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MARK IT CONFIDENTIAL: THE NECESSITY OF LAW OF TRADE SECRETS

AUTHORED BY - ANWESHA SINGH & SARAB LAMBA

ABSTRACT

Intellectual Property Rights have come to gain immense importance in today's world where there is growing competition to create and develop new ideas every day. However, trade secret as an intellectual property right is immensely difficult to safeguard due to its nature and lack of adequate recognition of the need of its protection. The reason Coca Cola still remains unbeatable as a premier soft drink company is because its recipe has been protected under the law of trade secrets which prevents its disclosure in the open market and thereby, assists the company in gaining advantage over its competitors. Protection under trade secrets offers its creator a vast scope and it is an easier and cheaper way of intellectual property rights protection, as compared to Patents or Copyrights. In India, trade secret as an aspect of intellectual property has been ignored by lawmakers and academicians, alike. It has a vast scope of application in modern world where commercial espionage is on a rise. This article highlights the need for a sui generis law on protection of such intellectual property. It also critically analyses the current provisions of law under which trade secrets are protected and throws light on the international jurisprudence regarding the same. Through this article the reader will be able to get an overview of all the existing provisions of trade secrets and the measures that should be implemented in order to gain maximum effectiveness.

Key words: trade secrets, IPR, dedicated legislation, confidential information, know-how, breach, protection, patent, trademark, copyright, innovation, commercial, proprietary information, sui generis, exploitation, theft.

I. INTRODUCTION

In the words of Bentham, a renowned English philosopher and jurist, who expressed the inter-relationship between law and property in his book '*Theory of Legislation*':

*"Property and law are born together, and die together. Before laws were made there was no property; take away laws, and property ceases."*¹

Owing to the constantly evolving liberalization and globalization of the economy, developing measures for the protection of intellectual property has gained paramount importance for encouraging foreign investment in the country. Intellectual Property Rights (hereinafter, IPRs) play a significant role in encouraging innovation, product development, and technical change. It also stimulates acquisition and dissemination of new information. While extracting these benefits, the need for safeguarding it also increases by the hour.

One of the less recognized types of intellectual property is that of trade secrets. Though trade secrets do not perfectly fit within the definition of the conventional and more popular intellectual properties of patents, trademarks or copyright, it imbues a substantial amount of economic value. Know-how and confidential information, which constitute trade secrets, can be protected only so long as the owner is able to keep them a secret and takes an action for breach of confidence or contract against the unlawful use of such information by others.² While there are several countries like the USA, Japan, China which have codified the trade secret regime to broaden the measures of protection, several others, including India, still rely on common law principles and other laws pertaining to confidentiality to deal with the same.

Trade secrets are, no doubt, highly susceptible to leakages. Without a well-defined legislation, protection of the same can prove to be an extremely arduous task. Thus, in the course of this paper, we will not only be dealing with the ways in which the regulatory authorities are presently handling cases pertaining to trade secrets but will also go on to analyze laws from around the world and provide suggestions regarding modifying the existing remedial methods as well as introducing better, alternate ones.

¹ Dr. Sudhir Ravindran, Real Property vs. Intellectual Property (Sep.20,2019,3:45 PM), <https://www.altacit.com/wp-content/uploads/2015/03/12-REAL-PROPERTY-vs-INTELLECTUAL-PROPERTY.pdf>.

² 4, P. Narayanan, Intellectual Property Law 4 (3rd ed. 2001).

II. CONCEPT OF INTELLECTUAL PROPERTY RIGHTS

The term '*Intellectual Property*' has now been internationally recognized to include within its ambit patents, industrial designs, copyrights, trademarks, know-how, and confidential information.³ It refers to creations of the mind, such as inventions in all fields of human behavior; literary and artistic works, designs, *performances of performing artists, phonograms and broadcasts*, scientific discoveries and symbols, names and images used in commerce.⁴

IPR, like any other property right, allows the creators or owners of works to benefit from their own work or investment in a creation. These rights are outlined in Article 27 of the Universal Declaration of Human Rights (hereinafter, UDHR) which provides for the right to benefit from the protection of moral and material interests resulting from authorship of scientific, literary or artistic productions.⁵ In simpler terms, these rights confer on individuals, enterprises or other entities the right to exclude others from the use of their creations.

Such IPRs are broadly of six kinds, namely, patent, trademark, copyright, plant varieties, industrial design and geographical indication.

II.1. Patent

It is an exclusive right granted to an inventor by a country, permitting the inventor to exclude others from making, using or selling its invention in that country during the life of the patent. In India, The Indian Patent Act, 1970 governs the operation of this IPR. For instance, Indian Institute of Technology, Wipro and Bharat Heavy Electrics Limited hold a number of patents for their inventions.

