considerable risk of loss to a trade secret holder.

FOIA contains exemptions against disclosure of trade secrets.[63] However, of particular significance is that the Supreme Court has found these exemptions to be permissive, not mandatory.[64] Thus, while FOIA permits the agencies to withhold company records containing trade secrets, it does not require them to do so.[65] Most relevant to this discussion, Section 3 exempts information that is "specifically exempted from disclosure by statute" and section 4 exempts "trade secrets and commercial or financial information obtained from a person and privileged or confidential."[66] Note that Exemption 4 applies to a wider category of information beyond trade secrets, i.e. "commercial and financial information." This would presumably be information that is confidential and proprietary to the company, but not necessarily a trade secret. Exemption 4 is the category most applicable and most often used in FOIA litigation to protect trade secrets and confidential information.[67] None of the exemptions, however,

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[59] Each of the states have statutes similar to FOIA. *See, e.g.* Burt A. Braverman & Wesley R. Heppler, *A Practical Review of State Open Records Laws,* 49 Geo. Wash. L. Rev. 720 (1981*);* Annotation, What Constitutes Trade Secrets Exempt From Disclosure Under State Freedom of Information Acts, 27 A.L.R.4th 773 (1984) .

While this paper will only address the federal law, the proposal in this framework could apply to disclosure of trade secrets on the state level as well. See the discussion *infra* at Part IV.B.

[60] *Wearly*, 462 F. Supp. at 600.

[61] Michael Moss, *Public Eye: Federal Service Gets Wider Use by Sleuths, Snoops—and Senators*, Wall St. J., Jan. 3 1996, at A1 (quoting one source as estimating that 75% of all FOIA requests come from business).

[62] *See supra* Part II.B.

[63] 5 U.S.C. § 552 (b)(3) and (b)(4).

[64] Chrysler Corp. v. Brown, 441 U.S. 281, 292-94(1979).

[65] Nevertheless, one must first determine that material falls within one of the applicable exemptions in order to then decide that the information can be withheld by the government as falling outside of FOIA.

[66] *Id*.

[67] It is questionable when and whether section 3 applies to protect trade secrets, mostly because courts differ on whether there is a statute that specifically exempts trade secrets from disclosure within the meaning of Exemption 3. *Compare* Chrysler v. Brown, 441 U.S. 281 (1979) and Westinghouse Electric Corp. v. Schlesinger, 542 F.2d 1190, 1199-203 (4th Cir. 1976), cert. denied, 431 U.S. 924 (1977) (finding the Trade Secrets Act to be an Exemption 3 withholding statute) *with* General Elec. Co. v. Nuclear Regulatory Comm'n, 750 F.2d 1394, 1401-02 (7th Cir. 1984) and

apply to Congress.[68] There is therefore the risk that Congress could request information from an agency, increasing the chances that the information could be leaked or that a member of Congress could use the speech and debate clause to discuss and thus destroy the proprietary information.[69]

According to the Director of the Office of Public information and Library Services, it is only through the FOIA that the general public would be able to access a copy of an agency record.[70] When a request is received, the Office of Public information and Library Services will assign the request to the agencies with jurisdiction over the record(s) at issue. There are trained staff within each of these component offices, who are responsible for searching for the requested records; reviewing these records to determine whether they should be released; and redacting non-releasable information (subject to both the Freedom of Information Act, and the Agency's implementing regulations).[71] In making a disclosure decision, the FOI officer of the particular agency would consider the records in light of the FOI statute and the Agency's implementing regulations.[72]

When a submitter of trade secrets to an agency seeks to prevent the agency from disclosing the trade secrets to a third party FOIA requester, the mechanism for doing so within the courts is known as a reverse FOIA action.[73] The process of a reverse FOIA action occurs in two major sequential stages. The first stage is the submitter objecting to the prospective disclosure directly to the agency, and the second stage is the submitter appealing an unfavorable determination by the agency in federal court.

The procedural steps to the first stage of a reverse FOIA action typically

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Anderson v. H.H.S., 907 F.2d 936 (10th Cir. 1990) (finding the Trade Secrets Act is not an Exemption 3 withholding statute).

[68] 5 U.S.C. § 552(c) states: "This section is not authority to withhold information from Congress."

[69] *See, e.g.*, Wearly, 462 F. Supp. at 600 (discussing incident involving Senator Joseph McCarthy).

[70] The Department of Justice has provided an online guide to the FOIA, where it discusses what is a trade secret. THE DEPARTMENT OF JUSTICE GUIDE TO THE FREEDOM OF INFORMATION ACT (2009 EDITION), FOIA Post (posted 08/10/2009), http://www.justice.gov/oip/foia_guide09.htm.

[71] *Id.*

[72] *Id.*

[73] CNA Fin. Corp. v. Donovan, 830 F.2d 1132, 1133 n.1 (D.C. Cir. 1987); accord Mallinckrodt Inc. v. West, 140 F. Supp. 2d 1, 4 (D.D.C. 2000) (declaring that "[i]n a 'reverse FOIA' case, the court has jurisdiction when a party disputes an agency's decision to release information under FOIA"), appeal dismissed voluntarily, No. 00-5330 (D.C. Cir. Dec. 12, 2000); Cortez III Serv. Corp. v. NASA, 921 F. Supp. 8, 11 (D.D.C. 1996) (holding that in reverse FOIA actions "courts have jurisdiction to hear complaints brought by parties claiming that an agency decision to release information adversely affects them"), appeal dismissed voluntarily, No. 96-5163 (D.C. Cir. July 3, 1996).

begins when a requester submits a request to an agency for agency records under FOIA.[74] If, after receiving and reviewing the request, the agency determines that it may disclose the requested information it must give notice to the submitter of the information pursuant to Executive Order 12,600.[75] When the submitter receives notice that the agency has determined that submitter's information must be disclosed under FOIA, the submitter may begin the first stage of a reverse FOIA action by objecting to the disclosure to the agency.[76] In the situations involving potential disclosure of submitter's trade secrets, the submitter will object to disclosure on grounds that the information falls within Exemption 4 of FOIA.[77] If the agency agrees that the information requested falls within FOIA's Exemption 4, the agency must not disclose the information because it is barred from doing so under the Trade Secrets Act.[78]

If, however, the agency makes a final determination that the information does not fall within Exemption 4 and thus must be disclosed, the submitter may proceed to the second stage of a reverse FOIA action by suing the agency in federal court under the Administrative Procedure Act.[79] In

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[74] 5 U.S.C. § 552(a)(3)(A) (2006), amended by OPEN Government Act of 2007, Pub. L. No. 110-175, 121 Stat. 2524

[75] Exec. Order No. 12,600, 52 Fed. Reg. 23,781 (June 23, 1987)

[76] *Id.*

[77] 5 U.S.C. § 552(b)(4) (2006), amended by OPEN Government Act of 2007, Pub. L. No. 110175, 121 Stat. 2524.

[78] CNA, 830 F.2d at 1151-52; see, e.g., Pac. Architects & Eng'rs v. U.S. Dep't of State, 906 F.2d 1345, 1347 (9th Cir. 1990) (holding that when release of requested information is barred by Trade Secrets Act, agency "does not have discretion to release it"); Envtl. Tech., 822 F. Supp. at 1228 (concluding that Trade Secrets Act "bars disclosure of information that falls within Exemption 4"); Gen. Dynamics, 822 F. Supp. at 806 (declaring that Trade Secrets Act "is an independent prohibition on the disclosure of information within its scope")."); *see also* FOIA Update, Vol. VI, No.3, at 3 (discussing Trade Secrets Act bar to discretionary disclosure under Exemption 4).

[79] 5 U.S.C. §§ 701-706; see, e.g., ERG Transit Systems (USA), Inc. v. Wash. Metro. Area Transit Auth., 593 F. Supp. 2d 249, 252 (D.D.C. 2009) (stating that "[r]everse FOIA cases are deemed informal agency adjudications, and thus are reviewable under Section 706 of the [APA]"); CC Distribs. v. Kinzinger, No. 94-1330, 1995 WL 405445, at *2 (D.D.C. June 28, 1995) (holding that "neither [the] FOIA nor the Trade Secrets Act provides a cause of action to a party who challenges an agency decision to release information . . . [but] a party may challenge the agency's decision" under the APA); Comdisco, Inc. v. GSA, 864 F. Supp. 510, 513 (E.D. Va. 1994) (finding that the "sole recourse" of a "party seeking to prevent an agency's disclosure of records under FOIA" is review under the APA); Atlantis Submarines Haw., Inc. v. U.S. Coast Guard, No. 93-00986, slip op. at 5 (D. Haw. Jan. 28, 1994) (concluding that in a reverse FOIA suit, "an agency's decision to disclose documents over the objection of the submitter is reviewable only under" the APA) (denying motion for

reviewing agency action under the Administrative Procedure Act the court will examine the record developed by the agency to determine whether the agency's actions were arbitrary and capricious.[80]

2. Sample Disclosure Provisions and Exemptions

Against the backdrop of FOIA, this subpart will catalog how the regulations of a representative sampling of federal agencies address trade secrets that have been submitted to them. The agencies selected for discussion here are the Food and Drug Administration (FDA), the Securities and Exchange Commission (SEC), the Federal Trade Commission (FTC), and the Environmental Protection Agency (EPA). For each agency I will describe relevant and noteworthy points of its corresponding regulations or statutes concerning its treatment of trade secrets, and any exemptions that allow disclosure of trade secrets. This attempt to parse through the regulations to identify, compare, and describe concisely the patterns and themes that bear on their protection of trade secrets is another unique contribution of this Article.

a. FDA

The Federal Food, Drug, and Cosmetic Act, prohibits the revealing of trade secrets.[81] However, it does not authorize the withholding of

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preliminary injunction), dismissed per stipulation (D. Haw. Apr. 11, 1994); Envtl. Tech., Inc. v. EPA, 822 F. Supp. 1226, 1228 (E.D. Va. 1993) (same).

