

Intellection of Trade Secret and Innovation Laws in India

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The uniqueness of trade secret law is that it fits into the extensive framework of contract, competition, innovation and intellectual property rights. The trade secret doctrines are closely linked to the domain of tort and criminal law although subject to different rationalizations. The remedial part of the law is inconsistent with the cause of action. The varied nature of trade secret calls for its holistic comprehension as a form of intellectual property. An incentive based approach in granting legal protection to trade secret harnesses the idea, inventions, and utility patent. This is best suited to varied categories of innovators and inventors in a post liberalized Indian economy and TRIPS compliance. The paper traces evolution and development of trade secret law in a comparative perspective and critically analyses the potential impact of innovation law on trade secret protection in the context of national innovation policy and laws of India.

Keywords: Intellection of trade secrets, undisclosed information, reverse engineering, non-disclosure agreements, non-compete clauses, incremental innovation

Origin of Trade Secrets

Intellectual property undertakes scientific and technological research and provides legal protection against competitors by way of sustaining confidence and confidentiality. The legal exclusivity in using ideas and information for commercial advantage requires sophistication and esoteric specialism.¹ In free-market economies, intangibility of property rights is becoming increasingly valuable in retention of market shares.² Trade secrets as an intellectual property have potential to translate intangible value into economic growth.³ Unfortunately, the unfavourable treatment accorded to trade secrets has displaced it from the home of intellectual property rights (IPR) law. An important reason for the same is that IPR laws are tuned to bring transparency and probity in knowledge management whereas the trade secrets are shrouded in secrecy and confidentiality. Trade secrets are accorded confidentiality under legal protection allowing claims for injunctive relief for unauthorized use and dissemination by way of recovery of damages. Further, the breach of confidentiality attracts criminal charges. The extent of recognition of trade secrets the world-over can be gauged by the fact that a majority of working technologies worldwide are protected as trade secrets rather than by patents.⁴ At the international level, the

North American Free Trade Agreement (NAFTA) and the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) ratified provision related to trade secrets during the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). Since then, there has been a positive trend toward adoption of domestic statutes specifically directed at the increased protection of trade secrets.

Concept of Trade Secrets

Intellectual property (IP) laws are generally territorial in character but trade secret protection varies according to jurisdiction. Trade secret law protects technological and commercial information not generally known in the trade and prevents unauthorized commercial use by others. The policy behind trade secret protection is to encourage research and development by providing protection to the originator of business information, and maintain proper standards of business ethics.⁵ A trade secret is commonly 'any formula, pattern, device or compilation of information which is used in one's business, and which gives human opportunity to obtain an advantage over competitors.' Broadly speaking, there are three factors common to all definitions of trade secret: (i) it is information not generally known to the public, (ii) it confers economic benefit by maintaining secrecy and confidentiality and

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(iii) is the subject of reasonable efforts to maintain its secrecy. Trade secrets act as an incentive to incremental innovation in technology not meeting the non-obviousness standard of patent law and copyrights. The inventions protected as utility model, trademarks, industrial designs, artistic or literary works are often maintained as trade secrets until used or published during the process of registration or grant of the relevant IPR. A substantial part of economically meaningful technology, particularly new and cutting edge technology are prone to reverse engineering, such as biotechnology, computer program microchips, computer-aided designs and hence preserved as trade secrets.⁶ Exclusivity of the protection allows the innovation, invention and reproduction, by offering the owner an opportunity to discourage free riders and to recoup his investment. Trade secrets play pivotal role in protecting innovations and establishing rights to use new technology. Trade secret protection extends to formula, patterns, plans, designs, physical devices, processes, software and know-how.⁷

Mechanism and Modalities of Trade Secrets

The TRIPS Agreement recognizes trade secrets under 'undisclosed information', but remains silent on the mechanism and modalities. The nature and methodology differ in state practices and range from privacy laws to unfair competition and breach of contracts.⁸ The prominent modalities to protect trade secrets are outlined as under:

Employment Agreement

Depending upon their needs, businesses include suitable confidentiality, non-disclosure agreement (NDA) and non-compete clause (NCC) in agreements with employees. These may comprise the type of information that is likely to be disclosed, the manner in which it should be used and restrictions on disclosure post-termination.