II.2. Trademark

The Trade Marks Act, 1999 is the legislation governing trademarks in India. Any word, sign, symbol or graphic that distinguishes one's company, goods or services from those of its competitors, serving as a badge of originality, amounts to a trademark. It comprises of words, logos, images, slogans, shapes and colors, or a combination of all of these. The logo of Intel Corporation is a well-known mark.

³ Id.

⁴ World Intellectual Property Organization Convention (hereinafter WIPO), ar.2(viii) (1967).

⁵ Universal Declaration of Human Rights (hereinafter UDHR), ar.27 (1948) .

II.3. Copyright

It is a right which the creator has over its fictional and artistic works such as books, paintings, music, advertisements, computer programs etc. The Copyright Act, 1957 is the law for this right in India.

II.4. Plant Varieties

The Protection of Plant Varieties and Farmers Rights Act, 2001 governs the functioning of this IPR in India. This right mainly protects the existent plant varieties and encourages the development of new ones. For instance, PepsiCo in 2016 has obtained protection for two hybrid potato varieties.

II.5. Industrial Design

It protects the graphic design of a product and makes it attractive and appealing, thereby, increasing its marketability. A design has to be novel and original. The legislation commanding designs is the Designs Act, 2000. For instance, Colgate Palmolive has obtained this IPR for its toothbrush designs.

II.6. Geographical Indication

It is a symbol used for products having a certain specific physical origin which retain qualities and reputation due to that origin. Geographical Indications of Goods (Registration and Protection) Act, 1999 regulates geographical indications in India. Mysore Silk, for example, is protected under this particular IPR.

Intellectual property of any form pertains to intangible incorporate property and is of the nature of *jus in re propria*, i.e., the right of enjoyment, incident to full ownership of property and is often used to denote the full ownership or property itself.⁶ The statutes conferring exclusive rights on the owner of any intellectual property, actually confer the right to the owner to prevent its competitors from commercially exploiting the respective rights to the detriment of the owner.⁷

Certain salient features have been observed, after an analysis of the various kinds of IPRs, which aid in discerning these IPRs from other property rights.⁸

⁶ Encyclopedic, Legal Definition and Related Resources of Jus in re propria, Legal Dictionaries of the Encyclopedia of Law Project (Sep. 15, 2019, 11:22 PM), <https://legaldictionary.lawin.org/jus-in-re-propria/>.

⁷ Narayanan, supra, 2.

⁸ BalewMersha, Concept, Scope and Nature of IPR, Abyssinia law (Oct. 24, 2019, 9:43 AM), <https://www.abysiniaweb.com/online-resources/study-on-line/item/467-concept-scope-and-nature-of-intellectual-property-rights>.

II.A. Territorial

Any intellectual property issued should be resolved by national laws. A particular IPR is valid only in the country that grants it. In order to protect a particular intellectual property in another country, protection has to be sought separately under the relevant law in such country. For instance, Indian registration of an intellectual property is valid only in India. It cannot be imitated by a person residing in China, unless, protection for the same is sought under Chinese law.

II.B. Exclusive right of the owner

Bestowing an exclusive right on the owner means any other entity apart from the owner is prohibited from exercising the concerned right but with such owner's authorization. The creator or author of an intellectual property enjoys rights inherent in his work to the exclusion of anybody else.

II.C. Assignable

Intellectual properties are protected as rights and thus, can be assigned or licensed to another. It is possible to put a dichotomy between IPR and the material object in which the work is embodied. Intellectual property can be bought, sold, licensed, hired or attached.

II.D. Independence

Different IPRs subsist in the same kind of object but still retain their independence. Most IPRs are likely to be embodied in such objects. For instance, the ink of a pen can be registered for protection by one company, whereas, the nib of the same pen can be registered for protection by another company.

II.E. Subject to Public Policy

Intellectual property attempts to preserve and find adequate reconciliation between two competing interests. On one hand, IPR holders require adequate remuneration and recognition of their work and on the other hand, consumers have to consume such work without much inconvenience or breach of holder's rights.

II.F. Divisibility (Fragmentation)

Several persons may have legally protected interests evolving from a single original work without affecting the interest of other right holders on that same item because of the nature of divisibility of intellectual property. This nature is derived from intellectual property's territorial feature. For

example, an inventor who registered his invention in Ethiopia can use the patent himself in Ethiopia, license it to someone in Germany and assign it to another in France.

IPR protection is absolutely necessary to allow innovators to appropriate a share of the benefits of their creative activities and to encourage them for further innovation. As a result, more and more aspects should be brought under the umbrella of intellectual property to ensure that no work of originality is prone to plagiarism.

