Protection of Trade Secrets

Lesson 12

KEY CONCEPTS

■ Trade Secret ■ Undisclosed information ■ Breach of confidence ■ Industrial espionage ■ Business information ■ Registration ■ Commercial Value ■ Contract Act ■ Copyright ■ Patent ■ Confidentiality Agreement ■ Confidentiality Clause ■ TRIPS ■ Paris Convention ■ GATT

Learning Objectives

To understand:

- The legal framework for regulating the intellectual property right vested in Trade Secrets.
- The validity and enforceability of employment clauses to protect trade secrets.
- The importance of confidentiality of trade secrets.
- To familiarize the students with the concept of trade secrets within India.
- The treaties and conventions pertaining to protection of trade secrets.

Lesson Outline

INTRODUCTION

A trade secret is any kind of information that is secret or not generally known in the relevant industry giving the owner an advantage over competitors. Generally, it has been stated that 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 others is a trade secret. Examples of trade secrets include formulas, patterns, methods, programs, techniques, processes or compilations of information that provide one's business with a competitive advantage.

The precise language by which a trade secret is defined varies by jurisdiction (as do the precise types of information that are subject to trade secret protection). However, there are three factors that (though subject to differing interpretations) are common to all such definitions: a trade secret is some sort of information that (a) is not generally known to the relevant portion of the public, (b) confers some sort of economic benefit on its holder (which means this benefit must derive specifically from the fact that it is not generally known, not just from the value of the information itself), and (c) is the subject of reasonable efforts to maintain its secrecy.

Trade secrets are not protected by law in the same manner as trademarks or patents. Probably one of the most significant differences is that a trade secret is protected without disclosure of the secret. A trade secret might be a patentable idea but not always. Unlike patent, a trade secret does not have to pass the test of novelty; nevertheless the idea should be somewhat new, unfamiliar to many people including many in the same trade.

Trade secrets are not registered like other forms of intellectual property and are not creatures of statutes. Instead, the judicial system of each country determines the requirements for obtaining trade secrets protection. In India, trade secrets are not covered under any law.

The TRIPS Agreement under Article 39 protects trade secrets in the form of "undisclosed information", and provides a uniform mechanism for the international protection of trade secrets. Such information must be a secret, i.e. not generally known or readily accessible to person within the circles that normally deal with all kinds of information in question. Also, the information must have commercial value because it is secret and the information must be subject to reasonable steps by its owners to keep it secret.

TRIPS Agreement requires the member countries to provide effective remedies for trade secret misappropriation including:

- injunctive relief;
- damages; and
- provisional relief to prevent infringement and to preserve evidence.

Trade secrets are by definition not disclosed to the world at large. So long as trade secret remains a secret, it is valuable for the company. Once the information enters the public domain, it is lost forever. Therefore, companies should take every precaution to keep the information secret. Instead, owners of trade secrets seek to keep their special knowledge out of the hands of competitors through a variety of civil and commercial means, not the least of which is the employment or confidentiality agreements and/or non- disclosure agreements. In exchange for the opportunity to be employed by the holder of secrets, a worker will sign an agreement not to reveal his prospective employer's proprietary information. Often, he will also sign over rights to the ownership of his own intellectual production during the course (or as a condition) of his employment. Violation of the agreement generally carries stiff financial penalties, agreed to in writing by the worker and designed to operate as a disincentive to going back on his word. Similar agreements are often signed by representatives of other companies with whom the trade secret holder is engaged in licensing talks or other business negotiations.

Famous Trade Secrets

- Search algorithm like Google,
- Coca-Cola recipe,
- McDonald's Big Mac Special Sauce Recipe,

- KFC's Recipe,
- Krispy Kreme Doughnuts,
- Twinkies.

These are just some of the famous trade secrets that are protected rigorously.

What are the Trade Secrets?

Trade secrets are intellectual property (IP) rights on confidential information which may be sold or licensed. In general, to qualify as a trade secret, the information must be:

- commercially valuable because it is secret,
- be known only to a limited group of persons, and
- be subject to reasonable steps taken by the rightful holder of the information to keep it secret, including the use of confidentiality agreements for business partners and employees.

The unauthorized acquisition, use or disclosure of such secret information in a manner contrary to honest commercial practices by others is regarded as an unfair practice and a violation of the trade secret protection.

If a trade secret is well protected, there is no term of protection. Trade secret protection can, in principle, extend indefinitely and in this respect offers an advantage over patent protection, which lasts only for a specified period. It is equally possible that a company may decide not to patent as for instance formula for Coca-Cola which is considered to be one of the best well protected trade secrets.

Companies often try to discover one another's trade secrets through lawful methods of reverse engineering on one hand and less lawful methods of industrial espionage on the other. Acts of industrial espionage are generally illegal in their own right under the relevant governing laws, of course. The importance of that illegality to trade secret law is as follows: if a trade secret is acquired by improper means (a somewhat wider concept than "illegal means" but inclusive of such means), the secret is generally deemed to have been misappropriated. Thus if a trade secret has been acquired via industrial espionage, its acquirer will probably be subject to legal liability for acquiring it improperly. (The holder of the trade secret is nevertheless obliged to protect against such espionage to some degree in order to safeguard the secret. As noted above, under most trade secret regimes, a trade secret is not deemed to exist unless its purported holder takes reasonable steps to maintain its secrecy.)

The test for a cause of action for breach of confidence in the common law world is set out in the case of *Coco v. A.N. Clark (Engineers) Ltd., (1969) R.P.C. 41*:

- the information itself must have the necessary quality of confidence about it;
- that information must have been imparted in circumstances imparting an obligation of confidence;
- there must be an unauthorized use of that information to the detriment of the party communicating it.

The "quality of confidence" highlights the fact that trade secrets are a legal concept. With sufficient effort or through illegal acts (such as break and enter), competitors can usually obtain trade secrets. However, so long as the owner of the trade secret demonstrates that reasonable efforts have been made to keep the information confidential, the information remains a trade secret and is legally protected as such. Conversely, trade secret owners who do not demonstrate reasonable effort at protecting confidential information, risk losing the trade secret even if the information is obtained by competitors illegally. It is for this reason that trade secret owners shred documents and do not simply recycle them. Presumably an industrious competitor could piece together the shredded documents again. Legally the trade secret remains a trade secret because shredding the document is considered to have kept the quality of confidence of the information.

Why is trade secret protection necessary?

In countries with market economy systems, both in the developing and developed world, fair competition between enterprises is considered as the essential means for satisfying the supply and demand of the economy, and serving the interests of the consumers and the society as a whole. Further, competition is one of the main driving forces of innovation. The law of unfair competition, including trade secret law, is considered necessary to ensure the fair functioning of the market and to promote innovation by suppressing anti-competitive business behaviors.

What kind of information is protected by trade secrets?

In general, any confidential business information which provides an enterprise a competitive edge and is unknown to others may be protected as a trade secret. Trade secrets encompass both technical information, such as information concerning manufacturing processes, experimental research data, software algorithms and commercial information such as distribution methods, list of suppliers and clients, and advertising strategies.

A trade secret may be also made up of a combination of elements, each of which by itself is in the public domain, but where the combination, which is kept secret, provides a competitive advantage. Other examples of information that may be protected by trade secrets include financial information, formulas and recipes and source codes.

Advantages and Disadvantages of Trade Secret

There are essentially two kinds of trade secrets. On the one hand, trade secrets may concern valuable information that do not meet the patentability criteria, and therefore can only be protected as trade secrets. This would be the case for commercial information or manufacturing processes that are not sufficiently inventive to obtain a patent (though the latter may qualify utility model protection). On the other hand, trade secrets may concern inventions that would fulfill the patentability criteria, and therefore, could be protected by patents. In that case, the company will face a choice: to patent the invention or to keep it as a trade secret.

Advantages-

Disadvantages-

Reverse Engineering- Others may be able to inspect and discet it. Trade secret protection does not provide the exclusive right to exclude third parties from making commercial use of it. Only patents and utility models can provide this type of protection.

A trade secret may be patented by someone else who developed the relevant information by legitimate means, for example, inventions developed independently by others.

Once the secret is made public, anyone may have access to it and use it at will. The more people know about the trade secret, the more difficult it will be to keep it secret. Trade secret protection is effective only against illicit acquisition, use or disclosure of the confidential information.

A trade secret is more difficult to enforce than a patent. Often, it is quite difficult to prove the violation of trade secrets. The level of protection granted to trade secrets varies significantly from country to country, but is generally considered weak, particularly when compared with the protection granted by a patent.

Due to their secret nature, selling or licensing trade secrets is more difficult than patents.

TRADE SECRETS: POSITION IN INDIA

Position of Trade Secrets in India

Trade Secrets seems to be a neglected field in India, as there is no enactment or policy framework for the protection of trade secrets. This form of intellectual property is a new entrant in India, but is nevertheless a very important field of IP. Protection of trade secrets is a very important and one of the most challenging tasks for the Indian government as this will enhance the foreign investment in India giving a boost to the Indian economy. Foreign investors have to be assured of the protection of their trade secrets, so that they can do business with our country. A proper policy for trade secret protection will further enhance the security in our own industry. Almost all the countries in the world have a policy for the protection of trade secrets and India also being a signatory to the TRIPS is under an obligation to amend its laws or create a new law in order to safeguard the trade secrets of various businesses. So a proper policy for the protection of trade secrets in India is the need of the hour in order to provide a sense of security among the foreign investors and the local businessmen regarding their trade secrets which will further boost the Indian economy.