Trade Secret Policy

Trade secret policies rely on business secrets based on their value and sensitivity and accordingly employees are forewarned of breach.

Non-Disclosure Agreements (NDAs)

Businesses enter into NDAs with third parties while discussing any business prospects and ventures. In this way, third parties can be precluded from divulging any trade secrets.

Adequate Documentation

Sufficient records of evidentiary value are maintained of the trade secret information. These are subject to audit and update at regular intervals.

Security Systems

Access to trade secrets and confidential information are restricted to select personnel under security checks. In case of an electronic environment, the businesses use adequate software programs, virus scans, firewalls and other security and authentication technologies to safeguard their trade secrets.

It is important to bear in mind that a trade secret need neither be novel nor real; only a secret.⁹

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.¹⁰ 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:¹¹

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.¹² Similarly, in USA, the Economic Espionage Act, 1996 (EE Act) does not apply to individuals who seek to capitalize on their lawfully developed knowledge, skill or abilities. Although the EE Act, 1996 declares theft or misappropriation of trade secret as a federal crime, exclusion applies not only to the exploitation of the information for the employee's own benefit, but also to the employee's use of it for other employers.¹³

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.¹⁴ Thus, it is a defence if the defendant demonstrates that he has independently developed the trade secret.

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.¹⁵

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 consent to the defendant's acquisition of it, he is not liable to infringement of a trade secret under English law.¹⁶ However, under the US law, a person who learns of a trade secret innocently, without notice, is liable after receipt of notice unless he can prove that he has in good faith paid value for the secret or has so changed his position that to subject him to liability would be inequitable.¹⁷

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.

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.¹⁸

International Legal Framework

It is appropriate at this juncture to look into the international and comparative norms governing trade secret laws. In this connection, it is necessary to understand the American law and precept in proper context because it represents one of the most advanced forms of trade secret law in the world. Article 39(2) of the TRIPS lays down the essentials for undisclosed information but avoids using the nomenclature of trade secret. The US enactment on trade secrets, Uniform Trades Secrets Act, 1970 provides the most comprehensive definition of trade secrets (Section1) found anywhere in any statute, as under:

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

Another significant development in US law is the Economic Espionage Act, 1996 which deserves closer scrutiny in relation to the essentials of trade secret. The EE Act, 1996 clarified what makes theft or misappropriation of trade secrets a federal crime. This law contains two provisions criminalizing two sorts of activity. The first, provided for in 18 USC §1831(a) criminalizes the misappropriation of trade secrets, including conspiracy to misappropriate trade secrets and the subsequent acquisition of such misappropriated trade secrets, with the knowledge or intent that the theft will benefit a foreign power. Penalties for violation are fines of up to US\$ 500,000 per offence and imprisonment of up to 15 years for individuals, and fines of up to US\$ 10 million for organizations. The second, defined in 18 USC §1832,

criminalizes the misappropriation of trade secrets related to or included in a product that is produced for or placed in interstate (including international) commerce, with the knowledge or intent that the misappropriation will injure the owner of the trade secret. Penalties for violation of Section 1832 are imprisonment of up to 10 years for individuals (no fines) and fine of up to US\$ 5 million for organizations. A combined reading of EE Act, 1996 along with Sections 1831 and 1832 presents criminal liability notions on theft, misappropriation and espionage of trade secret. This law provides a model for fixing penal liability in case of trade secrets.

Paris Convention and TRIPS Agreement

For a detailed understanding, a perusal of Article 39.1 of the TRIPS Agreement becomes not only important but imperative as it provides that 'in course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention (1967), Members shall protect undisclosed information..' as provided in paragraphs 2 and 3 of the Article. Paragraph 2 describes the general category of confidential information, which is protected in common law countries through judge-made law, rather than statute. Article 10bis contains no reference to the protection of confidential information as an aspect of unfair competition. Article 10bis (2) defines as unfair competition 'any act of competition contrary to honest practices in industrial and commercial practices'. Article 10bis also lists three particular practices which are to be prohibited. The TRIPS Agreement negotiators were anxious to preserve the confidentiality of test data submitted to government approval agencies. Given the long approval process, particulars for pharmaceutical products, the opportunity for wrongful appropriation of such data by competitors was self evident. These concerns appear to be quite genuine therefore Article 39.3 accommodated provision in this regard. It reads as under:

Members, when requiring, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilize new chemical entities, the submission of undisclosed test or other data, the origination of which involves a considerable effort, shall protect such data against unfair commercial use. In addition, Members shall protect such data against disclosure, except

where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.