III. WHAT ARE TRADE SECRETS?

In a free market economy with tough competition, each producer desires to obtain the confidential information of its rivals for having an upper hand. Trade secret is one of such confidential information of a business or enterprise. The confidentiality of it is regarded as a legal obligation enforceable by law.⁹ A trade secret is any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable to afford an actual or potential economic advantage over the others.¹⁰ The Trade Related Aspects of IPR (hereinafter, TRIPS) lays down three essential conditions which are to be fulfilled by any information before it can be considered as undisclosed information (trade secret): (i) Such information must be secret, i.e., not generally known or readily accessible to “persons within the circles that normally deal with the kinds of information in question.” (ii) The information must confer some economic or commercial advantage as a result of it being a secret and (iii) The information must be the subject of reasonable steps taken by its owners to keep it a secret.

While India does not have a dedicated legislation for the protection of trade secrets, the Indian courts have, through various judgments, tried to define the scope of trade secrets. In the case of *American Express Bank Ltd. v. Ms. Priya Puri*, the Delhi High Court attempted to define trade secret as “...*formulae, technical know-how or a peculiar mode of business adopted by an employer which is unknown to others.*”¹¹

The Uniform Trade Secret Act (hereinafter, UTSA), 1970 of the United States of America lays down a distinct definition of trade secrets. Using the definition provided by this Act as a guide, it can be deduced that a trade secret must comprise of (1) information (2) that information should derive independent economic value (3) it should not generally be known to, and not readily

⁹ V.K. Ahuja, *The law relating to IPR in India* 139 (2nd ed. 2015).

¹⁰ V.K. Ahuja, *The Law of IPR: In Prospect And Retrospect* 272 (2001).

¹¹ *American Express Bank Ltd. v. Puri*, (2006) III LLJ 540 Del ¶41.

ascertainable by proper means by other persons who can obtain economic value from its disclosure or use (4) it should be novel and original, and (5) it should be the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

III.1. Information

Any type of information, irrespective of the form it takes, may qualify as a trade secret. It may consist of information relating to a formula, pattern, device or other compilation of information that is used for a considerable period of time in a business, or the technical information used in the manufacturing process for the production of goods. It may relate to marketing, export or sales strategies, or a method of book-keeping or other business management routines or procedures, including software used for various business purposes. Other examples of potential trade secrets may include technical, scientific or financial information, such as business plans, list of key customers, product specifications, product characteristics, proprietary recipes and formulas.¹²

III.2. Economic value

In order to qualify as a trade secret, the concerned data should not merely be a secret but should additionally derive some economic advantage from it being a secret. In the case of *Buffets INC v. Klinke*,¹³ it was held that the recipes for traditional American dishes were not trade secrets because they were readily ascertainable and did not have any independent economic value.

III.3. Not generally known

Matters in the public domain or general knowledge cannot qualify to be trade secrets. In the case of *Pressure Science Inc. v. Kramer*¹⁴, the court listed six factors that it considered to be critical in determining whether the disputed information is a trade secret: (i) The extent to which the information was known outside the business; (ii) the extent to which the secret was known by employees and others in the business; (iii) the extent of the measures taken to safeguard the secrecy of the process; (iv) the value of the information to the plaintiff and its competitors; (v) the amount of effort or money extended by the plaintiff to develop its process; (vi) the ease or difficulty with which the process could be properly duplicated or acquired.

¹² WIPO, Basics of Trade Secrets, Trade Secrets (Oct. 29, 2019, 5:00 PM), http://www.wipo.int/export/sites/www/sme/en/documents/pdf/ip_panorama_4_learning_points.pdf.

¹³ Buffets, Inc v Klinke, 73 F. 3d 965, 37 (9th Cir. 1996).

¹⁴ Pressure science Inc. v. Kramer, 413 F. Supp. 618, 193 (D. Conn. 1976).

III.4. Novel or original

General information which is readily available cannot be considered to be novel or original information. A trade secret must contain elements that are unique and innovative and not generally known or used in that particular trade. It must have been developed independently by using one's own creative mind.

III.5. Reasonable efforts required to maintain secrecy

The owner of a trade secret should take all the requisite efforts to maintain secrecy which are rational under the circumstances. Practicable endeavours like notifying the employees of the existence of a trade secret, the controlled disclosure of information to employees on a "need to know" basis are considered enough by the courts to constitute 'reasonable effort'. Courts also generally consider a non-disclosure agreement (hereinafter, NDA) to constitute a reasonable effort to protect the secrecy of a trade secret.¹⁵

Upon analysis of the definitions of trade secret and IPRs it can be certainly concluded that since trade secret is also a creation of the intellect, involving innovation and originality and possessing features of IPRs, the same qualifies to be one of its domains. Trade secret is also essentially territorial; it gives an exclusive right to the owner; is assignable and can be licensed if the creator considers it to be fit; is subject to public policy and can retain its independence when combined with other IPRs. For instance, the recipe of Kentucky Fried Chicken is a trade secret, while its letters "KFC" in red is trademarked.