Meaning and Definition of Trade Secret

As defined in the Black's Law dictionary, trade secret is a "formula, process, device, or other business information that is kept confidential to maintain an advantage over competitors. It's an information including a formula, pattern, compilation, program, device, method, technique or process:

1. That derives independent economic value, actual or potential, from not being generally known or readily ascertainable by others who can obtain economic value from its disclosure or use, and;
2. That is the subject of reasonable efforts, under the circumstances, to maintain its secrecy.

What can be characterised as Trade Secrets?

Trade secrets are any confidential information that is valuable to a business. They can be:-

- Technical information like product formula and recipes, product design, manufacturing processes, computer code.

- Business and Financial information like customer list, consumer preferences, pricing information, marketing and business plans.

Information not referred to as Trade Secret

Below given are the information that cannot be referred to as trade secret. They are-

- Information that can be easily discovered by the competitors by looking at or studying the product once the product has been released in the market.
- Information independently developed by an individual through research.
- Information that is already available in the public domain.
- Self-acquired skill or knowledge of any employee of the company cannot be termed as a trade secret by the company.

What kind of protection does a trade secret offer?

Depending on the legal system, the legal protection of trade secrets forms part of the general concept of protection against unfair competition or is based on specific provisions or case law on the protection of confidential information.

While a final determination of whether trade secret protection is violated or not depends on the circumstances of each individual case, in general, unfair practices in respect of secret information include breach of contract breach of confidence and industrial or commercial espionage.

A trade secret owner, however, cannot stop others from using the same technical or commercial information, if they acquired or developed such information independently by themselves through their own R&D, reverse engineering or marketing analysis, etc. Since trade secrets are not made public, unlike patents, they do not provide “defensive” protection, as being prior art.

How are trade secrets protected?

Contrary to patents, trade secrets are protected without registration, that is, trade secrets require no procedural formalities for their protection. A trade secret can be protected for an unlimited period of time, unless it is discovered or legally acquired by others and disclosed to the public. For these reasons, the protection of trade secrets may appear to be particularly attractive for certain companies. There are, however, some conditions for the information to be considered a trade secret. Compliance with such conditions may turn out to be more difficult and costly than it would appear at a first glance.

Essentials of Trade Secret Protection

In order for information to be protected as trade secret, it shall meet the following criteria. The information must be-

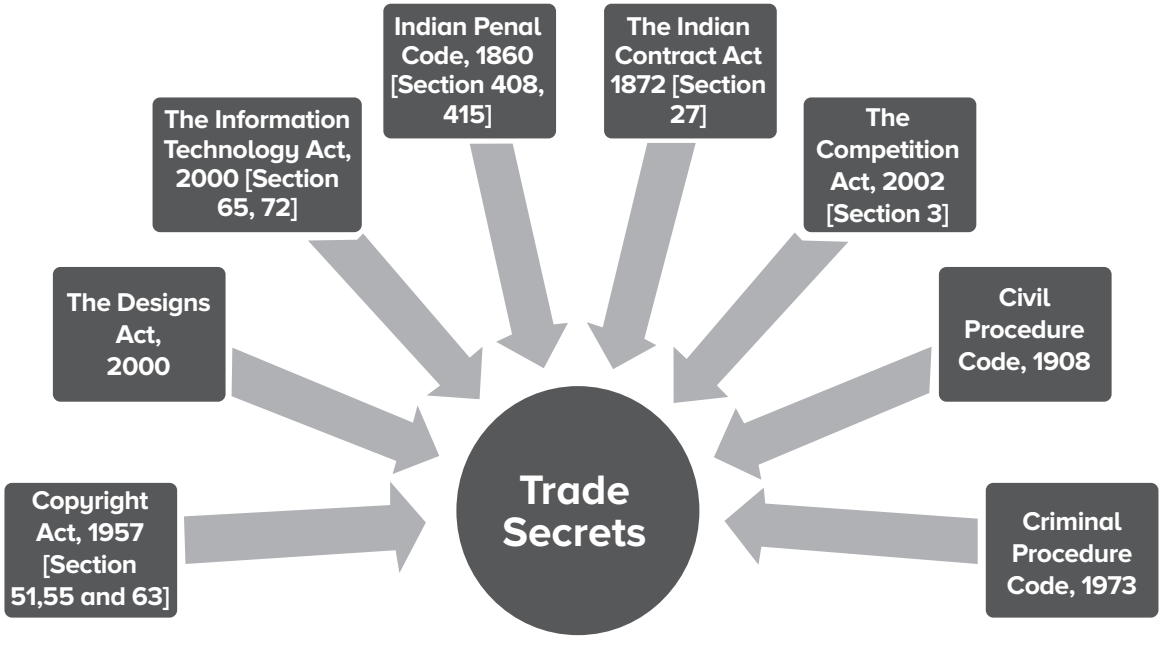
1. **Secret-** Secret (i.e., it is not generally known among, or readily accessible, to circles that normally deal with the kind of information in question). Absolute secrecy is not required.
2. **Commercial Value-** It must have actual or potential commercial value because it is secret.
3. **Safe- Keeping -** It must have been subject to reasonable steps by the rightful holder of the information to keep it secret (e.g., through confidentiality agreements). While the “reasonable” steps may depend on the circumstances of each case, marking confidential documents, placing physical and electronic restrictions to access trade secret information, introducing a systematic monitoring system and raising awareness of employees are the measures taken to safeguard trade secrets.

PROTECTION OF TRADE SECRETS IN INDIA

You might have heard about 'Non Disclosure Agreement (NDA)' or 'Confidentiality Agreement (CA)'. Usually such agreement precedes any other commercial agreement between two business entities entering into business for the first time as both are suspicious about each other as they are not aware of business ethics of each other. Such agreements are signed first before signing of any commercial agreement of substance involving critical business relation - be it for 'development of dies or moulds' or 'for sharing commercial designs' or for development of design of products or 'for mass production on contract basis' or assignment of patents / trade marks / other trade secrets under franchise agreements' or 'acquisition of any business' or 'technology transfer agreements'. These basic agreements for protection of trade secrets are covered under Indian Contract Act and Indian Penal Code. You also might have read about 'Confidentiality Clause'. This confidentiality clause is essential clause in almost every agreement signed by business entity with other stakeholders (including employees, vendors, distribution channels, professionals and others). As mentioned above, in India, no substantive authoritative separate statute to deal with trade secrets. Even very few case laws are available to determine the nature or ambit of trade secrets. Some such decisions dissecting the trade secrets of various businesses are mentioned herein.

1. *American Express Bank Ltd. v. Ms. Priya Puri (2006) III LLJ 540(Del)* Delhi High Court, in this case defined trade secrets as "... formulae, technical know-how or a peculiar mode or method of business adopted by an employer which is unknown to others."
2. *Michael Heath Nathan Johnson v. Subhash Chandra and Ors [60 (1995) DLT 757]* and *John Richard Brady And Ors v. Chemical Process Equipments P. Ltd. And Anr (AIR 1987 Delhi 372)* took note of the contentions of the counsels who referred to English decisions to define trade secrets
3. *Mr. Anil Gupta and Anr. v. Mr. Kunal Dasgupta and Ors [97 (2002) DLT 257]* Delhi High Court held that the concept developed and evolved by the plaintiff is the result of the work done by the plaintiff upon material which may be available for the use of anybody, but what makes it confidential is the fact that the plaintiff has used his brain and thus produced a result in the shape of a concept.

Legislations Having Effect on Protection of Trade Secret in India



VALIDITY & ENFORCEABILITY OF CONFIDENTIALITY CLAUSE

The confidentiality precept originated in English law and is now used in India. When two people have a confidential connection, they may trust one other to keep sensitive information private by telling the truth and expressing confidence in that fact. According to Thomas M. Cooley, a confidential relationship is "the relations formed by protocol or by acceptance, in which one party trusts his financial and other interests to the loyalty and integrity of another party, by whom, either alone, or in conjunction with himself, he expects them to be protected." In order to establish accountability for a breach of confidence, legal support was needed to protect the parties' vulnerability.

Confidentiality clauses have typically been upheld in India with regard to situations that arise after employment. Employees are prohibited from disclosing trade secrets or other private information that belongs to the company under this clause.

CASE LAWS

Zee Telefilms Limited vs. Sundial Communications Private Limited 2003 (5) BomCR 404

The plaintiff in this case was a firm engaged in the production of videos and television programmes, among other activities. The plaintiff conceived the idea, which was originally known as "Kanahiya," and it was registered in 2002. The plaintiff wanted to develop the idea further so that it might be shown as a television programme. They therefore went to the defendant and presented the notion to him using notes, audiovisual presentations, concept pilot charts, etc. The parties had an unambiguous understanding that the work was original and that the defendant should not violate the confidence by disclosing or making use of the materials.

The defendant got to work on the same notion and created their own show using the plaintiff's idea as inspiration. The plaintiff came before the court alleging a blatant breach of confidentiality and infringement of their copyright.