It should be noted that Article 39.3 contains three limitations regarding effective protection of data exclusivity under trade secret. First, it applies only to pharmaceutical products and chemical agricultural products; secondly, the protection is extended only against unfair competition uses; and thirdly, the government authority is exempted from the requirement of confidentiality in public interest. Thus, it has been held that a government accrediting agency may use the confidential test data of an applicant when considering applications by other applicants in respect of similar products.¹⁹

The protection of IP is one of the most significant tasks, as it encourages foreign investment in many fields. Any developing country in general and India in particular, should devise a proper law for protection of trade secrets. The Indian law still depends on the old traditional common law principles which have lost their significance in the present scenario, for protection of trade secrets. There is a dire need for a proper policy framework to regulate protection of trade secrets. There are large numbers of companies, especially chemical companies who prefer trade secrets as a form of protection for their IP. These companies are reluctant to invest in India because India cannot offer appropriate protection for their trade secrets. Thus, India is losing out on a lot of foreign direct investment.

Data Exclusivity

Significance

The confidentiality of test data rakes up controversial issues for trade secret protection. To lend appropriate credence to subject, it is necessary to delineate conceptual dimensions of data exclusivity. The concept of protecting undisclosed data having high commercial value has gained momentum in recent times. Conventionally, this data was protected as trade secrets under the common law. Data exclusivity is a transitional concept of protection of exclusive test data in the form of publicly undisclosed information. This emanates from the protection of the data in the form of trade secrets based on the principles of equity and good faith. Data exclusivity also lies within the domain of patent protection which requires an invention to be new, having an inventive

step and capable of industrial application. It is a known fact that with every new invention protected by patent, a need arises to evaluate the situation in developing countries where a generic drug manufacturer may develop the same drug at cheaper prices by proving its bioequivalence with the drug of the innovator company. It seems that the concept of data exclusivity poses a conflict of interest between the innovator companies who have already availed of the protection under patent laws and public interest.²⁰

Data exclusivity or exclusivity of registration data is the period of non-reliance and non-disclosure that is provided to new chemical entities, pharmaceutical compositions, and agrochemical registration data or test data. It is for this limited period of time that the drug regulatory authorities do not allow the test data of the originator to be used to register the generic version. Top multi-national pharmaceutical giants spend time, money and huge investment in research and development to assess the efficacy, quality and safety of new products. This process, known as a clinical trial, is a very complex, expensive and time consuming process since the new drugs have to be tested first on animals and then on human beings in order to determine its efficacy and safety. There should be reasonable or near certain conclusion that the new drug is safe for common public. After this, regulatory authorities in different countries analyse such data in order to ensure that only medicines having safety, efficacy and quality enter into the market. Often national regulatory authorities would ask the innovator or originator drug companies to provide relevant information and data to assess the safety, efficacy and quality of the drugs. Such data are very crucial and contain all details of clinical trials and it is this data that originator companies seek to protect. It seems unfair to allow a third party to commercially exploit the data because of the extensive, long term effort and investment put into clinical trials. In order to protect such data, originator companies have been demanding data exclusivity laws so that data submitted to regulatory authorities are not exploited by generic drug manufacturers.²¹ The pressure from originator companies was so formidable that data exclusivity is now an independent protection and should not be confused with the protection provided by other rights including patents.