Hence, trade secrets also need protection from commercial exploitation by competitors as is granted to the other IPRs, while also having a right to benefit from the protection mentioned in Article 27 of the UDHR.¹⁶

IV. STATUS QUO OF TRADE SECRETS IN INDIA

Though trade secrets qualify to be an IPR, the protection of the same in India is gravely inadequate and unsatisfactory. Trade secrets can prove to be the heart and soul of a business. However, the risks of exposure of the same are also extremely high. As a result, in contrast to the current scenario, stricter measures of safeguarding these secrets should be enacted to ensure company growth, innovation and commercial ethics.

¹⁵ IDS Life Ins. Co. v. Sun America, Inc., 103 F. 3d 524 (7th Cir. 1996).

¹⁶ Supra note 5.

India has no distinct law for the protection of trade secrets. Instead, the same is brought under the ambit of contractual law or common law for the purpose of enforceability. India, in the 1989 General Agreement on Tariffs and Trade (hereinafter, GATT) discussion paper clearly set out its stance on trade secrets, stating that, these cannot be considered to be IPR.¹⁷ It enunciated that the fundamental basis of an IPR is its disclosure, publication and registration, while the fundamental basis of a trade secret is its secrecy and confidentiality. It further asserted that the observance and enforcement of secrecy and confidentiality should be governed by contractual obligations and the provisions of appropriate Civil Law and not by intellectual property law. However, in 2008, the Department of Science and Technology released a draft legislation titled, National Innovation Act. Though this Act does not deal with trade secrets *per se*, Chapter VI of the Act mentions in detail, provisions regarding confidentiality and confidential information as well as the concomitant remedies and offences.¹⁸ On May 12, 2016, India also approved the National IPR Policy consisting of seven main objectives. One of the objectives pertain to the legislative and legal framework, within which, protection of trade secrets is recognized as one of the ways of achieving the concerned objective.¹⁹

India primarily turns to equitable law and common law for the protection of trade secrets with major reliance on the principles laid down in the *Saltman Engineering case*.²⁰ On the analysis of the cases decided in respect of this intellectual property, there are four main provisions that the Indian courts turn to in instances of its infringement.

IV.1. Breach of confidence

Breach of confidence can be described as a civil remedy affording protection against the unauthorized disclosure or use of information which is of a confidential nature and which has been entrusted to a person in circumstances which impose an obligation to respect its confidentiality.²¹ Finding its origins in the right to privacy, confidentiality is perceived as a tort by the Indian courts; a legal obligation. A landmark judgment in this respect was *ZeeTelefilms Ltd. & anr. v. Sundial Communications Private Limited & Ors*. The Bombay High Court held that the law of breach of confidence is different from that of the law of copyright as the former also includes in its ambit an unpublished idea or concept that may have simply been disclosed in a relationship of trust, i.e.,

¹⁷ Permanent Mission of India, Standards and Principles concerning the availability scope and use of trade-related intellectual property rights, ¶46, 10 July, 1989, MTN.GNG/NG11/W/37.

¹⁸ The National Innovation Act, (2008).

¹⁹ The National IPR Policy, Objective 3.8.4 (2016).

²⁰ Saltman Engineering Co. Ltd. v. Campbell Engineering Co. Ltd., 65 R.P.C 203, (1948).

²¹ R.G. Hammod, The origins of the equitable duty of confidence, Am.L.Rev.71, 79 (1979).

even if the obligation to maintain it was not express but merely implied.²² The concept of confidentiality extends to sensitive data of a particular firm or business, as well.²³

The Springboard Doctrine has also been adopted by the Indian judiciary in such cases. The doctrine enunciates that a person who has received any information in confidence cannot use it as a springboard for activities that are deleterious to the original owner of the information.²⁴ In *Inphase Power Technologies v. Abb India Ltd.*, the Karnataka High Court applied the Springboard doctrine and passed an order of injunction against an ex-employee from using the information in his possession to the detriment of his ex-employer.²⁵

IV.2. Principle of equity

The principle of equity is a body of legal doctrines developed for the purpose of enlarging an existent immutable system of law. In cases where the strict application of common law results in injustice or inappropriate remedy, the principle of equity is implemented to mitigate the rigors of the drafted laws and Acts.²⁶ Under this principle, a person who has obtained any confidential information or knowledge of any trade secret is not to take unfair advantage of it. The Delhi High Court, in the case of *John Richard Brady v. Chemical Process Equipments P. Ltd.*, laid down that it was in the interest of justice to restrain the respondent from using the know-how, specifications, drawings and other technical information regarding the plaintiff's fodder production unit which was entrusted to them under express condition of strict confidentiality.²⁷

IV.3. Confidentiality clauses in agreements

A confidentiality clause, also known as the non-disclosure clause or secrecy agreements, are legal agreements between parties specifying information that one or both of the parties consider confidential and prohibiting the other party from disclosing it.²⁸ Breaching of a confidentiality clause can cause irreparable damage to the non-breaching party. Thus, apart from the monetary relief, the non-breaching party is entitled to an injunction (in case of anticipatory breach) or any other equitable relief for the enforcement of such obligation. The employee breaching the

²² *Zee Telefilms Ltd v. Sundial Communications Pvt Ltd.*, 5. BomCR 370, 404 (2003).