Court stated that –

"Four elements may be discerned which may be of some assistance in identifying confidential information or trade secrets which the court will protect. I speak of such information or secrets only in an industrial or trade setting. First, I think that the information must be information the release of which the owner believes would be injurious to him or of advantage to his rivals or others. Second, I think the owner must believe that the information is confidential or secret, i.e. that it is not already in the public domain. It may be that some or all of his rivals already have the information; but as long as the owner believes it to be confidential I think he is entitled to try and protect it. Third, I think that the owner's belief under the two previous heads must be reasonable. Fourth, I think that the information must be judged in the light of the usage and practices of the particular industry or trade concerned.

The Court determined that the rule of confidence is more expansive than the copyright claim, and that the copyright claim can only be made if the work has been reduced to a permanent form or not. While the idea of copyright is valid against everyone, the idea of confidence is only valid when knowledge is honestly provided to a specific individual, whether through oral or written communication. The court ruled in favour of the plaintiff since it is unmistakably a breach of confidence."

Stellar Information Tech Private Ltd vs. Rakesh Kumar, CS (COMM) 482/2016

It is the Plaintiff's case that Defendant, by virtue of their employment with the Plaintiff, had access to Plaintiff's confidential data, information, trade secrets and knowhow and they are now using the same for securing the business from the Plaintiff's clients. According to the Plaintiff, the same is breach of the "Confidentiality and Invention Assignment Agreement" and "Employee Confidentiality Agreement" entered into by Defendant with the Plaintiff.

The Plaintiff alleges that although Defendant are shown as the promoters/directors of Techchef, they are in fact in *de facto* control and management of Techchef. It is further alleged that Techchef is also carrying on the same activities/business as is being carried on by the Plaintiff - that is, the business of providing services relating to data recovery, data migration and data erasure - and is directly competing with the Plaintiff.

The Plaintiff claims that it became aware of an email forwarded by Defendant regarding a work order sent by M/s Rollatainers Limited, which the Plaintiff claims is an ancillary of M/s Amtek Group, which in turn is stated to be a customer of the Plaintiff. It is further claimed that the Defendants are continuing to approach the Plaintiff's customers and soliciting work from them. It is contended that the aforesaid action of the Defendants approaching the Plaintiff's customers is in violation of the aforesaid Agreements entered into by the Defendants with the Plaintiff.

Court held that-

The expression 'Confidential Information' and 'Proprietary Information' is defined in very wide terms in the Confidentiality and Invention Assignment Agreement. However, information which is otherwise available in public domain cannot be considered as confidential information and no injunction restraining the use of such information can be issued.

The court decided that merely soliciting a customer does not constitute a confidentiality breach, though. The information about these clients is available to the public. The court additionally ruled that an employer cannot prevent a fired employee from exploiting the skills and knowledge they acquired while working.

INFRINGEMENT OF TRADE SECRETS

Although India has no specific trade secrets law, Indian courts have upheld trade secrets protection under various statutes, including contract law, copyright law, the principles of equity and at times the common-law action of breach of confidence (which in effect amounts to a breach of contractual obligation).

As a signatory of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs), India is obligated to protect undisclosed information and has preferred to apply common law principles to protect such information.

In the absence of a unified legislation formally recognizing or defining "Trade Secrets," the protection for confidential information in India is done through various statutory provisions under section 27 of the Indian Contract Act and Section 72 of the Information Technology Act that recognizes and protects different types of confidential information.

A violation of the Securities Exchange Board of India Act can result from an insider using or disclosing secret information, according to the Securities Exchange Board of India (Prohibition of Insider Trading) Rules, 1992.

Section 65A of the Copyright (Amendment) Act of 2012 offers criminal penalties for circumventing technological safeguards put in place to protect works in which copyright is present, particularly if the act is carried out with the intent to violate the copyright in such works.

Remedies in case of Infringement of Trade Secrets

Civil Remedies

Civil remedies include-

- an injunction preventing a licensee, employee, vendor or other party from disclosing a trade secret;
- the return of all confidential and proprietary information; and
- compensation for any losses suffered due to the disclosure of trade secrets.

Criminal Remedies

Criminal remedies include -

Under Section 72 of the Information Technology Act; punishable with imprisonment for a term which may extend to two years, or with fine which may extend to one lakh rupees, or with both.

Under section 65A of Copyright (Amendment) Act, 2012; punishable with imprisonment which may extend to two years and shall also be liable to fine.

FUTURE OF TRADE SECRETS IN INDIA

Since India is a signatory to the Paris Convention, it is relevant to mention that Article 1(2) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) states that intellectual property shall include protection of undisclosed information. Further, Article 39 of TRIPs states concerns ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention, with respect to information which:

- is a secret not generally known or readily accessible;
- has commercial value by virtue of secrecy; and
- has been subjected to reasonable steps for ensuring its secrecy.

Article 39 states that member nations must ensure that natural and legal persons have the “possibility” of preventing such information, within their control, from being disclosed, acquired or used by others without their consent, in a manner contrary to honest commercial practice. It can be inferred that the “possibility” referred to implies that trade secrets should be accorded protection within the legal system and not necessarily in the IP legislative framework of the member nation.

The General Agreement on Tariffs and Trade, 1989 discussion paper on India establishes that trade secrets cannot be considered IP rights, because the fundamental basis of an IP right rests in its disclosure, publication and registration, while trade secrets are premised on secrecy and confidentiality. The paper goes on to state that the observance and enforcement of secrecy and confidentiality should be governed by contractual obligations and the provisions of appropriate civil law, not by IP law.

On May 12,2016 India approved the National IP Rights Policy, which has seven objectives. One of these objectives is to ensure an effective legal and legislative framework for the protection of IP rights. The steps to be taken towards achieving this objective include the identification of important areas of study and research for future policy development; one such area identified was the protection of trade secrets.

In a discussion paper on IP rights at the subsequent US-India Trade Policy Forum held on October 20 2016 in New Delhi, India’s representatives noted that India protects trade secrets through a common law approach and reiterated the country’s commitment to the strong protection of trade secrets. It was agreed that a toolkit would be prepared for industry, especially small to medium-sized enterprises, to highlight applicable laws and policies that may enable businesses to protect their trade secrets in India. A training module on trade secrets for judicial academies may also be considered. A further study of various legal approaches to the protection of trade secrets will also be undertaken in India.

INTERNATIONAL TRADE AND TRADE SECRETS

In technology transfer a trade secret may be far more valuable than a patent. Sometimes a trade secret is not really a secret and may not be of much value either. In a technology package some part is usually unprotected information, even so the best way of obtaining this unprotected information is to buy from the suppliers. Companies must be assured trade secret protection, which they are enjoying in their respective countries under the international licencing agreements. As mentioned earlier, the value of a trade secret lies in its secrecy. If a company cannot ensure protection of its trade secrets in a foreign country, it will not do business in that country. Every company should therefore, take some important measures to protect its trade secrets.

A checklist for the identification of potential trade secrets owned by a manufacturing company has been devised which inter alia includes:

(i) Technical information/research and development;
(ii) Proprietary technology information;
(iii) Proprietary information concerning research and development;
(iv) Formulas;
(v) Compounds;
(vi) Prototypes;
(vii) Processes;
(viii) Laboratory notebooks;
(ix) Experiments and experimental data;
(x) Analytical data;
(xi) Calculations;
(xii) Drawings- all types;
(xiii) Diagrams- all types;
(xiv) Design data and design manuals;
(xv) R&D reports-all types;
(xvi) R&D know-how and negative know-how (i.e. what does not work);
(xvii) Production/ process information;
(xviii) Proprietary information concerning production/process etc.

Some experts suggest that it may be prudent for the companies to conduct an intellectual property audit to identify the protectable business information. This will help the companies to assess the value of the information useful for their business. The intellectual property audit is the starting point for the development of a trade secrets protection programme as company's portfolio of trade secrets is constantly changing. Some information becomes obsolete, new information is created which is extremely valuable and may be protected.

Once the audit is complete, the next step is to determine appropriate level of security necessary to protect different types of trade secret. There are six factors which need to be taken into consideration while determining whether information owned or used by a company is a trade secret in terms of the necessary level of security to ensure adequate protection of those trade secrets. These are:

- The extent to which the information is known outside the company.
- The extent to which the information is known by employees and others involved in the company.
- The extent of measures taken by the company to guard the secrecy of the information.
- The value of the information to the company and the competitors.
- The expenditures by the company (time, money, effort) in developing the information.
- The ease or difficulty with which the information could be properly acquired or duplicated by others.

INTERNATIONAL PROTECTION OF TRADE SECRETS

Trade Secrets have been provided protection by a large number of agreements and countries throughout the world.

Paris Convention

The Paris Convention applies to industrial property in the widest sense, including patents, trademarks, industrial designs, utility models (a kind of "small-scale patent" provided for by the laws of some countries), service marks, trade names (designations under which an industrial or commercial activity is carried out), geographical indications (indications of source and appellations of origin) and the repression of unfair competition.

The substantive provisions of the Convention fall into three main categories: national treatment, right of priority, common rules.

(1) Under the provisions on national treatment, the Convention provides that, as regards the protection of industrial property, each Contracting State must grant the same protection to nationals of other Contracting States that it grants to its own nationals. Nationals of non-Contracting States are also entitled to national treatment under the Convention if they are domiciled or have a real and effective industrial or commercial establishment in a Contracting State.

