

LEGAL REGIME FOR TRADE SECRET PROTECTION IN INDIA

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Abstract

In this research paper, the researcher wants to explain the Legal regime of Trade Secret Protection in India. This research paper will offer an analysis of trade secret law as it exists today. The trade secrets protection is fundamental to encourage innovative steps, foreign investment and to promote healthy competition. Trade secrets present the commerce a spirited edge over the competitors and consequently one must ensure that he effectively protects his business related confidential information from his competitor. Trade secret as a new form of intellectual property is very important and it is garnering ample importance because in the era of globalization, failure or success of any company depends on its secrets let them be policies related secrets or Information of their clients. Through in this research paper, the researcher is putting an effort to highlight the laws dealing with trade secrets in India.

Key words: Trade Secret, Undisclosed Information, Intellectual Property, Undisclosure Agreement, Obligation.

Introduction

A trade secret is information which if get disclosed to a competitor then would cause a real harm to the real owner of the Secret¹. These types of information's are associated with the industrial and commercial activity and used in trade or business. The Trade Secrets generally refers to data or information relating to the business that is not generally known to the public which the owner reasonably attempts to keep secret and confidential. A trade secret can be a method, computer program, practice, piece of equipment, pricing information etc. If any piece of information which has economic value and being kept private then it can be treated as a trade secret. It gives the business a competitive edge over their rivals because of its confidential nature. The policy of trade secret law is to protect, maintain and promote standards of commercial ethics and fair dealing and it encourages innovations as well. The unauthorized use of such information by persons other than the holder is regarded as an unfair practice and violation of trade secrets.

The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), which is an international agreement administered by the World Trade Organization, regarding any information as Trade Secrets lays down under its own Article 39 that:

¹ *Burlington Home Shopping Pvt. Ltd v. Rajnish Chibber*, 1995(61) DLT 6

Trade secret must not be generally known or readily accessible by people who normally deal with such type of information. Trade secret must have commercial value as a secret.

Reasonable step should have taken by the lawful owner. Moreover Northern American Free Trade Agreement (NAFTA), defined Trade Secret as “Information having commercial value, which is not in the public domain, and for which reasonable steps have been taken to maintain its secrecy”. Vital part of trade secret is the information because since it is unknown to others as owner has attempted to keep it secret², so it is so valuable.

Uniform Trade Secret Act defines trade secret as information which include a formula, pattern, compilation, program, device, method, program that:

1. Derives independent economic value from not being generally known to or not being easily ascertainable by proper means by others who can obtain economic value from its disclosure.
2. It is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

The vital part of the trade secret is the Secrecy rather than novelty³. In *Re Providian Credit Card*⁴ Case it was held that trade secret will not be needed in that case where the information is not secret. Moreover in the case *State ex rel. Lucas County Board of Commissioner v/s. Ohio Environmental Protection Agency*⁵, it was held that the moment any secret information is disclosed it loses its every spirit as trade secret.

Ever since the advantages in the information economy are rapidly growing it is giving rise to the trade secrets to becoming Intellectual Property of Choice. The policy of trade secret law is to protect, maintain and promote standards of commercial ethics and fair dealing and it encourages innovations as well. The law for protecting the trade secret is developed from the common law of unfair competition developed in nineteenth century by English Courts.

The essence of the commercial world is the necessity of good faith, honesty and fair play and thus need the protection of trade practice. Intellectual Property includes copyrights, trademark, patent and trade secret and hence there is law for all the Intellectual Property except Trade Secret. There is no proper effective legislation for protection of Trade Secrets in India. Trade secrets are very much different from the other forms of Intellectual Property Rights. As patents require the invention be novel, useful and non-obvious. Trademarks protect only the printed word or image representing a product or service. Copyrights protect only the manner of expression, but not the content nor the idea, information etc.

Disclosure of trade secret would cause harm to the real owner of the Secret. The Trade Secrets generally refers to data or information relating to the business that is not generally known to the

² *ABBA Rubber Co. v. Seaquist*, 235 Cal.App.3d 1, 18 (1991).

³ *Dionne v. Southwest Foam Converting & Packaging, Inc.*, 240 Va.297, 302 (1990).

⁴ 96 Cal.App.4th 292, 304 (2002).