[80] 441 U.S. 281, 318 (1979); accord Campaign for Family Farms v. Glickman, 200 F.3d 1180, 1184 (8th Cir. 2000); Reliance Elec. Co. v. Consumer Prod. Safety Comm'n, 924 F.2d 274, 277 (D.C. Cir. 1991); Gen. Dynamics Corp. v. U.S. Dep't of the Air Force, 822 F. Supp. 804, 806 (D.D.C. 1992), vacated as moot, No. 92-5186 (D.C. Cir. Sept. 23, 1993); Davis Corp. v. United States, No. 87-3365, 1988 U.S. Dist. LEXIS 17611, at *5-6 (D.D.C. Jan. 19, 1988); see also McDonnell Douglas Corp. v. NASA, No. 91-3134, transcript at 6 (D.D.C. Jan. 24, 1992) (bench order) (recognizing that court has "very limited scope of review"), remanded, No. 92-5342 (D.C. Cir. Feb. 14, 1994).

[81] 21 U.S.C. § 331 (j) (2009). The section provides as follows:

"The following acts and the causing thereof are hereby prohibited: . . . (j) using by any person to his own advantage or revealing, other than to the Secretary or officers or employees of the Department, or to the courts when relevant in any judicial proceeding under this Act [21 USCS §§ 301 et seq.], any information acquired under authority of section 404. . . concerning any method or process which as a trade secret is entitled to

information from either House of Congress or any authorized committee or subcommittee.[82] The general public may access information held by the FDA through a FOIA request.[83] In making disclosures to the public the FDA's regulations provide for "fullest possible disclosure" consistent with the "property rights of persons in trade secrets . . . and the need for the agency to promote frank internal policy deliberations and to pursue its regulatory activities without disruption."[84] Additional regulations further provide that when a request for allegedly trade secret information is received, if the FDA is uncertain about whether the material is in fact protected, the FDA will consult with the trade secret owner to determine if the material should be disclosed.[85] If a trade secret owner disagrees with the FDA's decision that it should make available to the public the secret, then the trade secret owner may seek judicial review.[86]

Another set of regulations provide further guidance on the agency's handling and disclosure of trade secrets, by setting forth the agency's definition of a trade secret and establishing the procedure for producing requested information to the public.[87] The FDA appears to have adopted a definition of trade secret similar to that from the Restatement (Second) of Torts,[88] but in some ways narrower. While it is a more restrictive definition

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protection; or the violating of section 408(i)(2) [21 USCS § 346a(i)(2)] or any regulation issued under that section.[.]"

[82] *Id.*

[83] According to 45 C.F.R. 5.31 (2010) the Associate Commissioner for Public relations is the Freedom of Information officer for the FDA. If the records sought are exclusively records of the Food and Drug Administration, only the Associate Commissioner for Public Affairs, FDA, who also is the FDA Freedom of Information Officer, may determine whether to release or deny the records.

[84] 21 C.F.R. § 20.20 (2009).

[85] 21 C.F.R. § 20.47 (2010).

[86] 21 C.F.R. § 20.48. Judicial review is available under 5 U.S.C. § 702 (2010).

The section further provides that "Where the Food and Drug Administration consults with a person who will be affected by a proposed disclosure of data or information contained in Food and Drug Administration records pursuant to §20.47, and rejects the person's request that part or all of the records not be made available for public disclosure, the decision constitutes final agency action that is subject to judicial review pursuant to 5 U.S.C. chapter 7. The person affected will be permitted 5 days after receipt of notification of such decision within which to institute suit in a United States District Court to enjoin release of the records involved. If suit is brought, the Food and Drug Administration will not disclose the records involved until the matter and all related appeals have been concluded."

[87] *See* 21 C.F.R. § 20.61.

[88] "A trade secret may consist of any commercially valuable plan, formula, process, or device that is used for the making, preparing, compounding, or processing of trade commodities and that can be said to

than the modern definition under the Uniform Trade Secrets Act, the agency regulations also protect from disclosure the wider subset of confidential commercial or financial information, not just trade secrets.[89]

When the agency receives a request for potentially trade secret or confidential information it notifies the submitter of its right to object within five working days.[90] The FDA (it is unclear who at FDA makes this decision) then reviews the basis for the objection and decides whether to sustain the objection and thus not make the information available, or disagree with the objection and disclose it.[91] If the agency deems that the information should be disclosed, the submitter is notified of the agency's decision, and has five working days to file an action in a U.S. District Court.[92] A separate regulation, appearing to work in tandem with the provisions for notice above, also provides that if the trade secret owner fails to intervene in a court proceeding to defend the exempt status of the materials, then the submitter could be deemed to have waived its objection.[93]

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be the end product of either innovation or substantial effort. There must be a direct relationship between the trade secret and the productive process." 21 C.F.R. § 20.61(a). This last sentence requiring a direct relationship between the trade secret and the process does not appear in the Restatement of Torts.

See also 21 C.F.R. § 720.8(b) (2008) (applying six-prong test from the Restatement of Torts to determine whether information qualifies as a trade secret for cosmetic ingredients).

[89] The section defined privileged or confidential commercial or financial information as "information which is used in one's business and is of a type customarily held in strict confidence or regarded as privileged and not disclosed to any member of the public by the person to whom it belongs." 21 C.F.R. § 20.61(b).

[90] 21 C.F.R. § 20.61(e)(1)-(2).

[91] 21 C.F.R. § 20.61(e)(3).

[92] *Id.*

[93] 21 C.F.R. § 20.55 (2009).

"Whenever the Food and Drug Administration denies a request for a record or portion thereof on the grounds that the record or portion thereof is exempt from public disclosure as trade secret . . . under §20.61, and the person requesting the record subsequently contests the denial in the courts, the Food and Drug Administration will so inform the person affected, i.e., the person who submitted the record, and will require that such person intervene to defend the exempt status of the record. . . If the affected person fails to intervene to defend the exempt status of the records and to itemize and index the disputed records, the Food and Drug Administration will take this failure into consideration in deciding whether that person has waived such exemption so as to require the Food and Drug Administration to promptly make the records available for public disclosure." *Id.*

b. SEC

Like the FDA, the SEC also provides for the non-disclosure of confidential business information and has its own procedures governing FOIA requests. These provisions and procedures, however, differ from those observed at the FDA. No specific definition of trade secret (or confidential information) appears to be included in the SEC regulations,[94] even though mention is made of trade secrets in a few areas.[95] Rather, the regulations appear to incorporate FOIA and a catch-all of "other reasons permitted by Federal law," which would both encapsulate trade secrets.[96] Nevertheless, the fact that confidential business information comprises the broader group of information of which trade secrets are a subset, leaves no doubt that the rules would cover trade secrets. However, it is interesting that, unlike the FDA, no effort appears to have been made to define trade secrets.

Similar to the FDA rules, the confidentiality rules do not authorize the withholding of any information from Congress.[97] In addition, unlike the FDA an SEC exemption permits the agency, in its discretion, to provide all records to any person deemed appropriate by the Commission, as long as the person makes a showing of need and provides assurances of confidentiality for records.[98] It is unclear how and whether this provision fits with FOIA. Presumably, this would apply to requests outside of FOIA.[99] However, one

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[94] A search and review of the following SEC regulations governing the treatment of confidential information did not reveal a definition of "trade secret:" 15 U.S.C. §78x (2009); 17 C.F.R. § 240.24b-2 (2009); 17 C.F.R. § 200.83; 5 U.S.C. §706; 17 C.F.R. § 200.80; 17 C.F.R. § 200.402; and 17 C.F.R. § 229.402.

[95] *See* 17 C.F.R. § 200.80; 17 C.F.R. § 200.402; and 17 C.F.R. § 229.402.

[96] "Any person who, either voluntarily or pursuant to any requirement of law, submits any information or causes or permits any information to be submitted to the Commission, which information is entitled to confidential treatment . . . , may request that the Commission afford confidential treatment under the Freedom of Information Act to such information for reasons of personal privacy or business confidentiality, or for any other reason permitted by Federal law. . . "17 C.F.R. § 200.83(c)(1).

[97] 15 U.S.C. §78x(e)(2).

[98] 15 U.S.C. §78x(c). ("The Commission may, in its discretion and upon a showing that such information is needed, provide all "records" . . . and other information in its possession to such persons, both domestic and foreign, as the Commission by rule deems appropriate if the person receiving such records or information provides such assurances of confidentiality as the Commission deems appropriate.")

[99] Courts have applied 15 U.S.C. § 78x (c) outside of FOIA. *See, e.g.,* S.E.C. v. R.J. Reynolds Tobacco Holdings, Inc., 2004 WL 3168281, at * 12- 13 (D.D.C. 2004) (holding that pursuant to 15 U.C.C. §78x (c) and 17 C.F.R. § 240.24c-1, the SEC could use its discretion to release confidential

could also infer that the SEC could decide to disclose trade secret information to a person or entity, including foreign persons, (not just another government agency) without complying with the established FOIA disclosure procedures, as long as it is satisfied that the receiving party will maintain appropriate confidentiality of the records.[100]

The procedure for requesting confidential treatment of information is also different from that of the FDA's. For the SEC to treat information as confidential, the submitter must omit from the material filed the material that it wishes to remain confidential, and must mark the omitted material as "confidential material," before filing it with the SEC.[101] However, a determination on whether the material will indeed be treated as confidential is not made until a FOIA request has been received by a member of the public for the materials.[102] The regulation lists nine factors that one requesting confidential treatment may address to substantiate the request.[103] It is noteworthy that only two of those are the recognizable six-factor trade secret under the Restatement of Torts, as used by the FDA.[104] Those two are

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information to the Department of Justice (DOJ)); S.E.C. v. Merrill Scott & Associates, Ltd., 2008 WL 276502, at *2 (D. Utah 2008) (holding that pursuant to 15 U.S.C. §78x (c), the SEC could release confidential information to the DOJ).