(2) The Convention provides for the right of priority in the case of patents (and utility models where they exist), marks and industrial designs. This right means that, on the basis of a regular first application filed in one of the Contracting States, the applicant may, within a certain period of time (12 months for patents and utility models; 6 months for industrial designs and marks), apply for protection in any of the other Contracting States. These subsequent applications will be regarded as if they had been filed on the same day as the first application. In other words, they will have priority (hence the expression "right of priority") over applications filed by others during the said period of time for the same invention, utility model, mark or industrial design. Moreover, these subsequent applications, being based on the first application, will not be affected by any event that takes place in the interval, such as the publication of an invention or the sale of articles bearing a mark or incorporating an industrial design. One of the great practical advantages of this provision is that applicants seeking protection in several countries are not required to present all of their applications at the same time but have 6 or 12 months to decide in which countries they wish to seek protection, and to organize with due care the steps necessary for securing protection.

(3) The Convention lays down a few common rules that all Contracting States must follow. The most important are:

(a) **Patents:** Patents granted in different Contracting States for the same invention are independent of each other: the granting of a patent in one Contracting State does not oblige other Contracting States to grant a patent; a patent cannot be refused, annulled or terminated in any Contracting State on the ground that it has been refused or annulled or has terminated in any other Contracting State.

The inventor has the right to be named as such in the patent.

The grant of a patent may not be refused, and a patent may not be invalidated, on the ground that the sale of the patented product, or of a product obtained by means of the patented process, is subject to restrictions or limitations resulting from the domestic law.

Each Contracting State that takes legislative measures providing for the grant of compulsory licenses to prevent the abuses which might result from the exclusive rights conferred by a patent may do so only under certain conditions. A compulsory license (a license not granted by the owner of the patent but by a public authority of the State concerned), based on failure to work or insufficient working of the patented invention, may only be granted pursuant to a request filed after three years from the grant of the patent or four years from the filing date of the patent application, and it must be refused if the patentee gives legitimate reasons to justify this inaction. Furthermore, forfeiture of a patent may not be provided for, except in cases where the grant of a compulsory license would not have been sufficient to prevent the abuse. In the latter case, proceedings for forfeiture of a patent may be instituted, but only after the expiration of two years from the grant of the first compulsory license.

(b) **Marks:** The Paris Convention does not regulate the conditions for the filing and registration of marks which are determined in each Contracting State by domestic law. Consequently, no application for the registration of a mark filed by a national of a Contracting State may be refused, nor may a registration be invalidated, on the ground that filing, registration or renewal has not been effected in the country of origin. The registration of a mark obtained in one Contracting

State is independent of its possible registration in any other country, including the country of origin; consequently, the lapse or annulment of the registration of a mark in one Contracting State will not affect the validity of the registration in other Contracting States.

Where a mark has been duly registered in the country of origin, it must, on request, be accepted for filing and protected in its original form in the other Contracting States. Nevertheless, registration may be refused in well-defined cases, such as where the mark would infringe the acquired rights of third parties; where it is devoid of distinctive character; where it is contrary to morality or public order; or where it is of such a nature as to be liable to deceive the public.

If, in any Contracting State, the use of a registered mark is compulsory, the registration cannot be canceled for non-use until after a reasonable period, and then only if the owner cannot justify this inaction.

Each Contracting State must refuse registration and prohibit the use of marks that constitute a reproduction, imitation or translation, liable to create confusion, of a mark used for identical and similar goods and considered by the competent authority of that State to be well known in that State and to already belong to a person entitled to the benefits of the Convention.

Each Contracting State must likewise refuse registration and prohibit the use of marks that consist of or contain, without authorization, armorial bearings, State emblems and official signs and hallmarks of Contracting States, provided they have been communicated through the International Bureau of WIPO. The same provisions apply to armorial bearings, flags, other emblems, abbreviations and names of certain intergovernmental organizations.

Collective marks must be granted protection.

(c) **Industrial Designs:** Industrial designs must be protected in each Contracting State, and protection may not be forfeited on the ground that articles incorporating the design are not manufactured in that State.

(d) **Trade Names:** Protection must be granted to trade names in each Contracting State without there being an obligation to file or register the names.

(e) **Indications of Source:** Measures must be taken by each Contracting State against direct or indirect use of a false indication of the source of goods or the identity of their producer, manufacturer or trader.

(f) **Unfair competition:** Each Contracting State must provide for effective protection against unfair competition.

The Paris Union, established by the Convention, has an Assembly and an Executive Committee. Every State that is a member of the Union and has adhered to at least the administrative and final provisions of the Stockholm Act (1967) is a member of the Assembly. The members of the Executive Committee are elected from among the members of the Union, except for Switzerland, which is a member ex officio. The establishment of the biennial program and budget of the WIPO Secretariat – as far as the Paris Union is concerned – is the task of its Assembly.

The Paris Convention, concluded in 1883, was revised at Brussels in 1900, at Washington in 1911, at The Hague in 1925, at London in 1934, at Lisbon in 1958 and at Stockholm in 1967, and was amended in 1979.

The Convention is open to all States. Instruments of ratification or accession must be deposited with the Director General of WIPO.

NAFTA

Member countries must protect trade secrets from unauthorized acquisition, disclosure or use. Remedies must include injunctive relief and damages. In response to NAFTA, Mexico has amended its 1991 trade secrets law to permit private litigants to obtain injunctive relief.

Article 1711 of NAFTA provides for Trade Secrets. It states that –

1. Each Party shall provide the legal means for any person to prevent trade secrets from being disclosed to, acquired by, or used by others without the consent of the person lawfully in control of the information in a manner contrary to honest commercial practices, in so far as:

   (a) the information is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons that normally deal with the kind of information in question;

   (b) the information has actual or potential commercial value because it is secret; and

   (c) the person lawfully in control of the information has taken reasonable steps under the circumstances to keep it secret.

2. A Party may require that to qualify for protection a trade secret must be evidenced in documents, electronic or magnetic means, optical discs, microfilms, films or other similar instruments.

3. No Party may limit the duration of protection for trade secrets, so long as the conditions in paragraph 1 exist.

4. No Party may discourage or impede the voluntary licensing of trade secrets by imposing excessive or discriminatory conditions on such licenses or conditions that dilute the value of the trade secrets.

5. If a Party requires, as a condition for approving the marketing of pharmaceutical or agricultural chemical products that utilize new chemical entities, the submission of undisclosed test or other data necessary to determine whether the use of such products is safe and effective, the Party shall protect against disclosure of the data of persons making such submissions, where the origination of such data involves considerable effort, except where the disclosure is necessary to protect the public or unless steps are taken to ensure that the data is protected against unfair commercial use.

6. Each Party shall provide that for data subject to paragraph 5 that are submitted to the Party after the date of entry into force of this Agreement, no person other than the person that submitted them may, without the latter's permission, rely on such data in support of an application for product approval during a reasonable period of time after their submission. For this purpose, a reasonable period shall normally mean not less than five years from the date on which the Party granted approval to the person that produced the data for approval to market its product, taking account of the nature of the data and the person's efforts and expenditures in producing them. Subject to this provision, there shall be no limitation on any Party to implement abbreviated approval procedures for such products on the basis of bioequivalence and bioavailability studies.

7. Where a Party relies on a marketing approval granted by another Party, the reasonable period of exclusive use of the data submitted in connection with obtaining the approval relied on shall begin with the date of the first marketing approval relied on.

GATT

On April 15, 1994, the major industrialized nations of the world, including the United States, concluded the Final Act resulting from the Uruguay Round of GATT (General Agreement on Tariffs and Trade). GATT established the World Trade Organization (WTO) and promulgated various trade-related agreements including TRIPS or the Trade-Related Aspects of Intellectual Property Rights.

Under GATT, "undisclosed information" must be protected against use by others without the consent of the owner if the use is contrary to honest commercial practices. Also, there is third-party liability for misappropriation if third parties knew or were grossly negligent in not knowing that such information had been obtained dishonestly.

TRIPS

The protection of undisclosed information, which covers both trade secrets and test data submitted to government agencies, is not explicitly covered by pre-existing international IP law, such as the Paris Convention. However, the protection for this subject matter under Article 39 of the TRIPS Agreement is framed in terms of the more general concept of ensuring effective protection against unfair competition pursuant to Article 10bis of the Paris Convention.

Article 10bis of the Paris Convention, as incorporated into the TRIPS Agreement, obliges members to ensure effective protection against acts of competition that are contrary to honest practices in industrial or commercial matters. It contains a non-exhaustive list of some acts of unfair competition which must be prohibited by members, including all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor; false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor; and indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

While the conditions for trade secret protection vary from country to country, some general standards on trade secret law are found in Article 39 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). According to that Article, trade secret protection is available if the following conditions are met:

- The information must be secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
- It must have commercial value because it is secret; and
- It must have been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

Article 39.2 requires that a natural or legal person lawfully in control of such undisclosed information must have the possibility of preventing it from being disclosed to, acquired by, or used by others without his or her consent in a 'manner contrary to honest commercial practices'. According to a footnote to the provision, a manner contrary to honest commercial practices means at least the following practices:

- breach of contract,
- breach of confidence,
- inducement to breach of contract or confidence,
- acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that the above-mentioned practices were involved in the acquisition.