⁵ 88 Ohio St.3d 166, 174 (2000).

public which the owner reasonably attempts to keep secret and confidential. Once trade secrets have been exposed to the public, they cannot be evoked⁶ even in the case if the use of product itself causes disclosure⁷. There will be no protection of trade secret if in the process of using, it gets disclosed⁸.

In the case *American Express Bank Ltd. v. Ms. Priya Puri*⁹, the court held that the details of customers are not trade secrets nor they are property. It was observed that any person of ordinary intelligence would become familiar with the customers whom he might serve along a laundry route during a period of five months. Therefore court held that freedom of employee cannot restricted or curtailed on the ground that he had employee's date and confidential information of customers and accordingly rejected the application of injunction. The entire object behind its secrecy is its utility so a trade secret has to be utilitarian in nature.

Research Objectives

Following shall be the objectives of this study:

- i. To study the impact of Trade Secret Protection in India.
- ii. To analyze the essence of Intellectual Property Rights for the protection of Trade Secret in India.
- iii. To analyze the reasons behind the Trade Secret infringement in India.
- iv. To find out the importance of Trade Secret Protection in India.
- v. To ascertain the most suitable requirements for Trade Secret to protect confidential information.

Research Methodology

The researcher had selected the problem with a great interest keeping the significance and impelling need of it in the intellectual Property Rights Protection in the present conditions, circumstances, and socio-legal in mind. However, the methods adapted to carry out the research work are in doctrinal in nature, descriptive, structural and functionally analytical. The relevant material is collected from the primary and secondary sources. The material information's are collected from legal and non-legal sources like international legal instruments, statute, judgments, books of legal experts of national and international repute, newspapers, law journals, law reports, internet references and opinions of research scholars, academicians and other experts who have dealt with this subject are used as a real contribution to this work.

Importance of Trade Secret Protection

⁶ *Religious Technology Center v. Netcom On-Line Communication Services, Inc.*, 923 F.Supp. 1231, 1254 (N.D.Cal.1995) (applying California version of UTSA).

⁷ *Vacco Industries, Inc v. Van Den Berg*, 5 Cal.App.4th 34, 49-50(1992).

⁸ *Supra* note.5 at pg.2, *Harvey Barnett, Inc v. Shidler*, 143 F.Supp.2d 1247, 1252-1253 (D.Colo.2001) (applying Colorado version version of UTSA).

⁹ [2006] (110) FLR 1061

Trade secret of a company is the most important asset which allows company to keep its reputation and position in market integral. There is no requirement for a company being huge corporation to get trade secret protection.

(i) New technology: As we know now computers and other systems are developed for keeping information secret but earlier it was stored in physical forms. For getting information from this physical form, thief has to go through various stages then he could do unfair use of that information. But now the access to the secret information becomes easy with the new technology. The file which is stored in computer network may be encrypted, password protected and it is restricted to employees on a need-to-know basis. If an employee wants to access those information from computer network then he could easily download it, email it, post it on internet or simply save it on a flash drive and walk out the front door undetected with thousands of information in his hand¹⁰. The digital world is no friend to trade secrets¹¹. Now a days hackers break into networks and get confidential information of a company including trade secrets in such a manner which is not expected by anyone¹². For example, the F.B.I handled nearly 1,500 hacking cases in 2002 and in 2010, it handled 2,500¹³. One recent case on it is Philip Gabriel, “Stakkato” who was indicated on five counts involving trade secret misappropriation¹⁴. In this case he allegedly hacked into the ostensibly secure computer systems at Cisco System and NASA including NASA’s Advanced Supercomputing Division and a Petterson, 16 yrs old swede is accused of committing these hackings from 5,000 miles away.

(ii) Increasing Value of Trade Secret Information: trade Secrets are becoming important like all other Intellectual Property and play a very expanding role in the economy of the country. The Congressional Research Service found that this trend is even applicable to Trade Secrets: “ As the United States continues its shift to a knowledge and service based economy, the strength and competitiveness of domestic firms increasingly depends upon their know-how and intangible. Trade Secret is form of the Intellectual Property which protects this type of Confidential Information¹⁵. Earlier the economy is based on physical assets such as natural resources and capital goods but now with the change modern industries rely extensively on intellectual property for their value.