[100] *See id.*

[101] 17 C.F.R. § 240.24b-2 (2009). This section is also read in conjunction with 17 C.F.R. § 200.83, a separate regulation dealing with confidential treatment under FOIA. See 17 C.F.R. § 240.24b-2(b)(2).

[102] 17 C.F.R. § 200.83(c)(6).

[103] 17 C.F.R. § 200.83(d)(2).

[104] *See* 17 C.F.R. § 200.83(d)(2)(v)-(vi).

(2) Substantiation of a request for confidential treatment shall consist of a statement setting forth, to the extent appropriate or necessary for the determination of the request for confidential treatment, the following information regarding the request:

(i) The reasons, concisely stated and referring to specific exemptive provisions of the Freedom of Information Act, why the information should be withheld from access under the Freedom of Information Act;

(ii) The applicability of any specific statutory or regulatory provisions which govern or may govern the treatment of the information;

(iii) The existence and applicability of any prior determinations by the Commission, other Federal agencies, or a court, concerning confidential treatment of the information;

(iv) The adverse consequences to a business enterprise, financial or otherwise, that would result from disclosure of confidential commercial or financial information, including any adverse effect on the business' competitive position;

(v) The measures taken by the business to protect the confidentiality of the commercial or financial information in question and of similar information, prior to, and after, its submission to the Commission;

(vi) The ease or difficulty of a competitor's obtaining or compiling the commercial or financial information;

the "measures taken by the business to protect the confidentiality" of the materials, and the "ease or difficulty of a competitor's obtaining or compiling" the information.[105] These more varied considerations are consistent with the SEC regulations' focus on confidential business information rather than on the narrower subset of trade secrets. If the Commission's FOIA Officer denies the request for confidential treatment, the first appeal is to the Commission's General Counsel, and a review of that decision can then be made by a U.S. District Court.[106] When the General Counsel is notified that, within ten calendar days, the matter has been appealed to Federal Court the General Counsel should issue a stay on disclosing the allegedly confidential records.[107] If the reviewing court decides that, among other things, the agency's decision was "arbitrary, capricious, [and] an abuse of discretion" the records will remain confidential.[108]

c. FTC

Similar to the other agencies, the FTC does not have the authority to publicly disclose trade secrets that have been submitted to it.[109] The prohibition against disclosure, however, does not apply to law enforcement (domestic or foreign),[110] or to Congress.[111] The FTC may also disclose trade secret information to its contractors and consultants, who are subject to the same confidentiality restrictions as its employees.[112] The process for disclosing confidential information is similar to the other agencies and in compliance with FOIA.[113] Once notified, if the submitter objects to the disclosure of its trade secrets, the decision can be appealed to the U.S. District Court.[114]

(vii) Whether the commercial or financial information was voluntarily submitted to the Commission and, if so, whether and how disclosure of the information would tend to impede the availability of similar information to the Commission;

(viii) The extent, if any, to which portions of the substantiation of the request for confidential treatment should be afforded confidential treatment; and

(ix) Such additional facts and such legal and other authorities as the requesting person may consider appropriate. *Id*

[105] *Id.*

[106] 17 C.F.R. § 200.83(e)(1).

[107] 17 C.F.R. § 200.83(e)(3).

[108] 5 U.S.C. §706 (2)(A) (2009).

[109] 15 U.S.C. 46(f) (2009).

[110] 15 U.S.C. 46(f)(1)-(2) (2009).

[111] 15 U.S.C. 57b-2(d)(A); 15 U.S.C. 57b-2(b)(3)(C) (2009).

[112] 16 C.F.R. § 1015.11 (2010).

[113] *See* 16 C.F.R. § 1015.18 (b) (2010).

[114] 15 U.S.C. 57b-2(c).

In determining what information qualifies as a trade secret, the FTC regulations differ from both the FDA and the SEC. Rather than adopting any of the six factor test from the Restatement of Torts, the regulation looks toward the more modern Uniform Trade Secrets Act and lists as one of five factors,[115] whether "the information so specified is commonly known within the industry or is readily ascertainable by outside persons."[116] It also calls for the submitter to describe how release of the information would cause competitive harm to the company.[117] In one other departure from the other agencies' rules, the FTC regulations explicitly provide that the determination of whether to disclose trade secret information pursuant to FOIA will be based on "the most authoritative judicial interpretations available at the time a request for disclosure or production is considered."[118] It further provides that to the extent the secret information can be segregated from the non-secret information, a portion of the record may be disclosed to the requester.[119] Of the agencies reviewed here, the provisions of the FTC regulations appear to be more closely tied to modern trade secret principles and to the proposed shield or disclose model.

d. EPA

The other agencies' rules provided that confidentiality review would be initiated only when prompted by a FOIA request.[120]Unlike the other agencies, EPA's regulations provide that it can make determinations of confidentiality not only when prompted to do so by a FOIA request, but

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[115] The subsection provides as follows:

(c) Each request for exemption from disclosure under 5 U.S.C. 552(b)(4) as a trade secret or privileged or confidential commercial or financial information must:

(1) Specifically identify the exact portion(s) of the document claimed to be confidential;

(2) State whether the information claimed to be confidential has ever been released in any manner to a person who was not an employee or in a confidential relationship with the company;

(3) State whether the information so specified is commonly known within the industry or is readily ascertainable by outside persons with a minimum of time and effort;

(4) State how release of the information so specified would be likely to cause substantial harm to the company's competitive position; and

(5) State whether the submitter is authorized to make claims of confidentiality on behalf of the person or organization concerned.

16 C.F.R. § 1015.18 (c)

[116] 16 C.F.R. § 1015.18 (c)(3) (2010).

[117] 16 C.F.R. § 1015.18 (c)(4) (2010).

[118] 16 C.F. R. § 1015.19(a) (2010).

[119] 16 C.F. R. § 1015.19 (a).

[120] *See, e.g.,* note 102 *supra*.

even without any such request and also when EPA anticipates that it may receive a request for the information at a future date.[121] In a nutshell, however, the EPA's procedure for disclosure under FOIA is the same as other agencies. First, a person requesting information submits a request to EPA.[122] Next, the EPA office determines if the information is exempt from disclosure as a trade secret.[123] If the EPA determines that the information is not confidential, the EPA gives the trade secret owner an opportunity to demonstrate to the EPA that the information is a trade secret.[124] An EPA legal office makes the EPA's final determination of whether or not disclosure will be withheld.[125]

The agency's criteria for determining whether to grant confidential status to records invite the submitter to comment on nine factors.[126] This list

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[121] 40 C.F.R. § 2.204(a).

[122] The EPA has a control office for different categories of business information, including confidential information. The EPA assigns responsibility for confidential information to the control office. An EPA employee must first obtain the concurrence of the control office before making information available to the public. 40 C.F.R. § 2.212 (2010).

[123] 40 C.F.R. § 2.204 (d)(2010).

[124] 40 C.F.R. § 2.204 (d)-(e) (2010).

[125] 40 C.F.R. § 2.205(a) (2010).

[126] 40 C.F.R. § 2.204(e) provides as follows:

(4) The written notice required by paragraph (e)(1) of this section shall invite the business's comments on the following points (subject to paragraph (e)(5) of this section):

(i) The portions of the information which are alleged to be entitled to confidential treatment;

(ii) The period of time for which confidential treatment is desired by the business (e.g., until a certain date, until the occurrence of a specified event, or permanently);

(iii) The purpose for which the information was furnished to EPA and the approximate date of submission, if known;

(iv) Whether a business confidentiality claim accompanied the information when it was received by EPA;

(v) Measures taken by the business to guard against undesired disclosure of the information to others;

(vi) The extent to which the information has been disclosed to others, and the precautions taken in connection therewith;

(vii) Pertinent confidentiality determinations, if any, by EPA or other Federal agencies, and a copy of any such determination, or reference to it, if available;

(viii) Whether the business asserts that disclosure of the information would be likely to result in substantial harmful effects on the business' competitive position, and if so, what those harmful effects would be, why they should be viewed as substantial, and an explanation of the causal relationship between disclosure and such harmful effects; and

(ix) Whether the business asserts that the information is voluntarily submitted information as defined in §2.201(i), and if so, whether and why

does not mirror that of the other agencies.[127] It contains two generally recognizable trade secret inquiries: the measures taken by the company to guard the secrecy of the information, and the extent to which the information has been disclosed to others.[128] On the likelihood that the disclosure would result in harm, the provision here is more detailed, requiring a showing of "substantial harmful effects to the business' competitive position" and "an explanation of the causal relationship between disclosure" and the harm.[129]

Strangely, in a subsequent sub-part, another EPA regulation governing confidentiality discussions uses a different list for establishing confidentiality,[130] and under that list the two trade secret factors require a showing of reasonable measures to protect confidentiality and a showing that others cannot obtain the information by legitimate means.[131] While there does not appear to be any significant difference between these factors and those used in the other regulation, it is odd that the identical language, or list, was not used in both regulations to establish the same thing.