Unlike other IPRs, such as patents and copyright, for which the term of protection is finite, the protection of undisclosed information continues unlimited in time as long as the conditions for its protection continue to be met, i.e. it meets those conditions mentioned above. However, unlike patent protection, there is no protection against a competitor that develops the information independently.

The TRIPS Agreement also requires member countries to provide effective remedies for trade secret misappropriation including -

(a) injunctive relief;

(b) damages; and

(c) provisional relief to prevent infringement and to preserve evidence.

Brazil

In 1996, Brazil revamped its intellectual property laws. Trade secrets are protected under the rubric of "unfair competition." Borrowing from U.S. law, a variant of the Section 757 (6-factor) test is used to determine whether a particular piece of information qualifies as a trade secret, Common knowledge, knowledge in the public domain, or knowledge that is apparent to an expert in the field cannot qualify for protection as trade secrets. The trade secret owner must take positive steps to safeguard the secrecy of the information.

TRIPS generally protects trade secrets and confidential information. Brazilian law now recognises TRIPS thanks to Federal Decree No. 1,355/94. TRIPS members must protect hidden information (Article 39) to ensure that Article 10 of the Paris Convention's provisions for effective protection against unfair competition are met.

Trade secrets are protected to a much greater extent under Industrial Property Law's penal provisions against unfair competition, despite the fact that they are not considered to be proprietary rights.

According to Article 842, g of Decree-Law No. 5.452/1943, an employer has the right to terminate an employment contract for good reason if an employee violates its trade secrets.

The act of disclosing the contents of private documents and private correspondence that one holds in their capacity as a holder or trustee without a valid justification is illegal. This offence may be coupled with unfair competition infringement (Article 195, Industrial Property Law), especially if customers are fraudulently diverted for the profit of the violator (or another party).

A breach of the confidentiality duties outlined in agreements between private parties may also be the subject of lawsuits, which may include demands for immediate action to stop the illegal use or distribution of the information as well as compensation for any resulting losses.

In Brazil, there is no system in place to register confidential or trade secret information.

The full panoply of relief is available--compensatory damages, punitive damages and injunctions. There are also criminal sanctions available against anyone who releases, exploits, or uses without authorization a trade secret to which he or she had access by virtue of a contractual or employment relationship.

Japan

The Unfair Competition Prevention Act (UCPA), which has safeguarded trade secrets since 1990 and replaced general tort law as their means of protection, provides a definition of the word "trade secret". The minimum standards for the protection of trade secrets by its members are established by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS, which Japan joined in 1995 based on negotiations that began in 1987), which is ratified by the UCPA's trade secret protection policies. Many UCPA amendments have strengthened the protection of trade secrets even more.

"Trade secret" refers to corporate or technological data that is:

- a combination of being kept private (secrecy management),
- beneficial for commercial operations, such as manufacturing or marketing techniques, and
- not generally known (non-public domain).

Under the UCPA, trade secrets are subject to both civil and criminal protection.

A request for an injunction, a claim for damages, and a request to take the required steps to restore a business' reputation may all be submitted in the event that a trade secret is violated (see Articles 2 (1) 4 to 10 of the UCPA).

According to Article 21 (1) of the UCPA, anyone found guilty of violating a person's trade secrets faces up to ten years in prison and/or a JPY20 million fine, or both, as a punishment.

Effective June 15, 1991, Japan enacted a national trade secrets 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. 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. An injured party may obtain injunctive relief and damages. The trade secret holder may also request destruction of any articles that have been manufactured as a result of the illegally obtained trade secret. The statute has similarities to the Uniform Trade Secrets Act. For example, there is a 3-year statute of limitations after discovery of the trade secret violation. There are no criminal penalties in the statute.

China

In China, there is no one trade secret law. The Anti-Unfair Competition Law (AUCL), which was initially introduced in 1993 and most recently updated in 2019, is the most significant law and regulation protecting trade secret protections. The Criminal Law (which establishes the criminal thresholds for trade secrets violations), the Civil Code, which went into effect on January 1, 2021 (which stipulates that trade secrets are one type of IP rights and provides trade secret protections in contract negotiations), the Labour Contract Law (which defines confidentiality-related agreements), and the Labour Law (which establishes liability for violating coercive agreements), among other laws and regulations, cover additional aspects of trade secret protection and management.

Technical, business, or other commercial information must satisfy the following requirements to be classified as a trade secret under the AUCL:

- It must not be publicly known,
- Shall be well protected in terms of confidentiality,
- it shall have economic value.

The Law of the People's Republic of China (PRC) against Unfair Competition (Unfair Competition Law) was promulgated by the State Council in September 1993 and became effective on December 1, 1993. This is China's first trade secret law. The term "trade secrets" is defined as technical and management information that is unknown to the public, can bring economic benefits, is of practical value, and for which the rightful party has adopted measures to maintain its confidentiality. Article 10 of The Unfair Competition Law prohibits business operations from engaging in certain acts and the law also provides for the remedies in case of infringement of trade secrets.

South Korea

In 1991, Korea also amended its laws to provide statutory protection for trade secrets. This law, effective December 15, 1992, was enacted during US litigation between GE and a Korean firm that had acquired GE trade secrets from a former GE employee. See *General Electric Co. v. Sung, 843 F. Supp. 776 (D. Mass. 1994)*. The revised Unfair Competition Prevention Act (UCPA) defines trade secrets and Misappropriation ("infringing" acts).

The Unfair Competition Prevention and Trade Secret Protection Act (UCPA) governs trade secrets in Korea. In accordance with article 2(2) of the UCPA, a trade secret is defined as "information, including production methods, sales methods, useful technical or business information for business activities, which is not known to the public, is managed as a secret, and has independent economic value." A trade secret is defined as "a production method, sales method, or any other useful technical or business information in other business activities which is unknown to the public, has independent economic value, and has been managed as a secret" [Article 2(ii)].

As long as it complies with the aforementioned criteria, any kind of practical technical or commercial information may be protected as a trade secret under the UCPA. The Unfair Competition Prevention and Trade Secret Protection Act (UCPA) in Korea provides protection for trade secrets. The UCPA, among other things, defines trade secrets and trade secret theft and offers remedies for trade secret misappropriation, including criminal penalties, damages, reputational harm, and injunctions.

Trade secrets would also be covered under the Act on Prevention of Divulgence and Protection of Industrial Technology (ITPA) if they qualify as "industrial technology" under that Act. In addition, different laws may be applicable to trade secrets based on the type of misappropriation, the relationship between the owner and the perpetrator, and other factor

Israel

The Commercial Torts Law, 5759-1999 (the Law) and the Commercial Torts Regulations (Remedies and Procedures), 5760-1999 (the Regulations) govern the protection of trade secrets. Trade secret is defined as follows in Chapter 2 of the Law, which specifically addresses the theft of trade secrets.

Section 5 of Commercial Torts Law defines trade secret as "business information, of any kind, which is not in the public domain and is not easily discoverable by others, the confidentiality of which gives its owner a business advantage over its competitors, provided that its owner takes reasonable measures to maintain its confidentiality."

The law stipulates that a trade secret can be taken or used improperly, without the owner's consent, when it is used in violation of a contract or fiduciary duty, or when it is received or used without the owner's consent when the recipient or user knows or it is immediately obvious, upon receipt or use, that the secret has been obtained unlawfully.

The legislation further states that using reverse engineering to reveal a trade secret shall not be regarded as an incorrect method that violates a trade secret. Anyone who violates a trade secret may be forced by law to pay its owner ILS 100,000 in compensation even if there is no evidence of actual harm.

Israel has a criminal statute (Penal Law 1977 Section 496) prohibiting the disclosure of trade secrets by an employee. Employee contracts enjoin employees from using trade secrets and industrial know-how. There is an implied obligation of confidentiality between employers and employees.

Besides the abovementioned countries many more countries like United Kingdom, Canada, Mexico, France, Germany, Czech Republic, Hong Kong etc. provide protection for trade secrets, or confidential or undisclosed information through their various old and new laws.

CASE LAWS

Beyond Dreams Entertainment Pvt. Ltd. & Ors. vs. Zee Entertainment Enterprises Ltd. & Anr., (2016) 5 Bom CR 266

Facts:

Plaintiff No.1 is a production house engaged in production of entertainment content for television including TV serials.

In or about March 2011, Plaintiff developed a concept for a TV show, which was at that time called "Paachva Mausam Pyaar Ka". The concept was reduced to a concept note and was also registered with the Film Writer Association on 11 June 2013. The Plaintiffs thereafter worked from time to time and developed the concept and fleshed the same out extensively so as to convert it into a full-fledged TV series to be produced by Plaintiff. The title of the concept note underwent a few changes and eventually became "Badki Bahu". The various versions and developments of the concept note are original literary works developed in various forms for a television series planned by the Plaintiffs, and which are themselves copyrighted works. It is the Plaintiffs' case that between 11 June 2013 and about March 2014, the Plaintiffs worked on the various versions and presentations of the concept notes, which contain the developed concept, story, pitchline, plot, tracks, family, characters, names, set design, jewellery design, etc. The Plaintiffs from time to time shared the concept notes with Defendant.

It is submitted that this sharing was in circumstances of confidence and was on the basis that Defendant promised the Plaintiffs that the former would telecast a serial based on the Plaintiffs' concept notes and that the production of this serial would be entrusted to Plaintiff. In the course of this period, even a Letter of Intent was executed between Defendant and the Plaintiff for production of the serial "Badki Bahu".