(iii) The rise of international threats: There is threats not only on domestic level but the threat is increasing from foreign individuals, companies and governments which also contribute to large extent towards the importance of trade secret. The reason for increasing threats at international level is mainly the internationalization of business. When the company operate internationally then threat

¹⁰ Elizabeth A. Rowe, *Saving Trade Secret Disclosures on the Internet through Sequential Preservation*, 42 Wake Forest L. Review. 1, 2 (2007)(proposing a new test regarding the disclosure of trade secret information on the Internet.)

¹¹ Victoria A. Cundiff, *Reasonable Measures to Protect Secrets in a Digital Environment*, 49 IDEA 359, 361 (2009)

¹² OFFICE OF THE NAT’L COUNTERINTELLIGENCE EXEC., FOREIGN SPIES STEALING US ECONOMIC SECRETS IN CYBERSPACE 6-7 (2011) (citing a study from Cisco Systems).

¹³ Devlin Barrett, U.S Outgunned in Hacker War, WALL Street j. (Mar, 28, 2012),

¹⁴ Press Release, U.s Dep’t of Justice, Kingdom of Sweden Accepts Requests for Transfer of Prosecution in Case Involving Swedish National Charged With Hacking and Trade Secret Theft(Feb, 8, 2010).

¹⁵JHON R. THOMAS, CONG. RESEARCH SERV., R41391, THE ROLE OF TRADE SECRETS IN INNOVATION POLICY 2(2010).

for misappropriation rises. Other reason for increasing international threats is new technology. The hackers can get the access of any information from the any part of the world. They only need computer with internet connections. One of the recent examples which involve trade secret theft is the case in china of Xiang Dong “Mike” Yu, a project engineer for the Ford Motor Company who smuggled Ford Trade Secrets to China while on a job hunt that led to a position with one of Ford’s Competitors¹⁶.

(iv) The USTA: The USTA development of is one of the reason for rise in Trade Secrets and trade secrets litigation. The widespread adoption of USTA has increased the awareness about trade secret law among lawyers, companies, judges and others and has provided greater consistency in the application of trade secret law and the within the other laws as well. Before USTA, the states had greater disparities on various trade secret issues from the types of conduct to the remedies. The USTA is not perfect but it gave a starting point to establish the legal remedies for trade secret misappropriation¹⁷.

(v) Abundant source of litigation: There is much chances of trade secret based litigation in the present vague economic climate, and especially in highly fluid and competitive knowledge-based industries,. like if a company’s survival is threatened then its members will be motivated to defect. For a threatened company, this will be an additional threat which earlier would have been marginal one and it would be seen as more critical. So for this company will devote its resources to protect its rights more than before.

The Subject Matter of Trade Secret Protection

The subject matter that has been awarded trade secret protection is extraordinarily broad. Almost any information or method used in business can be a trade secret if it is not generally known and proper precautions are taken to retain secrecy.¹⁸ Specific information for which trade secret protection has been granted include a chemical process¹⁹, a welding process²⁰, a formula for pressurized shaving cream²¹, a precision tape recorder-producer²², a storage system for strategic materials²³, a brick for lining cement kilns²⁴, a process for making compressed cotton bath sponges²⁵, a portable freight container, and a scrap metal recovery process²⁶. Similarly, trade secret protection is

¹⁶ Erin Marie Daly, Ex-Ford Worker Gets 6 Years for Trade Secrets Theft, LAW360.COM (April 12, 2011), Ex-Ford Engineer Sentenced for Trade Secrets Theft, REUTERS.OM (April13, 2011).

¹⁷ Michael Risch, A failure of Uniform Law, 159 U.Pa .L Review. PENN umbra 1, 12 (2010), (stating that “uniform laws like the USTA” provide “a consistent set of rules to provide settled expectations for interstate activities”).

¹⁸ This list will be found in the definition of a trade secret in the Uniform Trade Secret Act, 14 U.L.A. 537, 542(1980).

¹⁹ Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470 (1974).

²⁰ A.O. Smith Corp. v. Petroleum Iron Works Co., 73 F.2d 531 (6th Cir. 1934).

²¹ Colgate-Palmolive Co . v. Carter Prods., Inc., 108 U.S.P.Q. (BNA) 383 (4th Cir. 1956).