D. *Do Companies Have Reason to be Concerned?*

The government collects an enormous amount of information from companies, which it stores, analyzes, and disseminates to government agencies, other companies, and the public.[132] This therefore increases the chances that information disclosed to the government which should remain secret, does not. Accidental disclosures of confidential and trade secret information occur.[133] Over the last few years, several government agencies

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disclosure of the information would tend to lessen the availability to EPA of similar information in the future.

[127] *See* notes 87, 103, and 115 *supra*.

[128] 40 C.F.R. § 2.204(e)(4).

[129] 40 C.F.R. § 2.204(e)(4)(viii).

[130] 40 C.F.R. § 2.208 (2010).

[131] 40 C.F.R. § 2.208(b) –(c) (2010)

[132] *See, e.g.*, Irvin B. Vann, *Electronic Data Sharing in Public-Sector Agencies*, *in* Handbook of Public Information Systems 143, 144 (CRC Press 2d edition 2005, G. David Garson, ed.).

[133] *See, e.g.*, HiRel Connectors, Inc. v. United States, No. CV01-11069 DSF VBKX, 2006 WL 3618011 (C.D. Cal. Jan. 25, 2006) (examining allegations of trade secret misappropriation involving disclosures of missile part specification over the Internet and through responses to RFPs); Jerome Stevens Pharm., Inc. v. FDA, 402 F.3d 1249, 1251 (D.C. Cir. 2005) (discussing how trade secrets and confidential information for thyroid drug Unithroid™ were accidentally posted on an FDA website for four months); B&J Oil and Gas v. Fed. Energy Regulatory Comm'n, 353 F.3d 71, 74 (D.C. Cir. 2004) (recounting that the FERC accidentally posted a gas company's confidential information); Myers v. Williams, 819 F. Supp. 919, 921 (D. Or. 1993) (describing how

have inappropriately handled or inadvertently disclosed company trade secrets. The EPA alone has been the subject of three litigated cases that have resulted in written opinions,[134] and one more recent case that is still pending.[135] In one case, for example, the EPA disclosed one organization's trade secrets to another organization,[136] in another case the agency is accused of disclosing trade secrets to a newspaper.[137] The Federal Energy Regulatory Commission also inadvertently posted a company's confidential information on the FDA's website.[138] The FDA has itself been accused of inappropriately disclosing to a prisoner the secret formula to a drug,[139] and posting on its website another company's trade secrets contained in a New Drug Application (NDA).[140]

Beyond the inadvertent disclosures of trade secrets, there are other means by which the government could release trade secrets. These include for instance, disclosures made by the government in conducting its business with vendors,[141] disclosures mandated by statute,[142] those made pursuant to FOIA,[143] and perhaps even intentional leaks made to the media or other

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the FDA accidentally disclosed the formula for Upjohn's sleeping pill Halcion to a prisoner who claimed the drug caused him to break the law; Upjohn obtained an injunction barring the prisoner from selling the formula to Upjohn's competitor).

[134] *See* Masonite Corp. v. County of Mendocino Air Quality Management Dist., 42 Cal. App. 4th 436 (Cal. App. 1st Dist. 1996); Nat'l Wildlife Fed'n v. EPA, 286 F.3d 554 (D.C. Cir. 2002); Ruckelshaus v. Monsanto Co., 467 U.S. 986 (U.S. 1984).

[135] N. Coast Rivers Alliance v. Johnson, No. 4:08 Civ. 05328 (N.D. Cal. Feb. 2, 2009).

[136] Nat'l Wildlife Fed'n v. EPA, 286 F.3d 554.

[137] N. Coast Rivers Alliance v. Johnson, No. 4:08 Civ. 05328 (N.D. Cal. Feb. 2, 2009).

[138] B&J Oil and Gas v. Fed. Energy Regulatory Comm'n, 353 F.3d 71 (D.C. Cir. 2004).

[139] Myers v. Williams, 819 F. Supp. 919, 921 (D. Or. 1993).

[140] Jerome Stevens Pharms., Inc. v. FDA, 402 F.3d 1249 (D.C. Cir. 2005).

[141] *See, e.g.*, Secure Services Technology, Inc. v. Time and Space Processing, 722 F. Supp. 1354 (E.D. Va. 1989) (discussing situation between two vendors where the government loaned the defendant one of plaintiff's fax machines in order to achieve compatibility between the machines, and no trade secret violation was found since plaintiff had not prohibited the government from sharing the machine with an agreement).

[142] S*ee, e.g.*, Ruckelshaus v. Monsanto, 467 U.S. 986, 994–95 (1984) (discussing forced revelation of trade secret information by amendment to Federal Insecticide Fungicide and Rodenticide Act)

[143] S*ee, e.g.*, Public Citizen Health Research Group v. FDA, 704 F.2d 1280, 1290 (D.C. Cir. 1983), Williams v. Curtiss-Wright, 681 F.2d 161, 162 (3d Cir. 1982); Chrysler Corp. v. Brown, 441 U.S. 281, 285 (1979), Doe v. Veneman, 380 F.3d 807, 810 (5th Cir. 2004).

outlet.[144] FOIA "is the root of the threat and of the risk" in protecting trade secrets that are in the government's hands.[145] For many years now companies have been fearful and mindful of the large amount of information accessible to competitors and the public through the FOIA.[146] Indeed it is believed that most FOIA requests for business information come from competitors.[147] Even outside of FOIA, another gaping risk comes from Congress. Not only do the agency protection rules not apply to Congress, but a member of Congress could destroy a trade secret, for instance, by making it public under the "speech and debate"[148] clause.[149]

There is also the problem that a trade secret owner does not know for certain upon submitting the information whether the agency will ultimately agree to treat it as confidential and not disclose. That is because the determination of protective status is generally not made *until* a FOIA request has been received.[150] The FDA regulations, for instance, provide that if a regulation is issued specifying that certain categories of records should be disclosed, then the agency may produce the documents without providing notice and opportunity to object to the submitter.[151] If an agency refuses to classify information as a trade secret, the company can challenge the decision under § 10(e) of the Administrative Procedure Act.[152] This section authorizes the court to set aside an agency decision that is "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law."[153] Not only is this a difficult standard for one seeking reversal of an agency decision to meet, but the agency also benefits from the courts' deference to its decision.[154]

Moreover, in some agencies the procedure by which an agency determines whether information qualifies as a trade secret is quite informal,

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[144] These kinds of intentional disclosures, if made by a government employee whose identity can be ascertained, could lead to possible criminal liability under 18 U.S.C. § 1832 (Economic Espionage Act of 1996) or the Trade Secrets Act, 18 U.S.C. § 1905.

[145] Wearly v. FTC, 462 F. Supp. 589, 600 (D.N.J. Oct. 18, 1978), *vacated*, 616 F.2d 662 (3d Cir. 1980) (holding that the matter was not ripe for judicial review).

[146] *See, e.g.,* Mark Q. Connelly, Secrets and Smokescreens: A Legal and Economic Analysis of Government Disclosures of Business Data, 1981 WIS. L. REV. 207, 208 (1981).

[147] *See, e.g.,* Mark Q. Connelly, Secrets and Smokescreens: A Legal and Economic Analysis of Government Disclosures of Business Data, 1981 WIS. L. REV. 207, 209 (1981).

[148] U.S. Const., Art. 1, § 6, cl. 1.

[149] *See* Wearly, 462 F. Supp. at 600 (discussing Senator Joseph McCarthy's classic use of the speech and debate clause).

[150] *See, e.g.,* discussion at note 102 *supra.*

[151] 21 C.F.R. § 20.61(f)(3).

[152] 5 U.S.C. § 706 (1982).

[153] 5 U.S.C. § 706(2)(A).

[154] *See* Zotos Int'l Inc. v. Young, 830 F.2d 350, 351 (D.C. Cir. 1987).

without a hearing "on the record."[155] The company may not even know the identity of the person or persons within the agency who made the decision, or the person's expertise in making these kinds of decisions.[156] Nor does the person making the decision have access to all of the relevant information with which to make the determination. Unlike in the litigation context, there is no adversary who can challenge or produce additional information on the alleged trade secret status of the information.[157] This places the agency in the role of opposing counsel and judge simultaneously, adding even more weight to the agency's discretion.

Where the government makes it mandatory to submit information, a company could refuse to submit its trade secrets to the government and thus choose not to do business in the U.S. market.[158] Therefore, a company is forced to choose between its livelihood or what may be a waiver of its constitutional rights not to be subject to a taking.[159] However, the alternative to this rather unappealing option could be to disclose the information only if deemed necessary by a court, under promises of confidentiality, and only so much as is necessary to meet the underlying regulatory interests. The proposal set forth in this paper presents one step toward reaching that middle ground.

III. APPROACHES TO ORDERING PRODUCTION OF TRADE SECRETS

For additional guidance on the question of when the government should be entitled to take trade secret information, I will now consider cases that address, in other contexts, when one party can be ordered to produce its trade secrets to another. Similar to the company-to-government level of exchange which is the focus of this Article, these cases involve, for instance, discovery of trade secrets in pending litigation between parties. Moreover, an additional body of cases involving disclosure of trade secrets by the government to the public is also considered. Lessons from these cases

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[155] *See* id. at 353 (discussing FDA's procedure).

[156] *Id*.

[157] *See* Mary L. Lyndon, *Secrecy and Access in an Innovation Intensive Economy: Reordering Information Privileges in Environmental, Health, and Safety Law*, 78 U. COLO. L. REV. 465, 502 (2007) (arguing that these dynamics in the regulatory context favor secrecy).

[158] *See Monsanto*, 467 U.S. at 1007 (noting that Monsanto willingly bore the burden of disclosure to the government in exchange for "the ability to market pesticides in this country").