It is submitted by the Plaintiffs that when the television serial was ready to be launched by Defendant and they insisted that the Plaintiffs take on board a co-producer and recommended a few names in this regard. The parties discussed the modalities, but the Plaintiff never accepted the proposal for taking a co-producer on board and instead withdrew the concept notes from Defendant.

It is the Plaintiffs' case that at this stage, Defendant offered to buy the Plaintiffs' concept outright or alternatively, pay the Plaintiffs royalty on a per episode basis, non eof which was accepted by Plaintiff.

It is the Plaintiffs' case that in the course of the correspondence in this behalf between the parties, the Plaintiffs proposed that the Plaintiffs' concept, story, pitchline, plot, tracks, family tree, characters, names, set design, jewellery design, etc., which were developed by the Plaintiffs, and communicated during the talks between the parties for commissioning the serial titled "Badki Bahu", would not be used by Defendant. On this footing, the Plaintiffs even offered to consider transferring the title (only name of the show) to Defendant as desired by the latter. It is the Plaintiffs' case that Defendant, on its part, was prepared to accept this proposal only with the exception of the tag line and the setting of the serial in Kolkata. No agreement could, however, be reached between the parties in this behalf. It is the Plaintiffs' case that despite this correspondence, Defendant has proceeded to announce a new serial to be launched on its new television channel in the name of "Badi Devrani", which serial, the Plaintiffs submit, is entirely based on the concept notes prepared by the Plaintiffs and shared with Defendant, as noted above. In the premises, the Plaintiffs have applied for an injunction against the telecast of the serial.

Issue:

Whether the act of Defendant would amount to preventing misuse of confidential information and also infringement of copyright?

Held:

Court stated that-

It is now well known that the law of confidence is different from the law of copyright. In fact, as observed by various reputed international authors, as also held in various pronouncements by Courts in India and abroad, that publication of a work can very well be restrained on the basis of a breach of trust or confidence; that protection of confidence is in fact a broader right than the proprietary right of a copyright. Whereas there can be no copyright in an idea or information per se, if the idea or information has been sufficiently formed and has been acquired by a person under such circumstances that it would be a breach of good faith to publish or use the same without authority from the person from whom it has been so acquired, the Court may in an appropriate case protect the idea or information by granting an injunction. The two rights naturally have different incidents. Whereas the copyright is good against the world at large, sharing of confidence casts a duty only on the recipient of the information or idea to maintain confidentiality and not publish or use the same without the authority of the originator.

- There are three important elements of such a claim for protection of confidence. Firstly, it must be shown that the information itself is of a confidential nature.
- Secondly, it must be shown that it is communicated or imparted to the defendant under circumstances which cast an obligation of confidence on him. In other words, there is a relationship of confidence between the parties.
- Thirdly, it must be shown that the information shared is actually used or threatened to be used unauthorizedly by the Defendants, that is to say, without the licence of the Plaintiff.

Each of these three basic elements involve their own peculiarities and sub-elements, which shall be noted presently.

As far as the first element is concerned, namely, confidentiality of the information, there are at least three sub-elements, which need to be considered. The first is identification of the confidential information itself. For without identification, it will not be possible to hold the information to be confidential. Secondly, the information shared must be original and not be in public domain. The originality itself has some nuances to be considered. Firstly, the idea, to claim protection, must be sufficiently developed so that it is capable of being realised as an actuality.

Court also reiterated that an idea must have an element of originality. It should not be an idea in the realm of public knowledge. But this originality may not be in the sense that it is not derived from what is already

available as public knowledge. What makes an idea unique so as to make out a case of confidentiality is the fact that the maker of the work has used his brain and, even whilst using what was already in the public domain, has produced a result which can be produced by somebody who goes through such process.

Court held that the Plaintiffs have not only prepared the first concept note and got the same registered, but have proceeded to develop this concept note into various character sketches, plots and other material, over about a year. Whilst it is the case of the Defendants that the material actually belongs to them, the Plaintiffs cannot be presented with a fait accompli by letting the Defendants exploit the entire material. The value of the material as a novel TV serial material will be completely lost and the Plaintiffs will be effectively rendered unable to use the material for their own sake. On the other hand, the Defendants are not likely to suffer any irretrievable damages if the telecast of the serial based upon the concept notes of Plaintiff is restrained.

Diljeet Titus and Ors v Alfred A Adebare and Ors [(2006(32)PTC609(Del))]

Facts:

There are two counter suits filed by the two set of parties aggrieved by the conduct of each other. In a nutshell their controversy revolves around the nature of relationship with which the parties got together to carry on their profession as advocates. The plaintiff in suit No. 1109/2004 claims that the defendants were only working for him and were paid remuneration in the form of fee while he remained in control of the professional business of the organization. On the other hand the defendants in the said suit, in the new organization set up by them, claim to have worked more in the nature of partnership with Mr. Diljeet Titus.

The defendants claim to be the owners of the copyright in what they have created and it is their contention that the creation was independent and the same was so created by advising and counseling the clients and the computer generated data was lying in the computer system of the plaintiff. In the counter suits thus the parting associates numbering four being Ms. Seema Ahluwalia Jhingan, Mr. Alishan Naqvee, Mr. Dimpy Mohanty and Mr. Alfred A. Adebare have sought a decree of declaration that they are the owners of the copyrights in what they have created and consequently they have sought a permanent injunction against Mr. Titus and his firm from using and parting with the same. The question thus arises as to whether there is exclusive right of any of the parties in what they have created or is it a joint right.

Issue:

Whether there is exclusive right of any of the parties in what they have created or is it a joint right and falls under trade secrets.

Judgement:

There is no dispute that the work falls within the definition of literary work within the meaning of Section 2(o) of the Copyright Act as the definition include computer database. Section 17 provides that the first owner of the copyright is the owner but the same is subject to various proviso including proviso (c) which makes the work during a contract of service to subsist in the employer. Thus the work done by the defendants for the benefit of the clients of the plaintiff would fall within the definition of contract of service. This is of course apart from the fact that even if it was not so the same would not make a difference to the result in the present case as the element of breach of trust or confidence can hardly be a factor to be ignored specially in view of provisions of Section 16 of the Copyright Act.

The relationship between advocates associated together is complex and thus it has become necessary to define the rights and obligations of such persons and the occasion for the same has arisen in the present case. There may be cases where a partnership is made and yet certain rights stand exclusively in the hands of particular partners. There can be a mixed arrangement where there are partners and associates or there can be single person controlled entities where the others have status of associates whose job is to service clients of the controlling person. The present case falls in the third category. The defendants

left for what they have perceived to be a betterment of their prospects but the unfortunate part is that to advance the same they decided to copy the material developed during the course of their work with the plaintiff for the benefit of the clients of the plaintiff and spirited the same away. This they could not have done. The defendants have not only resisted the injunction of the plaintiff but have even filed a counter suit claiming exclusive privilege to utilize what they claim to be material developed by them. This material is developed only during the course of their association with the plaintiff and the defendants are hardly entitled to such a relief.

The plaintiff has clearly established a prima facie case in respect of the rights in the material taken away by the defendants. In my considered view, the balance of convenience lies in favor of the plaintiff and against the defendants. The defendants are free to carry on their profession, utilize the skills and information they have mentally retained and they are being restrained only from using the copied material of the plaintiff in which the plaintiff alone has a right. In case the interim relief is not granted to the plaintiff, irreparable prejudice would cause to the plaintiff in more than one manner. The defendants would be entitled to utilize the material of the plaintiff to which the defendants had access in a confidential manner. Not only that the misuse of any such material could expose the plaintiff to liability towards his clients apart from a loss of face in such eventuality. The defendants having worked with the plaintiff cannot utilize the agreements, due diligence reports, list of clients and all such material which has come to their knowledge or has been developed during their relationship with the plaintiff and which is per se confidential.

The defendants are thus restrained either through themselves or their representative from utilizing the material of the plaintiff forming subject matter of the suit and from disseminating or otherwise exploiting the same including the data for their own benefit.

Ambiance India Pvt. Ltd. vs Shri Naveen Jain, 2005(81) DRJ538 Delhi High Court dated March 16, 2005

Facts:

The defendant was employed by the plaintiff-Company as a Fabric Technologist. Vide an Agreement dated 30th August, 2003, he was appointed as a Client Executive considering his efficiency and work. According to the plaintiff, the Agreement between the plaintiff and defendant provided that during the continuance of his employment, the defendant shall not engage directly or indirectly in any other occupation, business or employment or any similar business or occupation and would not divulge anything which may adversely affect the business of the plaintiff-Company. It was also provided that during his tenure and for three years thereafter, the defendant shall not reveal any trade information of the plaintiff and for a period of two years after the termination of the service, he would not directly or indirectly take any employment or deal with the plaintiff's present or past customers, vendors, importers, agents, prospective customers, etc.

On 19th June, 2004, the defendant left the plaintiff's Company terminating the Agreement but on 10th of June, 2004, itself, he had joined one of the customer's of the plaintiff, namely, M/s. Indigo Orient Limited of U.K. with whom the plaintiff had an agreement to supply goods from 17th July, 2001 for a period of three years. This act of the defendant is alleged to be in violation of the Agreement dated 30th August, 2003. It is alleged that the defendant with a view to make illegal personal gains and cause wrongful loss to the plaintiff had clandestinely persuaded the aforesaid client of the plaintiff to open an office in India and joined it in violation of the Agreement dated 30th August, 2003. The plaintiff, therefore, pays for a permanent injunction against the defendant restraining him from dealing with its customers, clients, directly or indirectly and taking any benefit from them. The application under consideration is also on same grounds.