²² Winton Research Corp. v. Minnesota Mining Mfg. Co. 146 U.S.P.Q. (BNA) 422 (9th Cir. 1965).

²³ Underwater Storage, Inc. v. United States Rubber Co., 371 F.2d 950 (U.C. Cir. 1966), petition forreh'z denied, Oct. 27, 1966; cert,denied,386 U.S. 911 (1967).

²⁴ Monolith Portland Midwest Co. v. Kaiser Aluminum & Chem. Corp., 407 F.2d 288 (9th Cir. 1969).

²⁵ Franke v . Wiltschek, 209 F.2d 493 (2d Cir. 1953).

²⁶ Smith v. Dravo Corp., 203 F.2d 369 (7th Cir. 1953).

given only if the idea is not generally known, and this will usually be true only when the idea is novel.²⁷ If the information is in fact secret, then it is sufficiently novel, for this secrecy implies at least minimal novelty. Another characteristic of a protectible trade secret is its commercial value. Information that can have no commercial value cannot be the subject of trade secret protection.²⁸ It was originally thought that information must have some impending use in the operation of a business to be a trade secret.

Maintaining Trade Secret Protection

The maintaining and protecting confidential subject matter as a trade secret that Adopt employee hiring and termination policies designed to protect confidential information. Carefully consider the potential liabilities before hiring a prospective employee who is contractually bound or otherwise restricted by former employers as to confidential subject matter. Also, review with all parting employees the scope of the restrictions on their future use of the employer's confidential and proprietary information.²⁹

A nondisclosure provision should be included in the employee's contract of employment which spells out subject matter areas which are held by the employer to be confidential. Additionally, a contractual provision providing for reasonable restrictions on the competitive activity of a former employee upon his or her termination is advisable. Such a restriction will typically be enforced by the courts if it is reasonable as to duration, geographical extent, and scope.³⁰

Provide employee access to confidential information only on a "need to know" basis. Areas where confidential information is kept should be segregated from free access areas, with limited access provided only to those with a need to know the confidential information. Additional measures can be employed in limiting access to such confidential areas, such as the use of electronic security, pass keys or simply color-coded identification badges.³¹

Employees should be constantly alerted that certain information is confidential. This may be done by the use of signs and strategically placed cautionary notices. Many ideas conceived by outside inventors are trade secrets, even though they may not be patentable subject matter.³² While the independent inventor or originator may be quite unaware of the law of trade secrets, most idea persons sense that the idea is valuable and, more often, have an exaggerated notion of its value. The one who submits the idea is not easily convinced of this, however, and cases have been handed

²⁷ *Kewanee Oil Co. v. Bicron Corp.* 416 U.S. 470, 476 (1974); *Atlantic Wool Combing Co. v. Norfolk Mills, Inc.*, 357 F.2d 866, 869 (1st Cir. 1966); Restatement of Torts § 757, comment b at 6 (1939).

²⁸ This proviso is a limiting factor in the definition of a trade secret in the Uniform Trade Secrets Act, § 1(4)(i). 14 U.L.A. 537, 542 (1980).

²⁹ Available at <http://www.wnlaw.com/ip-information/trade-secrets/> last retrieved on July 21, 2016

³⁰ Natalie Jones, "POST TERMINATION RESTRICTIONS: HOW USEFUL IS A STICK WITHOUT A CARROT?", Tamimi & Co. 2013 available at <http://www.tamimi.com/en/magazine/law-update/section-5/may-5/post-termination-restrictions-how-useful-is-a-stick-without-a-carrot.html> last retrieved on July 21, 2016

³¹ Supra Note 29 at page 12.

³² Available at http://www.wipo.int/sme/en/documents/trade_secrets_employee_loyalty.html last retrieved on July 21, 2016

down in which recovery has been obtained against the unsuspecting receiving firm on the basis of breach of a confidential relation or misappropriation of a trade secret.³³

The need for Confidentially Information for Trade Secret

In order to claim trade secret protection, the information or subject of the trade secret must obviously be kept secret or confidential. Clearly, disclosure of a trade secret to a non-employee of the company could endanger the ability to claim such information as a trade secret unless it is also carefully regulated and controlled, preferably by a written agreement or nondisclosure contract. As discussed in detail below, measures should be taken by an employer to control the scope and nature of the distribution of trade secret materials to its employees and the circumstances under which, and the extent to which, employees may obtain access to such information.³⁴

Legal Framework in India

To establish the violation of Trade Secret

Main issues are:³⁵

- i. Was the information indeed secret?
- ii. Were reasonable steps taken to maintain the secrecy?