[159] *See* John Janka, *Federal Disclosure Statutes and the Fifth Amendment: The New Status of Trade Secrets*, 54 U. CHI. L. REV. 334, 355 (1987) (discussing why this kind of choice may not be permitted under the unconstitutional conditions doctrine, "which prevents the government from conditioning the receipt of public benefits on an individual's willingness to waive his constitutional rights.")

ultimately help frame my shield or disclose model.

There is no coherent or consistent approach in the case law that courts use to decide when to compel a party to produce its trade secrets to the government. Rather, courts tend to use a more contextual approach based on the circumstances or setting in which the case presents. Accordingly, I have categorized and analyzed the cases into three categories in order to better understand the general approach for each group. By identifying what are essentially the "best practices" from these categories, I was better able to construct a more principled and structured approach for the refusal-to-submit cases. After discussing each of the categories, the section will summarize the shortcomings from these various approaches.

A. *Case Review*

The cases are divided into three categories with lines drawn mostly around who the parties are in relation to each other and the procedural context in which the cases arise. First are the private party cases that involve discovery disputes between private (non-governmental) parties to litigation where trade secrets have been placed at issue in the case or in discovery. One party seeks to discover information which the other party claims is a trade secret, and the court must rule on a motion to compel. Second are the government cases, where the government is a party to the litigation and a request has been made for production of trade secrets outside the FOIA context. The final category comprises the reverse FOIA cases where a company is objecting to production of its trade secrets to a third party FOIA requestor. Each category is described in turn below.

1. Private Party Cases

The private party cases mostly involve discovery disputes. Typically, a party to litigation seeks to discover alleged trade secrets from another party during the course of the litigation. The private party cases differ from the refusal-to-submit cases because of the nature of the relationship between the parties. In those cases the parties have more "voluntarily" entered into a relationship, often they are competitors or have a previously existing relationship, and the question of producing a trade secret arises as a

discovery dispute in a pending action.[160] In private party litigation trade secrets have either been allegedly misappropriated, or they are relevant to an issue in the litigation (for instance, product litigation cases).[161] Accordingly, the trade secrets have been placed at issue in the litigation, and they are relevant to an issue or claim in contention. In the refusal-to-submit cases, however, there is no business relationship or litigation pending between the company and the government. This should suggest a more cautious approach to compelling production in the refusal-to-submit cases.[162]

The courts' approaches to solving these disputes and determining whether to compel disclosure of trade secret information are often guided by the Discovery Rules and Evidentiary Rules. In such instances, the party from whom the information is sought will request a protective order from the court, in order to avoid production. Within the scheme of evidentiary and discovery privileges there is no absolute privilege for not disclosing trade secrets.[163] However, unless the trade secret owner seeks to "conceal fraud or otherwise work injustice" the trade secret owner has a qualified privilege to resist discovery if such disclosure will cause harm.[164]

Following an evidentiary law framework, the trade secret owner generally must first show that the information is indeed a trade secret and that disclosure of the trade secret might be harmful.[165] The "trade secret" privilege in the context of the law of evidence recognizes the fact that disclosure of the trade secret information destroys the value and the property. When balancing the need for the evidence against the trade secret owner's property right, it is treated as a qualified privilege in so far as disclosure is compelled only under the control of a protective order.[166] Although a party may have a legitimate interest in protecting its trade secrets, "that interest must yield to the right of the plaintiff to discover the full truth of the facts involved in the issues of the case . . . . [where] the

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[160] *See, e.g.,* Coca-Cola Bottling Co. v. Coca-Cola Co., 107 F.R.D. 288 (D. Del. 1985) (action between Coca-Cola Company and its bottlers, wherein bottlers sought to compel production of the complete formula of Coke).

[161] *See, e.g.,* Snowden v. Connaught Laboratories, Inc., 136 F.R.D. 694 (D. Kan. 1991) (granting motion to compel disclosure of trade secrets relating to vaccine in a products liability action); Kleinerman v. United States Postal Service, 100 F.R.D. 66 (D. Mass. 1983) (granting motion to compel disclosure of trade secrets where central to plaintiff's theory of trade secret misappropriation).

[162] Even in the private party discovery disputes, the courts are more protective toward permitting discovery of third parties who are not party to the litigation, and are far less likely to compel disclosure of their trade secrets. *See, e.g.,* Snowden, 136 F.R.D. at 699.

[163] Upjohn Co. v. Hygieia, 151 F.R.D. 355, 358-59 (D. Cal. 1993).

[164] Upjohn, 151 F.R.D. at 358-59.

[165] *Id.*

[166] Wearly, 462 F. Supp. 589 at 594.

issues cannot be fairly adjudicated unless this information is available."[167]

Procedurally, the burden then shifts to the party seeking discovery of the trade secret to demonstrate that the trade secret is relevant and necessary to the litigation.[168] Once relevance and need are established the trade secret will be disclosed, barring an "unreasonable, oppressive, annoying, or embarrassing" subpoena.[169] It is entirely within the discretion of the trial court to decide whether trade secrets are relevant and whether the need outweighs the harm of disclosure.[170] Likewise, if the trade secrets are deemed relevant and necessary, the appropriate safeguards that should attend their disclosure by means of a protective order are also a matter within the trial court's discretion.

The courts consider a wide range of factors, factors which are neither definitive nor exhaustive, in deciding whether good cause exists to grant a protective order. As part of the inquiry some courts consider whether the information qualifies as a trade secret.[171] While some courts consider the purpose for which the information is sought,[172] others consider relevance, necessity, and whether potential harm outweighs the need for the information.[173] The courts will often balance the requesting party's need for the information against the injury that might result if disclosure is permitted.[174] Generally, unless the risk of harm to the trade secret owner outweighs the need for discovery (an unlikely event given the liberal discovery rules) the court will compel disclosure.[175] Pursuant to Rule 26(c)(7) the court will then craft a protective order with appropriate safeguards to govern the scope and manner of the disclosure.[176] Before ordering production, the courts will require the party seeking disclosure to prove that the trade secret sought is relevant and necessary to the case.[177]

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[167] Melori Shoe Corp. v. Pierce & Stevens, Inc., 14 F.R.D. 346, 347 (D. Mass. 1953).

[168] *Id.*

[169] Centurion Industries, Inc. v. Warren Steurer & Assoc., 665 F.2d 323,326 (10th Cir. 1981).

[170] *Id.*

[171] *See* State ex rel. Johnson v. Tsapis, 419 S.E.2d 1,3 (W.Va. 1992) (applying the Restatement of Torts' six factor test to determine whether there is good cause under Rule 26(c)(7)).

[172] *Id.*

[173] *See, e.g.,* Snowden v. Connaught, 135 F.R.D. 694, 698 (D. Kan. 1991); Premier Election Solutions, Inc. v. SysTest Labs Inc., No. 09-cv-01822-WDM-KMT, 2009 U.S. Dist. LEXIS 94193, at *22-23 (D. Colo. 2009).

[174] Pochat v. State Farm, No. CIV. 08-5015-KES, 2008 U.S. Dist. LEXIS 100389, at *9-13 (D.S.D. 2008).

[175] *Id.* at *10-11.

[176] *See id*; Centurion Industries, 665 F.2d at 326.

[177] *See, e.g.,* Hartley Pen Co. v. United States Dist. Court, 287 F.2d 324 (9th Cir. 1961) (seeking to compel party to answer interrogatories that would reveal its trade secrets).

2. Government Cases

Like the private party cases, these cases shed light on some courts' approaches in discovery type disputes between the government and a company (outside of a FOIA request). The courts in these cases tend to focus more on relevance than on the trade secret status of the information sought. They almost always rule in favor of disclosure. For example, in *Kleinerman v. United States Postal Service*,[178] the court granted a government contractor's motion to compel production of documents that included confidential technical reports and proposals. Without actually engaging in an analysis of whether these documents are trade secrets, the court collapsed the trade secret analysis into the determination of relevancy. Additionally, the court stated that the defendants had not provided adequate proof of harm from disclosure.

While recommending consideration of a host of factors,[179] one court recognized the importance of a threshold determination of trade secrecy in analyzing whether to permit disclosure. In *Chevron Chemical Co. v. Costle*[180], the plaintiff sued for declaratory and injunctive relief against the threatened disclosure of test data on fungicides and insecticides submitted to the EPA. Chevron claimed that the test data constituted trade secrets.[181] In deciding to release the data, the EPA had not made a determination of whether the information qualified for trade secret protection.[182] The court held that the EPA should have determined the trade secret status of the data, and the agency's failure to do so was an arbitrary and capricious exercise of its judgment.[183] Similarly, in *Mobay Chemical Corp. v. Costle*,[184] the court remanded the case back to the EPA to determine whether the environmental safety data submitted by the plaintiff is a trade secret according to the Restatement of Torts definition.[185] In another case where the government sought an order to allow it to inspect defendants' business premises, the court engaged in balancing between the government plaintiff's need for information and the harms that could come from disclosure of defendant's

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[178] 100 F.R.D. 66 (D. Mass. 1983).

[179] Among the factors were "the various policies underlying the [Federal Environmental Pesticide Control Act], such as the promotion of research, the interest in competition, the protection of public health and the environment, and the improvement of pesticides, as well as other governmental interests. . ." *Id.* at 1032.

[180] 443 F. Supp. 1034 (D. Cal. 1978).

[181] *Id.*

[182] *Id.* at 1032.

[183] *Id*. at 1032.

[184] 447 F. Supp. 811, 835 (W.D. Mo. 1978).