²³ *Bombay Dyeing and Manufacturing Co. Ltd v. Singh.*, SCCOnLineBom 1243 (2010).

²⁴ *Seager v. Copydex*, (1967) 2 All ER 415.

²⁵ *Inphase Power Technologies v. Abb India Ltd*, MFA No. 3009 & 3010/2016.

²⁶ V. Subramaniam, *Principles of natural justice and principles of equity*, (Nov. 1, 2019, 4:45 PM), <http://www.allbankingsolutions.com/Articles/Articles-VS-Principles-of-Natural-Justice.htm>.

²⁷ *Brady v. Chemical Process Equipments P. Ltd.*, AIR372 (Del.1987).

²⁸ Rebecca K Myers, *Confidentiality, Non disclosure and Secrecy Agreements*, Lexis Practice Advisor Journal, (Nov. 2, 2019, 3:00 PM), <https://www.lexisnexis.com/lexis-practice-advisor/the-journal/b/lpa/archive/2015/11/30/confidentiality-nondisclosure-and-secrecy-agreements.aspx>.

confidentiality agreement can also be subjected to dismissal as well as be forced to return all the company information or product in its possession. In the case of *Danieli Corus BV v. Steel Authority of India*, Delhi High Court restrained the respondent or its agents from disclosing the proprietary information to a third party in any manner, thus, preventing the breach of the confidentiality agreement.²⁹ It also reiterated the settled law that a party cannot challenge the confidentiality of any information mentioned in a contract at a later stage having taken the benefit of the same under the contract.

IV.4. Non-compete agreement

Non-competition agreements are restrictive contracts between employers and employees that prohibit workers from revealing proprietary information about the company to competitors or other outsiders or forbid employees from competing with their ex-employer for a certain duration, post their exit from the company.³⁰ Often, it is the latter, whereby the employee is prohibited from entering into professions that are in competition with the current employer, either for a particular duration of time or in a particular geographical region. This type of agreement is also called a 'covenant not to compete' or a 'restrictive covenant'.³¹ The basic idea behind such agreements is that there is a high possibility of the employee gaining an undue competitive advantage over the former employer by exploiting the company's confidential information such as trade secrets, upcoming products, clients' list etc.

The legality of non-compete agreements varies from state to state. It also depends on the restrictive nature of the agreement as well the reasonability of the limitations. The question of the validity of these agreements has been examined from time to time by the Indian courts. One consistent principle that has been held in all these cases is that the non-compete covenants are valid only until the lifetime of the contract and automatically end on the termination or expiry of such contract. By no means can the restraint be extended beyond the term of the contract. Though Section 27 of the Indian Contract Act classifies all agreements in restraint of trade as void, the exception to the same paves way for non-compete agreements.³² In the case of *Niranjan Shankar Golikari v. the Century Spinning*, the Supreme Court held that a restraint, whether general or partial if reasonably necessary for protecting the covenantee, must prevail unless some specific

²⁹ *Danieli Corus BV v. Steel Authority of India.*, O.M.P. (I) (COMM.)189/2017.

³⁰ *Non-Competition Agreements*, (Nov. 14, 2019, 2:21 PM), <https://www.inc.com/encyclopedia/non-competition-agreements.html>.

³¹ Will Kenton, *Non-Compete Agreement*, Law and Regulations (Nov. 14, 2019, 4:02 PM), <https://www.investopedia.com/terms/n/noncompete-agreement.asp>.

³² Indian Contract Act 1872 §27.

ground of public policy can be clearly established against it.³³ Thus, non-compete agreements are good in law if applied reasonably only for the duration of the contract between the parties.

V. INTERNATIONAL LEGAL FRAMEWORK

The safeguarding of trade secrets has been recognized in a number of conventions and legislations around the globe. A few important ones among them have been listed below.

V.1. North American Free Trade Agreement (hereinafter, NAFTA)

The NAFTA, which came into force in January 1994, is the first international comprehensive multilateral agreement on protection of IPRs. It recognises the need to provide for the protection of trade secrets.³⁴ Every party to this agreement is bound to devise legal means to prevent unauthorized disclosure and use of trade secrets. Due to NAFTA, several countries have incorporated legal sanctions in their domestic laws in case of disclosure of confidential information.