Law and Protection

The USA was the first country to afford legal sanctity to data exclusivity in 1984 and has been since

pursuing it relentlessly. The pioneering enactment in this regard is Hatch-Waxman Act, 1984 which provides a five year data exclusivity for New Molecular Entities (NMEs). As TRIPS Agreement does not use the term 'data exclusivity', the pressure to enforce data exclusivity was highest on the US agenda. Even during the final phase of the Uruguay Round, the US proposal asking for a five year data exclusivity was rejected. Instead, a consensus article limited only to 'protection of data' was accepted. USA, not satisfied with the move, now wants to go beyond TRIPS and is putting pressure to get its demand on data exclusivity implemented by all Member States and including it as a clause in bilateral and regional Free Trade Agreements.²² The data exclusivity period in European countries varies from 6 to 10 years. In Japan it is 6 years and China grants data exclusivity for 6 years. The evolution of data exclusivity culminates a flurry of development at global and national level.

The Indian Government, due to immense pressure of MNCs, initiated data exclusivity policy and laws by appointing the Satwant Reddy Committee in February 2004. The Committee took three years in examination of various dimensions of data exclusivity from regulatory stand point. Finally the Committee submitted its report in 2007 recommending three years of data exclusivity in the case of agrochemicals; and suggesting two alternative models to be followed in the case of pharmaceuticals. The recommendations of Satwant Reddy Committee came under severe flak and due to considerable opposition, the Satwant Reddy Committee Report was put in abeyance. The present position is that while India is willing to protect the data, there is no exclusivity allowed in this matter. India took advantage of the Article 39.3 of the TRIPS Agreement which leaves considerable room for the Member countries to implement the obligation to protect test data against unfair competition practices.

Trade Secrets under Contract Law

There are no specific laws in India to protect trade secrets and confidential information. Nevertheless, Indian courts have upheld trade secret protection on basis of principles of equity, and common law action of breach of confidence and contractual obligation. This is evident from Section 27 of the Indian Contract Act, 1872 which is a provision relating to restraint of trade.²³

The section is general in its terms, and declares all agreements in restraint of trade void *pro tanto*, except as specified. Originally, this section was extremely rigid in invalidating restraints, both general as well as partial ones. The section was enacted at a time when trade was yet undeveloped and the object underlying the section was to protect the trade from restraints. But at a time when trade in India has developed, there is no reason why a more liberal attitude should not be adopted by acknowledging that some restraints as are reasonable. Taking into consideration the above, the Law Commission of India in 1958 recommended the addition of the following in the main section:

... except in so far as the restraint is reasonable having regard to the interest of the parties to the agreements and of the public.²⁴

By implication, this recommendation allows a space for reasonable restraint on the right to carry on trade and promotion of trade secret law in India. It is pertinent to note that the Law Commission was beyond time in its recommendation in regard to trade secret protection.²⁴

Judicial Policy for Trade Secrets

The Indian courts on several occasion delineated the concept of trade secret. In this context, the Delhi High Court decision in *American Express Bank Ltd v Priya Puri*²⁵ is significant. The Court 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.’ Such information has a reasonable impact on the organizational expansion and economic interests. Similarly, in the case of *Anil Gupta v Kunal Dasgupta*²⁶, the Delhi High Court further ruled 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 any body, 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. Moreover, in *Burlington Home Shopping Pvt Ltd v Rajnish Chibber*²⁷, the Delhi High Court held that the database compiled by the organization could be subject matter of copyright and its unpermitted use by other party amounted to infringement. Thus, the judicial policy for the trade secrets protection can be deduced from the Court’s interpretation of NDAs, NCC and restraint of trade under Contract law. An agreement to restraint

a servant from competing with his employer after termination of employment may not be allowed by the courts.²⁸ Thus, in *Brahmaputra Tea Co v E Scarth*²⁹, where an attempt was made to restrain a servant from competing for five years after the period of service, the Calcutta High Court observed:

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.

These principles have been approved by the Supreme Court again in *Niranjan Shanker Golikari v Century Spinning & Manufacturing Co Ltd*.³⁰ Here, a company manufacturing type cord yarn was offered collaboration by a foreign producer on the condition that the company shall maintain secrecy of all the technical information and that should obtain corresponding secrecy arrangements from its employees. The defendant was appointed for a period of five years, the condition being that during this period he shall not serve anywhere else even if he left the service earlier. Justice Shelat held the agreement to be valid. The defendant was accordingly restrained from serving anywhere else during the currency of the agreement. The observation of the Supreme Court was as under:

...The injunction issued against him is restricted as to time, the nature of employment and as to area and cannot therefore be said to be too wide or unreasonable or unnecessary for the protection of the interest of the respondent company.