[185] *Id*.; *see also* Dow Chemical Co. v. Costle, 464 F. Supp. 395 (E.D. Mich. 1978) (remanding to the agency to determine whether trade secrets exist according to the Restatement definition).

trade secrets.[186] The court allowed inspection of the process but did not analyze whether a trade secret existed.[187] It was satisfied that the government's stipulation not to reveal the trade secrets was adequate protection.[188]

3. Reverse-FOIA Cases

Trade secret litigation filed to prevent the government from releasing information pursuant to a FOIA request is known as a reverse-FOIA action.[189] Thus, if an agency makes a final determination that the information does not fall within Exemption 4 of FOIA and thus must be disclosed, the submitter may sue the agency in federal court under the Administrative Procedure Act.[190] In reviewing agency action under the Administrative Procedure Act the court will examine the record developed by the agency to determine whether the agency's actions were arbitrary and capricious.[191] The court must first establish that the threshold requirements

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[186] United States v. National Steel Corp., 26 F.R.D. 603 (D. Tex. 1960).

[187] *See id.*

[188] *See id.*

[189] *See* Chrysler v. Brown, 441 U.S. 281, 285 ("This case belongs to a class that has been popularly denominated 'reverse-FOIA' suits.")

[190] 5 U.S.C. §§ 701-706; see, e.g., ERG Transit Systems (USA), Inc. v. Wash. Metro. Area Transit Auth., 593 F. Supp. 2d 249, 252 (D.D.C. 2009) (stating that "[r]everse FOIA cases are deemed informal agency adjudications, and thus are reviewable under Section 706 of the [APA]"); CC Distribs. v. Kinzinger, No. 94-1330, 1995 WL 405445, at *2 (D.D.C. June 28, 1995) (holding that "neither [the] FOIA nor the Trade Secrets Act provides a cause of action to a party who challenges an agency decision to release information . . . [but] a party may challenge the agency's decision" under the APA); Comdisco, Inc. v. GSA, 864 F. Supp. 510, 513 (E.D. Va. 1994) (finding that the "sole recourse" of a "party seeking to prevent an agency's disclosure of records under FOIA" is review under the APA); Atlantis Submarines Haw., Inc. v. U.S. Coast Guard, No. 93-00986, slip op. at 5 (D. Haw. Jan. 28, 1994) (concluding that in a reverse FOIA suit, "an agency's decision to disclose documents over the objection of the submitter is reviewable only under" the APA) (denying motion for preliminary injunction), dismissed per stipulation (D. Haw. Apr. 11, 1994); Envtl. Tech., Inc. v. EPA, 822 F. Supp. 1226, 1228 (E.D. Va. 1993) (same).

[191] 441 U.S. 281, 318 (1979); accord Campaign for Family Farms v. Glickman, 200 F.3d 1180, 1184 (8th Cir. 2000); Reliance Elec. Co. v. Consumer Prod. Safety Comm'n, 924 F.2d 274, 277 (D.C. Cir. 1991); Gen. Dynamics Corp. v. U.S. Dep't of the Air Force, 822 F. Supp. 804, 806 (D.D.C. 1992), vacated as moot, No. 92-5186 (D.C. Cir. Sept. 23, 1993); Davis Corp. v. United States, No. 87-3365, 1988 U.S. Dist. LEXIS 17611, at *5-6 (D.D.C. Jan. 19, 1988); see also McDonnell Douglas Corp. v.

of Exemption 4 are present[192] by establishing that the information was obtained from a person[193] and that the information was financial in character.[194] If these threshold requirements are met, the court must next determine whether the information was required or voluntarily submitted.[195]

The determination whether information was voluntarily submitted or not is the most important analytical step in a reverse FOIA case. The required-voluntary finding establishes which test will be applied for the finding of confidentiality under Exemption 4. There are no clear rules for distinguishing what was voluntary from what was required.[196] A court order to compel production would seem to fall under the required category.[197] However, submissions in response to an agency subpoena are not necessarily compulsory.[198] Court enforcement of the subpoena, if granted, would make it required.[199] Some agencies' regulations take on the task of defining a voluntary submission. The EPA, for example, defines voluntarily submitted information as business information in EPA's possession, "the submission of which EPA had no statutory or contractual authority to require; and [t]he submission of which was not prescribed by statute or regulation as a condition of obtaining some benefit (or avoiding some disadvantage) under a regulatory program of general applicability, including such regulatory programs as permit, licensing, registration, or certification programs, but excluding programs concerned solely or primarily with the award or administration by EPA of contracts or grants."[200]

If the court determines that the information was required, the court applies the *National Parks* analysis to determine whether the information is confidential.[201] This test provides that material is only protected by

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NASA, No. 91-3134, transcript at 6 (D.D.C. Jan. 24, 1992) (bench order) (recognizing that court has "very limited scope of review"), remanded, No. 92-5342 (D.C. Cir. Feb. 14, 1994).

[192] 5 U.S.C. § 552(b)(4) (2006), amended by OPEN Government Act of 2007, Pub. L. No. 110175, 121 Stat. 2524.

[193] *See, e.g., Buffalo Evening News, Inc. v. SBA*, 666 F. Supp. 467, 469 (W.D.N.Y. 1987)

[194] *See, e.g., American Airlines, Inc. v. National Mediation Bd.*, 588 F.2d 863, 870 (2d Cir. 1978)

[195] Critical Mass Energy Project v. Nuclear Regulatory Commission, 298 U.S. App. D.C. 8, 975 F.2d 871 (D.C. Cir. 1992)

[196] Some courts have held that the government must actually exercise its authority to compel submission of the information beyond the issuance of a subpoena in order to be considered mandatory under *National Parks. See* Inner City Press/Community on the Move v. Bd. of Governors of the Fed. Reserve Sys., 463 F.3d 239, 246 (2d Cir. 2006); Parker v. BLM, 141 F. Supp. 2d 71, 78 n. 6 (D.D.C. 2001).

[197] McDonnell Douglas, 922 F.Supp. at 242.

[198] *Id.*

[199] *Id.*

[200] 40 C.F.R. § 2.201(i).

[201] *See* National Parks & Conservation Ass'n v. Morton, 162 U.S. App.

Exemption 4 from disclosure if either (1) disclosure would impair the government's ability to obtain necessary information in the future, or (2) discslosure would cause substantial harm to the submitter's competitive position.[202] If the court determines that the information was voluntarily submitted, then it applies the *Critical Mass* analysis to determine whether the information is confidential.[203] This is an easier standard that calls for protection from disclosure under Exemption 4 as long as the information is (1) commercial or financial and (2) not customarily disclosed to the public.[204] If the court determines that the information is confidential under *Critical Mass*, the information is not disclosed.[205] As Justice Ginsburg has observed, this test removes an "independent judicial check on the reasonableness of the provider's custom," and is subject to abuse.[206]

Neither test requires proof of trade secrecy. Confidentiality is enough. The *National Parks* test, however, has a substantial competitive harm requirement which has some semblance of a trade secret test. However, the precise contours of that test are not entirely clear, and a party opposing disclosure need not show actual competitive harm, but a likelihood of such harm would be sufficient.[207] The harm is limited to business harm caused by competitors rather than harm resulting from other reasons, such as negative information about the company.[208]

The voluntary-required test does, however, reflect certain policy choices and values that, in themselves, seek to balance the governmental interests and business' proprietary interests. When the government obtains information by force, it needs to ensure that the information is nonetheless reliable; when, however, the information is voluntarily provided, the government needs to ensure its continued availability.[209] As the court noted in *Critical Mass,* "the disclosure of information the Government has secured from voluntary sources on a confidential basis will both jeopardize its continuing ability to secure such data on a cooperative basis and injure the

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D.C. 223, 498 F.2d 765 (D.C. Cir. 1974).

[202] *Id.*; McDonnell Douglas, 922 F. Supp. at 241.

[203] Critical Mass Energy Project v. Nuclear Regulatory Commission, 298 U.S. App. D.C. 8, 975 F.2d 871 (D.C. Cir. 1992)

[204] *See id.*; McDonnell Douglas, 922 F. Supp. at 241.

[205] *Id.*

[206] Critical Mass, 975 F.2d at 883 (J. Ginsburg dissenting).

[207] Public Citizen Health Research Group v. Food & Drug Admin., 704 F.2d 1280, 1291 (D.C. Cir. 1983).

[208] *See, e.g.,* Mark Q. Connelly, *Secrets and Smokescreens: A Legal and Economic Analysis of Government Disclosures of Business Data*, 1981 WIS. L. REV. 207, 235 (1981).

In one case the stated that the ease of reverse engineering factor from the Restatement will have bearing on the "substantial competitive harm" test. *See* Worthington Compressors, Inc. v. Costle, 662 F.2d 45 (D.C. Cir. 1981).

[209] Critical Mass, 975 F.2d at 878.

provider's interest in preventing its unauthorized release."[210]

B. *Unsuitability of Existing Approaches*

The courts' analytical approaches to determine when trade secrets should be produced are varied and inconsistent. Thus, a wholesale adoption of any of the existing approaches would not be suitable for the failure to submit cases. In the private party discovery cases the courts appear to rely mostly on the definition of trade secrets provided in the Uniform Trade Secrets Act (UTSA) and on the discovery rules in deciding when to compel disclosure of an alleged trade secret. The fact that the discovery rules are generally interpreted liberally in favor of disclosure means that the outcomes in those cases tend to favor disclosure. Even in the private party discovery disputes, the courts are more protective toward permitting discovery of third parties who are not party to the litigation, and are far less likely to compel disclosure of their trade secrets.[211] Often there is a confidentiality agreement or other agreement between the third party and one of the parties, and the courts would not permit the party in litigation violate that agreement for the benefit of another party to the litigation.[212] This therefore leans toward and supports a more restrictive rather than permissive approach to ordering production of trade secrets to the government.