According to the defendant, the Agreement between the parties was determinable in nature and could be terminated by either of the parties by giving one month's notice or one month's salary in lieu thereof. According to him, the defendant was not even allowed to read the said Agreement and had no option but to sign it as he had no bargaining power and was in need of employment. According to him, the Agreement dated 17th July, 2001, between the plaintiff and M/s. Indigo Orient Limited has not been renewed by M/s. Indigo Orient Ltd. and the defendant has not misused

nor would misuse his position to cause any loss to the plaintiff. According to him, he did not acquire any confidential information from the plaintiff and as such all the allegations against him are false and frivolous.

Issue:

The plaintiff seeks an ad interim injunction till disposal of the suit to restrain the defendant from continuing in the employment of M/s. Indigo Orient Limited and to divulge information, know-how and trade secrets which the defendant has acquired during his employment with the plaintiff-Company.

Held:

Court stated that, "The law is well-settled that all contracts in restraint of trade are void and hit by Section 27 of the Contract Act. A judgment of the Court in Krishan Murgai v. Superintendence Co. of India held that an employee, particularly, after the cessation of his relationship with his employer is free to pursue his own business or seek employment with someone else. However, during the subsistence of his employment, the employee may be compelled not to get engaged in any other work or not to divulge the business/trade secrets of his employer to others and, especially, the competitors. In such a case, a restraint order may be passed against an employee because Section 27 of the Indian Contract Act does not get attracted to such situation. It is also to be added that a trade secret is some protected and confidential information which the employee has acquired in the course of his employment and which should not reach others in the interest of the employer. However, routine day-to-day affairs of employer which are in the knowledge of many and are commonly known to others cannot be called trade secrets. A trade secret can be a formulae, technical know-how or a peculiar mode or method of business adopted by an employer which is unknown to others.

In the present case, nothing has been indicated even as to what trade secrets or technical know-how was revealed to the defendant which should not be divulged to others. In a business house, the employees discharging their duties come across so many matters, but all these matters are not trade secrets or confidential matters or formulae, the divulgence of which may be injurious to the employer. If the defendant on account of his employment with the plaintiff has learnt some business acumen or ways of healing with the customers or clients, the same do not constitute trade secrets or confidential informations, the divulgence or use of which should be prohibited.

Accordingly, this Court finds no prima facie case in favor of the plaintiff. The balance of convenience is also more in favor of the defendant who has to make his livelihood by seeking employment in the trade in which he has some experience. No irreparable loss/injury would be caused to the plaintiff as its contract with M/s. Indigo Orient Limited, with whom the defendant is working, has already come to an end by efflux of time and it is not pleaded that the same has been renewed. The plaintiff can be adequately compensated in terms of money and may claim damages for the breach, if any."

John Richard Brady & Ors vs. Chemical Process Equipment P Ltd & Anr (AIR 1987 Delhi 372)

Facts:

By this application under Order 39 Rules 1 and 2 read with Section 151, C.P.C. Plaintiffs have prayed for an ad interim injunction to restrain the Defendants from manufacturing, selling, offering for sale, advertising, directly or indirectly dealing in Machines that arc substantial imitation and reproduction of the design, manuals and Drawings of the Plaintiffs' Fodder Production Unit and thereby amounting to infringement of the Plaintiffs' Copyright therein, or from dealing in those Machines made on the basis of information and know how disclosed to them by the Plaintiffs in conditions of strict confidence, and from doing any other thing as is likely to lead to passing off the Defendants' products as those of the plaintiffs.

According to the plaintiffs, John Richard Brady (hereinafter referred as Brady) is an American National. He is a Mechanical Engineer and is the President and Managing Director of Fometa Overseas S.A. Castellana, Madrid, Spain. He conceived the idea of growing fresh green grass used as basic food for livestock in a compact unit capable of producing grass throughout the year irrespective of external climatic conditions. He developed the original Fodder

Production Unit in the year 1972. It was tested under extreme climatic conditions in various Countries in the World. Steps were taken, from time to time, to improve the Unit by optimising its size and achieving greater productivity. After extensive experimentation, an improved Fodder Production Unit (hereinafter referred to as the FPU) was invented by Brady. He applied for grant of patent in India in relation to the FPU. His patent application is pending. Technical details of the FPU are contained in catalogues which illustrate it by technical Drawings and. other specifications. The Drawings are the original artistic work. Brady is the owner of Copyright in the Drawings and is entitled to exclusive right to publish and reproduce the Drawings whether two dimensionally or three dimensionally.

As a result, in 1972, he created the first Fodder Production Unit (hereinafter referred to as "FPU") and decided to launch a phased programme to produce the FPU in India for both domestic and export sales. To do this, he requested quotes from the defendant for the supply of thermal panels made by the defendant. All of the technical information, in-depth know-how, drawings, and specifications pertaining to the FPU were shared with the defendant under a confidentiality agreement so that they could submit their quotes. The defendants agreed that while the agreement was in effect, the defendant would not manufacture these panels for any other party or play any part in disclosing the information and the specifications given to them. But after learning that the defendants couldn't provide the necessary thermal panels, the plaintiffs decided against placing an order with them. It was claimed that the defendant visited the sites where the plaintiffs' FPU were in use several times during this time in an effort to learn how the FPU operated and acquire its technology. When some time passed, the plaintiffs discovered that the defendants had created a device that appeared to be a fraudulent representation of their FPU. Given this context, the plaintiff claimed that the defendant had violated the confidentiality agreement by improperly converting and misappropriating the plaintiff's know-how, information, drawings, designs, and specifications that were disclosed under the agreement.

In the Suit, the Plaintiffs have sought permanent injunction to restrain the Defendants from infringing Copyright of the plaintiffs, from passing off Defendants' products as those of the plaintiffs', for rendition of accounts of profits, and for delivery up of all infringing materials and articles etc.

It is alleged that the Machine produced by the Defendants is entirely based upon disclosures made by plaintiffs, to the Defendants. They committed breach of confidence reposed in them. They wrongfully converted and misappropriated the know how information, drawings, designs, and specifications disclosed to them under strict confidentiality and have also infringed the Copyright of Brady by making the Machine in three dimensional form from the two-dimensional artistic work of the plaintiffs in Drawings of the FPU.

Held:

Court relied on *Saltman Engineering Co. v. Cambell Engineering Co. (1948) RFC 203*) case and held that -

"The maintenance of secrecy which plays such an important part in securing to the owner of an invention the-uninterrupted proprietorship of marketable know-how, which thus remains at least a form of property, is enforceable at law. That statement may now be examined in the light of established rules making up the law of trade secrets. These rules may, according to the circumstances in any given case, either rest on the principles of equity, that is to say the application by the Court of the need for conscientiousness in the course of conduct, or by the common-law action for breach of: confidence which is in effect a breach of contract.

If two parties make a contract under, which one of them obtains for the purpose of the contract, or in connection with it, some confidential matter then, even though the contract is silent on the matter of confidence, the law will imply an obligation to treat such confidential matter in a confidential way as one of the implied terms of the contract, but the obligation to respect confidence is not limited to cases where the parties are in confidential relationship.

If a defendant is proved to have used confidential information, obtained directly or indirectly, from a plaintiff, without the consent, express or implied, of the plaintiff, he will be guilty of an infringement of the plaintiff's rights.

Apart from the striking general similarity between the defendants' Machine and the Drawings of the plaintiffs being obvious to the eye, though the defendants' claim that there are some functional differences between their

Machine and the FPU, the defendant;; had access to the Drawings of the plaintiffs as discussed above, and, the rapidity with which the defendants have produced the Machine lead to the inference that the Defendants have copied the Drawings of plaintiffs. It is significant to point out that the defendants have not shown how in fact they had arrived at their Machine. In such circumstances, the inference is unescapable that the plaintiffs have established a prima facie case of copying to which the defendants have to answer.

Balance of convenience is clearly in favor of grant of injunction to the plaintiffs. Unless the Defendants arc restrained by grant of temporary injunction during pendency of the suit, irreparable injury and loss which cannot be estimated in terms of money, will be caused to the plaintiffs by the Defendants continuing to manufacture, sell or deal in their Machine which is a substantial reproduction in three dimensional form of the Drawings of the plaintiffs' FPU in which Brady has copyright. It will also be in the interest of justice to restrain the Defendants from abusing the know-how, specifications, Drawings and other technical information regarding the plaintiffs' FPU entrusted to them under express condition of strict confidentiality, which they have apparently used as a 'spring-board' to jump into the business field to the detriment of the plaintiffs."