To establish violation of trade secret rights, the owner of a trade secret must be able to show the following:

1. Infringement by or competitive advantage gained by the person/company which has misappropriated the trade secret.
2. The owner had taken all reasonable steps to maintain it as a secret.
3. There is misuse as the information obtained has been used or disclosed in violation of the honest commercial practices.

Trade Secrets Protection–Legal Position in India

The spirit of the commercial world is fair play with honesty. It can be only done through protection of trade practice. In India there are certain laws regarding every forms of Intellectual Property except trade secret. No law has been enacted by the legislation of India. The member's countries of Trade Related Aspects of Intellectual Property Rights (TRIPS) except India have already laws for the protection of trade secret. In India, Trade Secrets are most isolated field because there is no proper law for trade secrets protection. Trade secrets are protected in India under Indian Contract Act,

³³ Ramon A. Klitzke, "Trade Secrets: Important Quasi-Property Rights", American Bar Association, the Business Lawyer, Vol. 41, No. 2 (February 1986), pp. 555-570 available at <http://www.jstor.org/stable/40686714> last retrieved on July 21, 2016

³⁴ Available at <http://www.wnlaw.com/ip-information/trade-secrets/> last retrieved on July 22, 2016

³⁵ Available at http://www.wipo.int/export/sites/www/sme/en/documents/pdf/ip_panorama_4_learning_points.pdf last retrieved on July 22, 2016

1872, under Section 27 which provides for remedies and also restrict any person from disclosing any information which he acquires at the time of employment or through contract. But in this provision there is only civil remedy and no criminal remedies. According to this section any information must be highly confidential to be constituted as Trade Secret. There are few criteria for deciding that whether any information amounts to trade secret or not i.e.,

- The status of the employee and nature of his work.
- The nature of information itself.
- Whether the information could easily be isolated from other information which the employee was free to use.

For Trade Secret Protection in India, an attempt was made in 2008 by passing National Innovation Act, 2008. The draft of Indian Innovation Act, 2008 is generally based on the American Competes Act. It's one of the objective was to codify and consolidate the law of confidentiality in aid to protect the confidential information, Trade Secrets and Innovation. The chapter VI of National Innovation Act, 2008 talks about "Confidentiality and Confidential Information's and Remedies and Offences". This provision allows the parties to set out their rights and obligation contractually related to confidential Information and protects the information from being misappropriated. But this statute may very well protect and maintain the India's Innovation through other schemes. The connection of innovation, trade secret and confidential information can be best addressed by a specific legislation which particularly deals with protection of Trade Secrets. In a case of **V.N Deshpande v. Arvind Mills**³⁶, where there was a clause in the agreement which prevents the appellants from revealing any secret Information of nature mentioned in that clause after termination of his service. The defendant was not prevented from acquiring information which makes him better employee for the public for future employment. It only prevents from revealing any secret information but he received as Respondents employee to another party. Therefore it was held that the words use in agreement was proper and injunction granted was reasonable. Another case of **American Express Bank Ltd. V. Priya Puri**³⁷, the Delhi High Court defined Trade Secret as formulae, technical know-how or a method of business adopted by an employer which is unknown to others and such information has reasonable impact on organizational expansion and economic interests. In another case of **Bhrahmaputra Tea Co v. E Scarth**³⁸, where an attempt was made to restrain a servant from competing for five years after the period of service, the Calcutta High Court said that:

"Contracts by which persons are restrained from competing, after the term of their agreement is over, with their former employers within reasonable limits, are well known in English Law, and the omission to make any such contract an exception to the general prohibition contained in Section 27 indicates that it was not intended to give them legal effect in this country".

³⁶ (1946) 48 Bom LR 90

³⁷ (2006) HI LLJ 540 (Del)

³⁸ (1885) 11 Cal 545.