The government cases, where the litigants are a private party and the government, follow closely the private party discovery cases in that the courts' tend to order disclosure. However, the analysis in those cases tends to focus very little, if at all, on whether the information at issue qualifies as a trade secret.[213] Rather, the focus appears to be on relevance. If the court deemed the alleged trade secret information relevant to the government's request then disclosure was ordered or condoned without paying much attention to its trade secret status.[214] Finally, the focus in the FOIA cases tends to be on the government agency's actions and on whether the agency created the appropriate record rather than on a trade secret analysis.[215] The substantive analysis is driven by whether the information was required or submitted voluntarily to the government.[216] Accordingly, the trade secret

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[210] *Id.* at 879.

[211] Snowden, 135 F.R.D. at 699-700 ; Premier Election Solutions, Inc. v. SysTest Labs Inc., No. 09-cv-01822-WDM-KMT, 2009 U.S. Dist. LEXIS 94193, at *28-30 (D. Colo. 2009)(denying motion to compel nonparty to produce trade secret information).

[212] *See, e.g., id.*

[213] *See* discussion *supra* Part III.A.2.

[214] *Id.*

[215] *See* discussion *supra* note 191.

[216] *See* discussion *supra* Part III.A.3.

status of the information carries almost no relevance.

It is also interesting that the approach to resolve reverse FOIA cases applies a standard that is in some ways inconsistent with the agencies' regulatory standards for protecting trade secret and confidential information. That is because the standard used by FOIA exempts a class of proprietary information much broader than what would be defined as a trade secret under the common law.[217] This is ironic because since FOIA is a disclosure statute, one would expect that a narrower definition of trade secret would be more in keeping with its legislative mandate.[218] When, however, the agencies are applying their regulations to determine whether information should be protected from disclosure, they are likely using a more restrictive test. Thus, where an agency defines a trade secret based on the Restatement of Torts, a submitter may not be able to persuade the agency that its data meets that standard. However, under FOIA, which does not use a Restatement of Torts definition for Exemption 4 status, the data could be protected. This inconsistency begs the question whether agencies should not just incorporate the FOIA standard, as interpreted by the courts rather than having a complicated body of regulations governing confidentiality that ultimately are not consistent with the FOIA case law.[219]

IV. STRIKING THE BALANCE IN DISCLOSING TO THE GOVERNMENT

The unique nature of trade secrets in that they exist only so long as they are not disclosed or disclosed in confidence, requires an arrangement that insures against accidental, unauthorized, or other improper disclosure. The owner of trade secret information should never make a disclosure, either voluntary or involuntary, without enforceable restrictions against general disclosure. However, when it is determined that it is in the public interest that the information be disclosed to the government, a delicate balance must be observed. In some cases the need for the information is not so important to warrant disclosure of the trade secret. In those cases it may be fair and adequate to withhold disclosure. In other cases, the trade secret information is necessary and vital and thus disclosure is justified, if sufficient safeguards

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[217] *See supra* notes 201to 207 and accompanying text.

[218] *See, e.g.,* Mark Q. Connelly, *Secrets and Smokescreens: A Legal and Economic Analysis of Government Disclosures of Business Data*, 1981 WIS. L. REV. 207, 235 (1981). This broad exemption for trade secret and confidential information is probably further motivation for the Obama administration's push to encourage a policy in favor of greater disclosure under FOIA. Presidential Memorandum for Heads of Executive Departments and Agencies Concerning the Freedom of Information Act, 74 Fed. Reg. 4683 (Jan. 21, 2009).

[219] The EPA, for instance, has incorporated the FOIA test in its regulations. *See* discussion *infra* notes 224 to 225.

are in place to protect the information and limit dissemination. This serves the needs of the government (and the underlying regulation or proceeding) while protecting the interests of the trade secret owner.

In order to achieve the above goals, a clear model is needed to determine when trade secret information should be submitted to the government in the first place. This model therefore addresses disclosure to the government, not the subsequent and separate step of disclosure by the government to the public. The latter is already addressed, albeit not perfectly, in the elaborate regulatory scheme of agency rules and regulations, as well as in the reverse FOIA case law.[220] Thus, once the government has the information in its possession, whether received voluntary or through compliance mandates, the current regulations are applicable to protecting them.

A. *The Shield or Disclose Model*

This proposal focuses on why and when the government should obtain a company's trade secrets. The body of law that would allow corporations to refuse to submit proprietary information to the government is trade secret law, which protects trade secrets, not the broader category of confidential information. As a result, the model is targeted at and built upon trade secret principles. Because of the dearth of case law and other guidance specifically relevant to refusal-to-submit cases, I have considered a wider body of cases that implicate disclosures of trade secret by the government as well as disclosures made in the context of pending litigation. The end result is what I will refer to as the "secret disclosure" model.

The model is inspired by the general approach that has been adapted in the private party and government discovery cases. It is further infused with greater specificity and detail that is best suited for the kinds of considerations that are present in trade secret cases. It also makes clear the roles and burdens to be assumed by the various players. It requires a threshold determination that the information in question qualifies for trade secret protection under the common law. This helps reduce potential abuses by companies that may seek protection for information that is merely confidential but does not meet the requisite criteria for trade secrecy. However, mindful of the risks that trade secret information submitted to the government could be disclosed to the public and thus destroyed, the model requires evidence of need, relevance, and potential harm before a court could order disclosure.

If the trade secret owner is able to meet its burden and establish the

[220] *See supra* Parts II.C and III.A.3.

trade secret status of the information, then many other questions follow. Ultimately, the proposal creates a procedural and substantive path to identify the circumstances under which a court should compel a trade secret holder to produce its trade secret to the government. As a general policy matter, when the public interest in the disclosure outweighs the harm to the company from disclosure then production may justifiably be compelled. What does that mean, however? How is it determined? These are the questions for which this framework aims to provide guidance. It is, admittedly not the sole answer, but rather a modest step in the direction of achieving a more principled approach to refusal-to-submit cases. A step that is grounded in trade secret law and consistent with the policy considerations that underlie governmental access and disclosure.

1. Company Establishes Trade Secret Status and Harm

The first step of the process, having both procedural and substantive significance, requires that the trade secret owner establish that the requested information qualifies for trade secret protection and that harm will result from disclosure of the trade secret to the government. Whether the information in question meets the status of a "trade secret" should always be the threshold question, and it is the trade secret owner's burden to make that showing. While companies often try to claim protection for confidential and proprietary business information, trade secret protection applies only to the smaller subset of information that qualifies as trade secret. Therefore, in most cases this first question could be determinative of the entire issue of disclosure because if the information is not trade secret then that significantly weakens the argument against disclosure.[221] If the trade secret owner is unable to establish trade secret status, then the inquiry likely ends in favor of the government.[222]

Returning to the Toyota hypothetical, assume that Toyota refuses to produce the Black Box encryption code and the data in the Black Box to the

[221] *See* Zotos Int'l Inc. v. Young, 830 F.2d 350, 352 (D.C. Cir. 1987), (using Rest. of Torts' six factors to determine whether the information qualified as trade secret). [I added the full cite to Zotos here because of Blue Book Rule 10.9]

[222] While the default rule could be a presumption in favor of disclosure for non-trade secret confidential information, it could be a rebuttable presumption. Courts could use their discretion to do otherwise depending on the compelling nature of the remaining proof of harm, relevance, and need.

government. Toyota would need to prove that the encryption code and information each separately are protectable trade secrets. The company might have an easier time proving that the encryption code is a trade secret, assuming that it never released the code to anyone outside of the company. However, there might be some debate about whether the information in the Black Box, which was sold to the consumer as part of the vehicle, can be claimed as Toyota's trade secret.[223] Furthermore, to the extent any of the information was already revealed publicly elsewhere, it would not continue to qualify for trade secret protection. Accordingly, much more clarification and evidence would be needed to determine precisely what the Toyota claims as a trade secret.

The trade secret owner must then articulate the competitive harm that would be caused from disclosure of the information to the government. This is in keeping with trade secret law's focus on protecting against unfair competition and the existing articulation of harm in some of the regulations as competitive harm. For example, the SEC regulations require that a business provide information regarding the adverse consequences that could result from disclosure of confidential information, including any adverse effect on its competitive position.[224] Similarly, on the likelihood that the disclosure would result in harm, the EPA regulations require a showing of "substantial harmful effects to the business' competitive position" and "an explanation of the causal relationship between disclosure" and the harm.[225] Moreover, in the FOIA context, competitive harm has been interpreted to mean that the harm flows directly from a competitor rather than from a customer or employee or other source.[226] Thus, a trade secret owner would need to establish the likelihood that such harm would occur if the information it produced to the government were to be obtained by its competitors.

2. Government Establishes Relevance and Need

Once the trade secret owner has established the trade secret status of the information and the harm that is likely to result from its disclosure, the burden then shifts to the party requesting the information (i.e. the government) to prove relevance and need for the information. Given the unique nature of a protectable trade secret and the devastating harm that could result from its disclosure,[227] the better policy is that a trade secret

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[223] *See* The Chamberlain Group, Inc. v. Skylink Technologies, Inc., 381 F.3d 1178, 1203-04 (Fed. Cir. 2004) (finding that customers who purchased garage door openers were authorized under the copyright laws to use the copy of the embedded software that they purchased).

[224] 17 C.F.R. § 200.83(d)(iv).

[225] 40 C.F.R. § 2.204(e)(4)(viii).