V.2. TRIPS

TRIPS is an international legal agreement between all the member nations of the World Trade Organization. TRIPS does not directly refer to 'trade secrets' but mentions the term 'Undisclosed Information'. All members are expected to protect undisclosed information from commercial exploitation under Clause 2 of Article 39 of TRIPS and under clause 3, data or information submitted to Government for regulatory or other approvals have to be protected from leakage or theft by third parties.³⁵ Notably, while India is a signatory to the TRIPS and has amended its intellectual property laws in line with the convention, it did not afford any special protection to trade secrets as envisaged under Article 39.

V.3. United States of America

At the state level, the protection of trade secrets is governed by the UTSA, which provides for a well-defined meaning of trade secrets.³⁶ If a trade secret is misappropriated, the injured person may seek injunctive relief and damages under this Act. In 2016, the Defend Trade Secrets Act (hereinafter, DTSA) was also enacted which is a federal law that allows an owner of a trade secret

³³ Golikari v. the Century Spinning., AIR 1098 (1967).

³⁴ The North American Free Trade Agreement (1994).

³⁵ The Trade related aspects of IPR, ar.39(2), ar.39(3) (1994).

³⁶ The Uniform Trade Secrets Act, §1 sub.cl.4 (1979).

to sue in a federal court in case of misappropriation of its trade secrets.³⁷ It creates a federal, private, civil cause of action for trade secret misappropriation.

V.4. United Kingdom (hereinafter, UK)

All countries of the European Union (hereinafter, EU) were required to adopt the EU trade secrets directive in 2016 and make laws in consonance with it. In June 2018, the UK's Trade Secrets (Enforcement, etc.) Regulations 2018 came into force.³⁸ These regulations are a result of the EU Directives, 2016 on the protection of undisclosed know-how and business information against their unlawful acquisition, use and disclosure³⁹ It provides for civil remedies of injunctions and damages. Prior to this, there was no specialized law for the protection of trade secrets in the UK and they were protected by the law of confidence derived from principles of equity and common law.

V.5. Japan

Trade secrets in Japan are protected under the Unfair Competition Prevention Law. According to this law, trade secrets include any “technical or business” information that has commercial value, is not in the public domain and which has been “administered” as a trade secret.⁴⁰ Infringement occurs when a person procures a trade secret by theft, fraud or extortion or when there is an unauthorized use or disclosure of a lawfully acquired trade secret for unfair competition.⁴¹ An injured party may seek injunctive relief and damages. It also provides for criminal sanction up to five years' imprisonment and fine.

V.6. China

Chinese ‘Anti-unfair competition law’ became effective on December 1, 1993.⁴² This is China's first trade secret law. The term trade secrets is defined, under this law, as technical and management information that is unknown to public, can bring economic benefits, is of practical value and for which the rightful party has adopted measures to maintain its confidentiality.⁴³ The injured party may seek civil or in grave cases, criminal remedy as well.

³⁷ The Defend Trade Secrets Act, §2 (2016).

³⁸ The UK's Trade Secrets (Enforcement, etc) Regulations, (2018).

³⁹ Directive (EU) 943(2016).

⁴⁰ The Unfair Competition Prevention Act, art.2 sub.cl.6 (1993).

⁴¹ The Unfair Competition Prevention Act, ar.2 cl.1 sub.cl.iv (1993).

⁴² The Anti-unfair competition law, (1993).

⁴³ Id. at ar.10 (1993).

V.7. Germany

In compliance with the EU directives of 2016, Germany has introduced a new law, 'The Trade Secrets Act' in March 2019. In Germany the term trade secrets include both technical know-how as well as business information. The remedy of pecuniary compensation and injunctions is available to the aggrieved parties.

VI. VIABLE CHANGES IN INDIA'S TRADE SECRET PROTECTION APPARATUS

The state of protection of trade secrets in India is comprehensibly not up to the mark. Apart from being scanty, it has several loopholes, giving way to easy escape of the offenders infringing this particular intellectual property. In order to keep the creative minds working and innovative ideas flowing, stringent measures of safeguarding this right have to be developed.

VI.1. Legislative framework

The first and the foremost step that our country should take in this direction is of bringing in a pro-active legislation under a 'Sui Generis' system as provided for under Art.10bis of the Paris Convention⁴⁴ and Article 39(2) and 39(3) of TRIPS⁴⁵, both of which India is a signatory to. Sui generis is a Latin term meaning "a special kind". In IPRs, the term refers to a special form of protection regime outside the known framework. A sui generis law would give a uniform definition of trade secrets, what would amount to their infringement, give a standard format of NDAs, lay down remedies of both civil and criminal nature in case of their misappropriation, so on and so forth, which would go a long way in securing the interests of domestic as well as foreign traders who are willing to make investments in India. Certain provisions from the legislations mentioned in the previous section can be borrowed and incorporated in ours, in order to ensure that the laws made cover all aspect of trade secrets.