Moreover In a case of *Niranjan Shankar Golikari v. Century Spg & Mfg Co. Ltd*³⁹, in which question was raised regarding the validity of agreements in terms of Section 27 of Indian Contract Act. The facts of this case were that a foreign producer collaborated with accompany manufacturing tyre cord yarn by an agreement which stated that the company would maintain secrecy of all technical information. The respondents company signed a non-disclosure agreement with the appellants, at the time of its employment. Clause 9 of the agreement states that during the continuance of his employment as well as thereafter the employee shall keep confidential and prevent revealing of any information. the Court held that there is an implied term in a contract of employment that a former employee may not make use of his former employer's trade secrets.

Therefore, in order to protect the storehouse of undisclosed information (Trade Secret) as defined under TRIPS in India, there should be a legislation to protect it.

Obligation of India under International Organizations

The Intellectual Property Rights protection has achieved wider appreciation mainly under Agreement on Trade Related Aspects of Intellectual Property (TRIPS), North Atlantic Free Trade Agreement (NAFTA)⁴⁰ and also under Paris Convention.

TRIPS- The main aim of TRIPS agreement is to protect intellectual Property Rights. The provisions of TRIPS provide protection of Trade Secrets with the help of term "Undisclosed Information". Under Article 39 (2) of TRIPS, all members will protect undisclosed information from commercial exploitation and under clause 3 of Article 39, data and information submitted to Government for regulatory or other approvals have to be protected from leakage to or theft by third parties. India is party to this Agreement but in 1989, but it along with Brazil refused the insertion of Trade Secret on their programme, as they think that it is not a form of Intellectual Property Right and the protection against unfair competition under Article 10b of the Paris Convention⁴¹ would be sufficient. It is the embodiment of world's law of American and European notion of protecting confidential information in order to protect the Intellectual Property Rights. It is the first multilateral Agreement which acknowledges the role of Trade Secret in the industry. The aim of TRIPS Agreement is to boost patent protection and trade secret protection. The law of trade secret would

³⁹ AIR 1967 SC 1098

⁴⁰ Under Article 1711 of NAFTA defines trade secret as "information having commercial value, which is not in the public domain, and for which reasonable steps have been taken to maintain its secrecy"

⁴¹(1) The Countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.

(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

(3) The Following particular shall be prohibited:

1. 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;

2. 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;

3. 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.

protect only unpatentable know-how that may not be reverse engineered by analysing the product put to the market⁴². Article 39 of TRIPS requires the Contracting Parties to protect Undisclosed Information with the help of some theories:

Contractual Obligation- When a contract is entered between the owner of the Trade Secret and to whom the trade secret is communicated, there becomes an obligation on the person to whom secret is disclosed not to reveal it to anyone else. It is called confidentiality agreement. This obligation may be in implied or express form in the agreement. For breaching this there is penalty of liquidated damages. But there may be the case that the person to whom the trade secret is disclosed later becomes the employee of competitor, and then no such contractual obligation will work for abstaining the competitors from knowing the trade secrets of the company.

In a case of *Tippling v. Clarke*⁴³, the Court was of opinion that everyone employed is under an implied contract not to disclose it anywhere in the public which is the thing he learnt in execution of his duty as an employee.

In the case *Sanders v. Parry*⁴⁴, it was held that there was implied duty upon an employee to serve his master with good faith and fidelity.

Fiduciary Relationship- If there is existence of fiduciary relationship then duty of not disclosing the trade secrets is implied. In a case of *Yovatt v. Winyard*⁴⁵, in which a recipe for drug has been disclosed to the apprentice of a veterinary so it was held that there shall be a duty of confidentiality, even if no corresponding agreement is there between them. Where there is fiduciary relationship, there is confidence and that confidence should not be breached.

Unjust Enrichment and Misappropriation- The misuse of trade secret can be considered as misappropriation which leads to unjust enrichment⁴⁶. Misappropriation gives a very stable ground for seeking remedies for misuse of trade secrets⁴⁷.

As India is Signatory to TRIPS Agreement, there it becomes obligation on India to bring its Intellectual Property Rights within the conformity of International standards. Under Article 51⁴⁸ of

⁴² DESSEMONTET, the Legal Protection of Know-How in the U.S.A., pp. 65-67.

⁴³ (1843) 2 Hare 393.

⁴⁴ [1967] 1 W L R 753.