[226] *See* Public Citizen Health Research Group v. Food & Drug Admin., 704 F.2d 1280, 1291 (D.C. Cir. 1983).

[227] *See* Elizabeth A. Rowe, *Introducing a Takedown for Trade Secrets*

should not be ordered produced unless the actual trade secret (as opposed to some other information related to the trade secret) is directly relevant to the inquiry for which it is sought. In the Toyota hypothetical, for instance, if the government requested the encryption code in an effort to determine whether the cars subject to recall were all equipped with Black Boxes, a court could find insufficient relevance.

Relevance for the purposes of this proposal is similar to the standard that has been used in the discovery cases.[228] However, query whether relevance should be interpreted as broadly as it is under the discovery rules. Whereas the underlying rules and policies in the discovery context favor greater disclosure between the parties, trade secret law, on the other hand, is grounded in secrecy and the requirement that trade secrets should not be disclosed without appropriate assurances of confidentiality by the receiver.[229] Accordingly, this might suggest that the relevance standard should be interpreted narrower than under the discovery rules. The current FOIA rules and cases do not require that the party requesting information from the government agency to establish relevance (or need).[230] However, given the higher scrutiny that should be given to the disclosure of trade secrets, it makes sense to require a showing of relevance.

The government requester should also demonstrate need for the information separate and apart from relevance. This inquiry would focus on such considerations as (i) whether the information sought is available elsewhere, (ii) whether acceptable substitutes for the information can be found from other sources, (iii) whether the public interest in receiving the information can only be protected via receipt of the trade secret information, and (iv) whether the public could suffer injury to their health or safety if the information is not released to the government. This could mean, for instance, that the Black Box encryption code may not be deemed necessary if there are other means to determine which vehicles contained Black Boxes, independent of providing the encryption code to the government.

3. Court Balances Need versus Potential Injury

Satisfied that the requested information qualifies for trade secret protection, the court must ultimately balance the government's showing of relevance and need against the trade secret owner's claim of injury that could result if disclosure is compelled. In considering the government's need for the information, the court could factor in who the requestor is and the purpose for which the information is sought. None of the existing

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on the Internet, 2007 WISC. L. REV. 1041, 1049-50 (2007) (discussing importance of trade secrets to the economy and harm from disclosure).

[228] *See supra* notes 168 to 170 and accompanying text.

[229] *See supra* note 35 and accompanying text.

[230] *See supra* note 60 and accompanying text.

approaches pay particular attention to these questions, but they could add value when dealing with trade secret cases. Assume the NHTSA requests Toyota's Black Box because it believes the electronic components of the Black Box are interfering with the electronic sensors of the gas pedals and causing uncontrolled acceleration in the vehicles.[231] This may suggest that the potential harm to the public from not identifying and correcting the situation is so grave that disclosure would serve the public interest. Further considerations might be whether the trade secret information is critical to the government or the public. If not, perhaps the company can comply without disclosing the specific trade secret. If yes, then disclosure with greater assurance of protection might be advisable, possibly ordering, for instance, that the information is outside the agency's discretion to disclose or that it be "sealed."

Moreover, the court could also consider the nature of the trade secret in evaluating need and risk of injury. Because trade secrets can be virtually any kind of business information,[232] it may matter whether the information sought is the secret formula to the company's core product, or whether it is a list of the company's customers; the encryption code to the Black Box or the record of drivers' braking patterns during an unintended acceleration incident. The shelf life of the information could also be considered to determine whether the nature of the information is such that it will no longer be secret after a short period of time. It could, for instance, be a marketing related secret which will be divulged or reverse engineered after a product release. In that situation the court may lean toward not ordering disclosure, since the requester will likely have access to the information by legitimate means in a relatively short period of time. This assumes, however, that there is no immediate critical need for the information.

Whether the trade secret owner can persuade the court of the harm that could result if the trade secret is ordered disclosed, is a very important part of the balance that the court must aim to achieve. The scope of harm, whether limited to that by a competitor, for instance, compared to a more widespread public harm might matter. However, defining harm can be difficult. The risk of harm is an important component of this evaluation and could be influenced by the government's assurances of safeguarding the trade secret. This would also be consistent with the *National Parks* analysis in the reverse FOIA cases which requires consideration of whether disclosure would cause substantial harm to the submitter's competitive position.[233]

Besides harm to the company, the court may also consider harm to the

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[231] This could contrast with a situation where the information is sought by an agency for a purpose that could directly benefit the company's competitor or another party who has no incentive to protect the secrecy of the information.

[232] *See* UNIF. TRADE SECRETS ACT § 1(4) (amended 1985), 14 U.L.A. 538 (2005); RESTATEMENT (FIRST) OF TORTS § 757 cmt. b (1939).

[233] *See N*ational Parks & Conservation Ass'n v. Morton*,* 498 F.2d 765.

public if the information is not produced to the government. This would therefore allow for those circumstances where the health and safety of the public are so threatened, that disclosure should be compelled. In other words, the harm to the public would outweigh any competitive harm that the proprietor of the trade secret may suffer.[234] As is recognized under the Takings principles, the government's use of information for the public good (with adequate compensation) would not likely violate constitutional norms. Accordingly, a court in its discretion could order disclosure in those circumstances.

4. Court Determines Scope of Order

After weighing the various considerations, a court could find that production of the trade secret should not be ordered. This will end the inquiry and the trade secret owner prevails. On the other hand, if the court determines that production should be compelled, then the delicate task of crafting an appropriate protective order will remain. A court should not compel production of a trade secret without a protective order and appropriate safeguards for protection of the secret.[235]

The court could choose from a range of options, depending on the particular case, to determine the appropriate scope of the order. For instance, limited disclosure could be ordered, such that the government may receive not the entire trade secret, but part of it. This is not the current scheme under FOIA, which is an all or nothing approach.[236] Thus, there could be a middle ground approach, one that would meet the requestor's need for the information while still protecting the trade secret owner's interests. A mosaic approach might also work, where the trade secret information is disaggregated such that the disaggregated form does not reveal the trade secret, yet it remains valuable information to the requestor. The FTC rules, for instance, provide for the disclosure of disaggregated information to other agencies, [237] and to the extent the secret information can be segregated from the non-secret information, a portion of the record may be disclosed to a FOIA requester.[238] In some circumstances, a court could

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[234] *See* Mary L. Lyndon, *Secrecy and Innovation in Tort Law and Regulation*, 23 N.M. L. REV. 1,44 ("While one is entitled to the fruits of one's labors, one is not entitled to injure others with them.")

[235] *See* Elizabeth A. Rowe, *Trade Secret Litigation and Free Speech: Is it Time to Restrain the Plaintiffs?*, 50 BOSTON COLLEGE L. REV. 1425, 1451 (2009) (discussing safeguards for trade secrets in the course of litigation).

[236] *See supra* note 70.

[237] 15 U.S.C. 57b-2(d)(D).

[238] 16 C.F. R. § 1015.19 (a). The SEC regulations also provide that "any reasonably segregable portion of a record shall be provided . . . after

order disclosure contingent upon some payment to the trade secret owner. This would be akin to a compulsory license where, for instance, the court has deemed that withholding the information from the public will have an injurious effect on the public welfare.[239]

B. *Broader Implications of the Framework*

This shield or disclose model can be useful, in whole or in part, to virtually all cases where a court must decide whether to compel production of trade secrets. As discussed earlier,[240] the current approaches to the other categories of cases that often implicate trade secret production can all be improved. In the private party cases, for instance, involving discovery disputes and in the government cases, courts ought to focus more on the threshold determination of whether a protectable trade secret exists. It seems logical that where a party is claiming trade secret protection to shield it under the discovery rules or any other rules, that the information in question must meet the definition of a trade secret. Otherwise, the protections of trade secrecy status should not attach. Courts should therefore pay closer attention to that threshold requirement.

In general, the cases can all benefit from courts giving greater scrutiny to trade secret analysis in these cases, rather than overlooking it. Moreover, the model while explored in relation to the federal government can be used with state government refusal-to-submit cases as well. Most states have FOIA type disclosure statutes that would implicate the very same issues and considerations that have been addressed here, and from which the proposal was crafted.

Further research could also examine whether this model, or a modified version, should be incorporated within the agencies' regulations governing the treatment of confidential business information. This could provide greater consistency for agency evaluations of FOIA requests for trade secret information. More generally, it may also serve to harmonize and make more uniform the current patchwork of agency regulations regarding trade secrets in the hands of the government. Finally, it may also be worth considering the value of infusing some of the elements of this model to reverse FOIA reviews under the Administrative Procedures Act.[241]

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deletion of the portions which are considered nonpublic . . . " 17 C.F.R. 200.80(5)(b).

[239] *See, e.g.,* Elizabeth A. Rowe, The Experimental Use Exception to Patent Infringement: Do Universities Deserve Special Treatment?, 57 Hastings Law Journal 921, 953 (2006) (discussing proposed standard under which Congress may consider exemptions to patent infringement).

[240] *See* discussion *supra* Part III.B.

[241] *See* discussion *supra* Part III.A.3.

V. CONCLUSION

Refusal-to-submit cases raise some delicate issues on both sides, since the interests of all involved must be given very serious consideration. While these cases will necessarily be decided on a case by case basis, an approach that takes into account trade secrecy principles in addition to a more structured approach to government disclosure policies will better achieve the balance between secrecy and access. It will also allow for the crafting of more creative solutions that are better able to serve the needs of the respective parties. The shield or disclose model presented here helps meets those ideals by making clear the parties' burdens of proof on showing harm, relevance, and need before trade secrets are to be handed over to the government. Ultimately it provides a more balanced, more specifically tailored approach that offers more of a middle ground solution than currently exists.