Tata Motors Limited & Anr vs. State of Bengal (GA No. 3876 of 2008 in WP No. 1773 of 2008)

Facts:

According to the petitioners, information provided to the Government of West Bengal and the Corporation relating to manufacture of 'Nano' and as contained in the MOA, inter alia, "is of a commercially confidential nature" and such information was imparted in confidence on the understanding that it would not be made public and that any disclosure contemplated would be subject to the provisions of Section 11 of the Right to Information Act, 2005 (hereafter the Act). It was claimed that if such information is made public, it would affect the economic and financial viability of the small car project at Singur, and would be of immense value and a boon to the competitors of the first petitioner in the automobile sector as it contained critical information regarding the costing involved in manufacturing 'Nano'. Apprehending harm to the competitive position of the first petitioner, a request had been made to the Government and the Corporation not to disclose any part of such information to any third party without its consent. It was further claimed that the Government by its letter dated 9th March, 2007 had confirmed that subject to the laws of the land and the Government's accountability to the legislature, it would endeavour to fulfil the request. Similar confirmation was given by the Corporation by its letter of even date. Thereafter, on 15th March, 2007, an indenture of lease was executed between the Corporation (lessor) and the first petitioner (lessee) for lease of land measuring more or less 997 acres located at Singur for a period of 90 years.

Held:

The court in this case stated that-

"The term trade secrets has been defined in Black's Law Dictionary as " A formula, process, device, or other business information that is kept confidential to maintain an advantage over competitors; information including a formula, pattern,, compilation, program, device, method, technique, or process-that (1) derives independent economic value, actual or potential, from not being generally known or readily ascertainable by others who can obtain economic value from its disclosure or use, and (2) is the subject of reasonable efforts, under the circumstances, to maintain its secrecy".

Section 8(1)(d) stipulates that there shall be no obligation to give any citizen "Information including commercial confidence, trade secrets or intellectual property, the disclosure of which would harm the competitive position of a third party unless the competent authority is satisfied that larger public interest warrants the disclosure of such information"

The denial of disclosure by the public authority indicates that the contentious agreement either has some clause of commercial confidence or trade secrets or intellectual property or all of them which renders it exempt from disclosure."

Bombay Dyeing and Manufacturing Co. Ltd. vs. Mehar Karan Singh (24.08.2010 - BOMHC) : (2010 (112) BomLR 375)

Facts-

The Defendant was the whole time Director of the Plaintiff-Company appointed under the Agreement of employment dated 22.8.2005, Exhibit-A to the Plaint, for the period 24.7.2004 to 23.7.2009. Under the said agreement, he inter alia agreed not to divulge or disclose confidential information of any nature to any person. The parties agreed that such information shall be the property of the Company.

The Defendant is stated to have divulged confidential information to a competitor being Dawnay Day India Land Private Limited (DD) by way of forwarding on e-mail a manual of a customised software for real estate business of the Plaintiff obtained by the Plaintiff upon payment of consideration from the software producer Oracle. The Defendant is shown to have taken up initially employment by the directorship and later by way of being an Executive Director on the Board of various Companies being DD Group Companies which has come to be discontinued or terminated by DD.

The Defendant's employment with the Plaintiff no longer subsists. The Defendant claims to have resigned and the Plaintiff claims to have terminated his services as whole time Director.

The suit is essentially for injunction against divulgence and disclosure of confidential information. The suit is also for money claim for damages upon the divulgence claimed by the Plaintiff as also for refund of excess salary paid to the Defendant during his tenure as whole time Director. The Notice of Motion is for the aforesaid injunction as well as the order of deposit of the excess remuneration paid with interest at 18% per annum from the date of the payment made to the Defendant until realisation.

Held:

The elements which could be identified as a trade secret, although the exact definition may not be possible, was laid down as the following factors:

1. The extent to which the information is known outside the business;
2. The extent to which it is known to those inside the business i.e. by the employees;
3. The precautions taken by the holder of the trade secret to guard the secrecy of the information;
4. The savings effected and the value to the holder in having the information as against competitors;
5. The amount of effort or money expended in obtaining and developing the information; and
6. The amount of time and expense it would take for others to acquire and duplicate the information.

In this case, e-mailing the manual as a dot.doc document of the software purchased by the Plaintiff at the cost of Rs. 93 Lakhs would be a matter impliedly within the ambit of confidence in the Plaintiff's Corporation. The officers including the Defendant who knew of this software, even without an express clause in their employment agreement or in the employees' Code of Ethics, were enjoined not to part with the information. Though the original software itself may be kept by the Plaintiff in its safe custody, the manual showing the use of the software was confidential information which could not have been parted with. It is not in issue that it was. What is in issue is only whether it would tantamount to confidential information. In fact the definition of trade secret enunciated above shows that it would be confidential information and not within public domain.

The Court relied on the case of *Star India Private Limited v. Laxmiraj Seetharam Nayak and Anr.* , stating that, when the Court called upon the Plaintiff's Counsel to illustrate even one item of the trade secret which the Defendant had acquired during the course of his employment, it was not illustrated on the premise that it could not be revealed or disclosed. It was held that parties, contract rates and other items and conditions

could not be called trade secrets. Every player in the field of his game knows the rules of the game and the strategies of the rivals. Such things could not be called trade secrets. At best they could be called the human skills acquired by the concerned persons in the field. Such skill could not be called a proprietary right of the Plaintiff-Company. The skill which was acquired by the 1st Defendant was by his own virtue which he had developed with his personality, with his inherent qualities and with his hard work and experience. He had acquired the refinement and polish over his skill by experience. He was not paid the sumptuous remuneration on account of his knowledge of some trade secrets or the confidential information. Acquisition of excellence was a very long process in the career of every one. No one else could have proprietary rights or interest in such acquisition of excellence. Such excellence could not be acquired merely by possessing a trade secret of any one.

LESSON ROUND-UP

- A trade secret is any kind of information that is secret or not generally known in the relevant industry giving the owner an advantage over competitors.
- Unlike patent, a trade secret does not have to pass the test of novelty; nevertheless the idea should be somewhat new, unfamiliar to many people including many in the same trade.
- Trade secrets are not protected by law in the same manner as trademarks or patents. In India, trade secrets are not covered under any law.
- The TRIPS Agreement provides protection to trade secrets in the form of “undisclosed information” providing a uniform mechanism for the international protection of trade secrets.
- Trade secrets are by definition not disclosed to the world at large. So long as trade secret remains a secret, it is valuable for the company. As for instance formula for Coca-Cola which is considered to be one of the best well protected trade secrets. Once the information enters the public domain, it is lost forever.
- If a trade secret is well protected, there is no term of protection. Trade secret protection can, in principle, extend indefinitely and in this respect offers an advantage over patent protection, which lasts only for a specified period.
- The law of unfair competition, including trade secret law, is considered necessary to ensure the fair functioning of the market and to promote innovation by suppressing anti-competitive business behaviours.
- Trade secrets encompass both technical information, such as information concerning manufacturing processes, experimental research data, software algorithms and commercial information such as distribution methods, list of suppliers and clients, and advertising strategies.
- According to Black’s Law dictionary trade secret is a "formula, process, device, or other business information that is kept confidential to maintain an advantage over competitors. It’s an information including a formula, pattern, compilation, program, device, method, technique or process.
- While a final determination of whether trade secret protection is violated or not depends on the circumstances of each individual case, in general, unfair practices in respect of secret information include breach of contract breach of confidence and industrial or commercial espionage.
- Confidentiality clauses have typically been upheld in India with regard to situations that arise after employment. Employees are prohibited from disclosing trade secrets or other private information that belongs to the company under this clause.
- Although India has no specific trade secrets law, Indian courts have upheld trade secrets protection under various statutes, including contract law, copyright law, the principles of equity and – at times – the common-law action of breach of confidence (which in effect amounts to a breach of contractual obligation).

GLOSSARY

Trade Secret - It refers to any formula, process, device, or other business information that is kept confidential to maintain an advantage over competitors. It's an information including a formula, pattern, compilation, program, device, method, technique or process.

Safe- Keeping - There must have been reasonable steps undertaken by the rightful holder of the information to keep it secret (e.g., through confidentiality agreements).

Confidential relationship - It is "the relations formed by protocol or by acceptance, in which one party trusts his financial and other interests to the loyalty and integrity of another party, by whom, either alone, or in conjunction with himself, he expects them to be protected."

Secret - It refers to the information that is not generally known among, or readily accessible, to circles that normally deal with the kind of information in question.

Commercial Value - It refers to the potential or capability of a certain thing, information, know-how that have actual or potential commercial value i.e it can fetch some sort of economic status (monetary, generally).

TEST YOURSELF

(These are meant for re-capitulation only. Answers to these questions are not to be submitted for evaluation)

1. What is a Trade Secret?
2. How are Trade Secrets protected?
3. How long can Trade Secrets protection last? Is there any legislation governing trade secrets in India?
4. The TRIPS Agreement provides protection to trade secrets. Explain.
5. What causes a business to lose Trade Secret protection?
6. Discuss how the trade secrets are protected in International sphere.
7. With the help of case laws explain the validity and enforceability of confidential clauses in relation to trade secrets.

LIST OF FURTHER READINGS

- IPR Awareness Manual for Industries, CIPAM
- A Guide to Protecting Trade Secrets, CIPAM

OTHER REFERENCES (Including Websites / Video Links)

- https://intellectual-property-helpdesk.ec.europa.eu/news-events/news/short-introduction-trade-secrets india-2021-11-05_en
- https://www.wipo.int/tradesecrets/en/
- https://www.uspto.gov/ip-policy/trade-secret-policy
- https://www.wipo.int/treaties/en/ip/paris/summary_paris.html