⁴⁵ 1 J and W 394(1820)

⁴⁶ *Carpenter v. United States*, 484 U.S. 19 (1987) at 26 (confidential information is properly the deprivation of which can constitute wire fraud); *Osborn v. Boeing Airplane Co.*, 135 USPQ 145 (9th Cert. denied 471 US 1053(1985)). *Matarese v. Moore-McCormack Lines, Inc.*, 71 USPQ 311 (2nd Cir. 1946), 312.

⁴⁷ *Chiarella v. United States*, 445 U.S. 222 (1980); *Dirks v. SEC*, 463 U.S. 646 (1983); *Moss v. Morgan Stanley, Inc.*, 719 F.2d 5 (2nd Cir. 1983); *SEC v. Materia*, 745 F. 2 d 197 (2d Cir. 1984); The U.S Supreme Court divided evenly on the validity of a conviction based on the misappropriation theory in *Carpenter v. United States*. The Misappropriation theory has been embraced by the second, seventh and ninth Federal Circuits.

⁴⁸ Article 51 in The Constitution Of India 1949- Promotion of international peace and security The State shall endeavour to (a) promote international peace and security; (b) maintain just and honourable relations between nations; (c) foster respect for international law and treaty obligations in the dealings of organised peoples with one another; and encourage settlement of international disputes by arbitration.

Indian Constitution, it puts Obligation on India to promote respect for international law and treaty obligations⁴⁹.

Infringement of Trade Secrets and Remedies

A trade secret owner has the right to keep others from misappropriating and using his trade secret. Although misappropriation is sometimes a result of industrial espionage, often trade secret cases involve appropriation by former employees, use in new businesses or for new employers. Trade secret protection endures as long as the requirements for protection - generally, value to the owner and secrecy - continue to be met. The protection is lost if the owner fails to take reasonable steps to keep the information secret.⁵⁰ Besides, disclosure of trade secrets is not actionable in all cases i.e., trade secrets owners have recourse only against misappropriation and there a number of defences to disclosure of trade secrets as follows:⁵¹

(i) General Knowledge: In common law, it is a well-established principle of public policy that a former employee is free to utilize the general skill and knowledge acquired during his or her employment.⁵²

(ii) Parallel Development: The owner of a trade secret does not possess a monopoly on the data that comprises the trade secret. Other companies and individuals have the right to discover the elements of trade secret through their own research and hard work.⁵³

(iii) Reverse Engineering: Discovery by reverse engineering, namely, starting with the known product and working backward to find the method by which it was developed, is considered proper means. Therefore, to avoid a successful claim by the defendant that he discovered the trade secret by reverse engineering, prosecutors should establish the means by which the defendant misappropriated the trade secret. If the prosecution could show that the defendant unlawfully obtained access to the trade secret, it would refute his claim that he learnt the trade secret through reverse engineering. However, a defendant cannot defeat a prosecution by claiming that the trade secret could have been discovered by reverse engineering.⁵⁴

(iv) Innocent Acquisition of Information: Where the defendant acquired the information innocently, that is, without knowing that it was a trade secret belonging to a person who did not

⁴⁹ India has taken the following legislative steps to comply with its obligations under TRIPS: Copyrights Act, 1957 amended in 2000, The Trademarks Act, 1999, The Geographical Indications of Goods (Registration and Protection) Act, 1999, The Designs Act, 2000, The Semi Conductor Integrated Circuits Layout Design Act, 2000, The Patents Act, 1970 amended in 1999 and 2002, Protection of Plant Varieties and Farmers Rights Act, 2001.

⁵⁰ Radcliffe M F *et al.*, Patent, trademark and trade secret, available <http://library.findlaw.com/1999/Jan/1/241479.html> (26 September 2008). last retrieved on July 23, 2016

⁵¹ Seetharaman R, Legal protection of trade secret, 1 *Supreme Court Cases* (2004) 22

⁵² *Mason v Provident Clothing and Supply Co Ltd* (1913) AC 724, 740-41; *Herbert Morris Ltd v Saxelby* (1916) 1 AC 688.

⁵³ *Kewanee Oil Co v Bicorn Corporation*, 416 US 470, 490-91: 40 L Ed 2d 315 (1974).