VI.1.1. A distinct forum

A proper forum should be established to hear only the cases that pertain to infringement of trade secrets. Companies and individuals, both, should have equal rights to file civil or criminal suites in their respective capacities. In addition to this, as is the provision in the UTSA, the court or the concerned forum should take necessary steps to ensure that the trade secret is protected during any

⁴⁴ The Paris Convention for the Protection of Industrial Property, ar.10bis (1883).

⁴⁵ Supra note 35.

legal action or proceedings being conducted in its regard.⁴⁶

VI.1.2. Statute of limitation

A provision in the statute of limitations should be operative, limiting the time duration within which the plaintiff can file a suit upon the discovery of the leakage or theft of the trade secret to avoid any unnecessary delays and ensure speedy justice.

VI.2. Federalization

The methods of protection of trade secrets, along with the forum to seek remedy for the same, should be federalized. Apart from the central government, every state should have a mechanism to deal with such infringements, as is the provision in the DTSA.⁴⁷ This will ensure the establishment of a comprehensive redressal apparatus at all stages and leave no scope for any injustice.

VI.3. Punishment/Remedies

Proper and adequate punishment should be prescribed for the theft of such trade secrets. These could range from civil remedies of damages to criminal punishments of imprisonment or fine or both. Criminal liability should be invoked in cases of specific trade secrets' infringement where a serious loss has been caused to the owner. The provisions of criminal breach of trust, cheating and fraud, as defined in the Indian Penal Code should also be made applicable in such cases.⁴⁸ In addition to these, the person guilty of such an offence should be proscribed from working in that particular field of occupation, concerning the trade secret, for a specific period of time, sufficient enough for the company that is harmed to recover its losses due to such a theft.

VI.4. Seizure

Another provision that can be incorporated in a legislation for trade secrets is that of 'seizure'. Any individual or company whose trade secrets are stolen should be entitled to seize that property containing the trade secret, so as to prevent dissemination and propagation of it,⁴⁹ in case of extraordinary circumstances. Seizure orders can be granted by the court depending on the facts of the case, which may include a search of the defendant's premises in order to obtain evidence to establish the theft of trade secrets at trial or the precautionary impoundment of articles that include

⁴⁶ Supra note 36 at §5.

⁴⁷ Supra note 37.

⁴⁸ The Indian Penal Code 1860 §406, §420.

⁴⁹ Supra note 37 at §2 cl.b sub.cl.2.

misused trade secrets, or the products resulting from its use or misuse.⁵⁰

VI.5. Protection of whistle-blowers

The whistle-blowers, who reveal the theft or disclosure of trade secrets to either the attorney or any other person, in confidence and in good faith to report the violation of the right, should be provided with absolute immunity. The case of *Christian v. Lannett Co.*, provides welcoming guidance regarding the circumstances in which the whistle-blower safe harbor will apply. In this particular case, it was held that immunity is to be provided for the disclosure of a trade secret “*in confidence...to an attorney...solely for the purpose of reporting or investigating a suspected violation of law*”, as according to the DTSA.⁵¹

VI.6. Removal from market

As mentioned in the ‘Directives on the Protection of Trade Secrets’, adopted by the EU in 2016, the commodities that have been manufactured on the basis of the leaked or stolen trade secret can be completely removed from the competitive market to do justice to the plaintiff.⁵²

VI.7. Protection against reverse engineering

One of the simplest and most convenient ways of discovering a trade secret of any particular good is through reverse engineering. It is the method of disassembling and examining or analyzing in detail, a product or device, to discover the concepts involved in its manufacture, usually in order to produce something similar.⁵³ Often, reverse engineering is seen as a fair and legal activity, such as for deconstructing software programs or for military purposes. However, presently there are no provisions for tackling illegal and harmful reverse engineering in any legislation around the world. In order to avoid the unlawful use of this activity, provisions should be made for seeking prior permission from the inventor of the product to reverse engineer it. Such permission should be granted solely on the ground that the invention would be used only as a base model and that it would be further developed and innovated according to the creativity of the reverse engineer. In addition to this, a particular percentage for the usage of the original product, in the commodity to be created after developing it, should also be fixed.

⁵⁰ Supra note 12.

⁵¹ *Christian v. Lannett Co.*, Civil Action No. 16-963 (2018).

⁵² Directives on the Protection of Trade Secrets, (2016).