⁵⁴ *Telerate Systems Inc v Caro*, 689 F Supp 221, 232 (SDNY 1988), the Court held that the proper focus of inquiry is not whether an alleged trade secret can be deduced by reverse engineering but rather, whether improper means are required to access it.

consent to the defendant's acquisition of it, he is not liable to infringement of a trade secret under English law.⁵⁵

(v) Public Interest: It is well established that no liability is attached to the use of information, which was in public interest to use or disclose. Thus, a defendant in proceedings for breach of confidence shall not be liable to the plaintiff in respect of any disclosure or use of information by the defendant in breach of an obligation of confidence if (a) the defendant raises the issue of public interest in relation to that disclosure or use; and (b) the plaintiff is unable to satisfy the court that the public interest relied on by the defendant under that subsection is outweighed by the public interest involved in upholding the confidentiality of the information.

(vi) Statutory Obligation: If the information is used or disclosed in accordance with a statutory obligation or power, the defendant is not liable. For instance, if the information is disclosed pursuant to a court order, or otherwise for the purpose of legal proceedings, it comes within the exemption. Similarly, the use or disclosure in the interests of national security or for the prevention, investigation or prosecution of crime is permissible. However, the disclosure must be to someone who has a 'proper interest' in receiving the information in question.⁵⁶

Recommendations

Trade Secret Protection is plays an important role in keeping secret the confidential information of company and firm in India. The main purposes beind the trade secret protection is to get good reputation in market and increase in productivity and services in market. Apart from the reforms brought by the Legislature and Judiciary varying from nation to nation till date as elucidated in detail; I, being a citizen of a democratic country also have right to suggest further recommendations in order to improve the status of trade secret protection in India.

Firstly, there is no specific law in India to govern the trade secret protection. So my suggestion would be that the Indian Parliament should legislate the specific law dealing with the trade secret protection.

Secondly, the company should not disclose the confidential information to any third party and also take own responsibility to keep trade secret of company.

Thirdly, the Indian government did not make any policy which is dealing with trade secret protction.

Fourthly, before using a social media account or signing up in a virtual site, every citizen must be diligent in checking the terms and conditions of that particular site, otherwise, you will never know that what you think is not an offence, is a clear violation in view of law. It can also take away your

⁵⁵ Legislating the criminal code: Misuse of trade secrets, Law Commission of England and Wales, Consultation Paper No 150 (Her Majesty's Stationary Office, 1997).

⁵⁶ *Initial Services v Putterill*, (1968) 1 QB 396, 405; (1967) 3 All ER 145.

personal detail and confidential information of company from internet and hacked your company websites.

Fifthly, The Police Officers while receiving complaints regarding blocking contents or taking down any confidential information and website, should not take actions on basis of the complaints unless they get any court order or follow any specific procedure prescribed by Law and the Court.

Hence, it is expectant that by following the above recommendations, the Government as well as individual both may be successful to settle the trade secret infringement issues and made reform to bring new legislations and solve the problem of trade secret problem.

Conclusion

The policy of trade secret law is to protect, maintain and promote standards of commercial ethics and fair dealing and it encourages innovations as well. The law for protecting the trade secret is developed from the common law of unfair competition developed in nineteenth century by English Courts. Ever since the advantages in the information economy are rapidly growing it is giving rise to the trade secrets to becoming Intellectual Property of Choice. The unauthorized use of such information by persons other than the holder is regarded as an unfair practice and violation of trade secrets. Disclosure of trade secret would cause harm to the real owner of the Secret. The Trade Secrets generally refers to data or information relating to the business that is not generally known to the public which the owner reasonably attempts to keep secret and confidential. Once trade secrets have been exposed to the public, they cannot be evoked even in the case if the use of product itself causes disclosure. There will be no protection of trade secret if in the process of using, it gets disclosed. So in order to attain the efficient transparency in the commercial transactions there is an urgent need for drafting the legislation so to proper safeguard the trade secret in India as for the good functioning and fair competition of a company in market. Getting protection will help the country's economy to grow. Being a signatory to Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), India has already framed law for the protection of all Intellectual Property Rights like Copyright Act, Trademark Act, and Patent Act but still the legislation for protection of Trade Secrets are left out. India is obliged to frame comprehensive rules and regulations to remove uncertainty with regard to Trade Secrets Protection. Hence there is a need for the safeguard of trade secret.

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