⁵³ Reverse engineer, Merriam Webster (December. 11, 2019, 3:47 PM), <https://www.merriam-webster.com/dictionary/reverse%20engineer>.

VI.8. Company's role

A couple of provisions regarding safeguards on the part of the company itself should also be integrated into any legislation for the protection of trade secrets. The Information Technology branch of every company should be trained to be capable of protecting highly sensitive trade secrets with the aid of firewalls, encryption, monitoring access to information etc. Certain rules should be formulated for the use of private storage media, as well. Confidential information can also be disposed of by shredding or burning once it has been transmitted to the required personnel, in order to ensure that it does not come in contact of any unauthorized person. Companies should also conduct exit interviews, whereby, the departing employees should be reminded of any NDA that they were made to sign and to emphasis on the confidentiality obligations. They should also be asked to return any or all materials belonging to the company including anything, tangible or intangible, pertaining to the trade secret of the company.

VI.9. Accommodation in existing IPR Protection regime

This particular intellectual property can also be included in the existing IPR Protection regime till the time a well-defined law is independently formulated for it.

VI.9.1. Copyright

Trade secrets can be best accommodated in the ambit of Copyright. Creations such as distinct food recipes, special chemical formulas for cleaning products, unique process for making computer programs etc. can qualify as “artistic works” and be included under the Indian Copyright Act, 1957. Such an inclusion would not only provide complete protection to the inventor of the trade secret for his lifetime, but also for 60 years, thereafter. It was in 1980, that the American Bar Association Committee on Trade Secrets and Interference with Contracts considered for the first time the propriety of protecting trade secrets or confidential materials via copyright. The committee viewed copyright protection as a “backup or complement” to laws prohibiting theft or misappropriation of trade secrets.⁵⁴ Indian courts have attempted to protect trade secrets as copyrights in a few cases, one of them being *Puneet Industrial Controls Pvt. Ltd. v. Classic Electronics*. In this pertinent case, the plaintiff who was engaged in the manufacturing and selling of electric goods, alleged that his relative used his confidential information and started his own manufacturing unit, producing the same products as the plaintiff. The court held that the plaintiff had copyright over the information and restrained the defendants from imitating

⁵⁴ Section Of Patent, Trademark And Copyright Law, Committee Reports, A.B.A 100, 218 (1980).

the products of the plaintiff.⁵⁵

VI.9.2. Patents

Apart from Copyright, trade secrets can also be safeguarded by registering them as Patents. In order for a trade secret to be granted a Patent, (i) it must be a new product or process, (ii) that product or process must be non-obvious (iii) that product or process must be useful (iv) that product or process must be capable of industrial application. Patents would grant these secrets absolute protection for a time period of 20 years, which can be extended thereafter, if needed. Any leakage or theft of the same can also be dealt with in a better way as The Indian Patent Act, 1970 is already operating to deal with any patent infringements.

VII. CONCLUSION

Steve Jobs famously quoted Picasso as saying, “[*good artists copy; great artists steal*](#)”. In the present scenario, it is extremely important that India takes steps to implement a sui generis legislation for protection of trade secrets from such “great artists”. For decades, creators of innovative ideas pertaining to trade have been under the constant fear of its leakage and theft with little to no remedies at their disposal in such cases. Being a fast growing economy, India cannot afford such a fear lurking over the heads of the inventors of the country, further resulting in arrested economic and technological development. A creative mind needs incentive and assurance of its safety to keep on functioning and delivering novel ideas from time to time. This is one field that India will have to work on expeditiously to avoid a stunted growth.

Protection of trade secrets would go a long way in securing the interest of the foreign investors in the country, ensuring the continuous inflow of foreign investment which the country is in dire need of. The evil of commercial espionage needs to be dealt with strictly and severe liability has to be placed on its defaulters. Trade secrets, with no limitations on the time period of its protection and no need for its registration, is in reality better than any other existent IPRs as it grants endless protection to the invention. If not better then, at least, the means of safeguarding it should be brought at par with the other IPRs. Indeed, the protection of trade secrets is not plain-sailing but is an absolute necessity as it not only benefits the country as a whole but also individual businesses ranging from big, global ones to the Small and Medium Enterprises, who currently are on a dead end when it comes to the violation of this domain of IPR.

⁵⁵ Puneet Industrial Controls Pvt. Ltd. v. Classic Electronics., Sup ARBLR 180, 195(Delhi:1997).

This research has demonstrated the severe dearth of shielding mechanisms for trade secrets in India and the disadvantages that arise out of it. Though there can be several possible ways through which the government can bring the offenders to justice, the authors have attempted to shortlist certain fundamental mechanisms of strengthening this deficient field of protection of trade secrets after making a thorough analysis of the status quo, the possible consequences due to the insufficiency and provisions in legislations around the globe.