From the above two landmark decisions of Supreme Court, it clear that although an employer is not entitled to restrain his servant after the termination of employment from offering competition, he is entitled to reasonable protection against exploitation of trade secrets.³¹ In line with this principle, the Delhi High Court in *Ambiance India Pvt Ltd v Naveen Jain*³², was of the view that the agreement between the parties prohibiting the employee for two years from taking employment with any present, past or

prospective customer of the employer is void and hit by Section 27 of the Indian Contract Act, 1872. This stipulation was prima facie against public policy in India and an arm-twisting tactic adopted by the employer. The Court finally stated that the relief sought for an order of ad interim injunction till disposal of the suit should not be granted on these grounds. Similarly, in *Sandhya Organic Chemicals Pvt Ltd v United Phosphorous Ltd*³³, the Supreme Court was of the view that an employee cannot be restrained for all times to come from using his knowledge and experience gained by him in the course of his employment especially when he was not in the service of the employer i.e., after termination of service. In the matter of *Gopal Paper Mills Ltd v Surendra K Ganeshdas Malhotra*³⁴, the Calcutta High Court upheld the restrictive clause in an employment contract, imposing constraints on the employee preventing him from misusing or revealing the confidential information and trade secrets acquired during the tenure of his employment. The legislation thus provided a remedy to organizations from third party disclosure of confidential information and trade secrets in the form of injunction against the employee.

Indian Contract law besides bringing disclosure of trade secrets under breach of contract, offers remedies to encourage of creative and innovative abilities. Protection afforded by law is based on the principle that various facets of a product may be protected by different forms of IP.³⁵

The remedies for breach of confidence include action for an account of earnings from the use of the information; action for damages and an injunction for prevention of misuse. For an action to succeed it would be necessary to show that there was information of confidential nature which was shared under an obligation of confidence with the person proceeded against and that there was an actual or threatened use or disclosure of the information. If the information has already become a part of public knowledge, no action may lie.³⁶ Since the information alleged to be confidential may be of value to the plaintiff only for a certain period, interim injunction will ordinarily be granted only for a specified period depending upon the circumstances and the nature of the confidential information. With regard to balance of convenience the following factors are considered:

- 1 Whether the effect of an injunction against potential disclosure be disastrous to defendants,
- 2 Whether the terms of injunction are such that it is extremely difficult for the defendants to know what they may do and what they may not do,
- 3 Whether it is certain based upon the material before the court that even if successful at the trial, the plaintiff would obtain an injunction rather than damages.³⁷

By way of relief, the damages or compensation is determined on the basis of the market value of the confidential information based on a notion of sale between a willing seller and a willing purchaser. This method may be more appropriate for confidential information relating to industrial designs or processes or business secrets. Trade secrets are protected forever, if kept confidential. If the confidentiality of the information is breached it is no more a trade secret.

Trade Secrets and Innovation Law

To protect the vast repository of 'undisclosed information' and knowledge kept as trade secrets by their practitioners, India should consider a pro-active *sui generis* legislation as provided under Article 10bis of the Paris Convention and Article 39(2) and 39(3) of TRIPS Agreement, 1995. Thus, a formal legislation on the lines of Uniform Trades Secrets Act, 1970 (UTSA) needs to be implemented in India. Such legislations will deter illegal transfer of trade secrets by people who had access to them as part of their employment duties. These steps along with provisions under breach of contract or NDAs and NCCs would go a long way in developing a culture of respect in industrial circles towards trade secrets and undisclosed information as proprietary assets of their owners. In absence of legislation, it is perhaps the only area where India is lagging behind as far as IPR is concerned.³⁸ In this context, the Indian Government took a step forward by releasing a draft National Innovation (NI) Act, 2008 to boost research and innovation.³⁹ The draft Act proposed by the Department of Science and Technology, Government of India has a three pronged approach. Firstly, it undertakes to encourage innovation through an innovation support system facilitated by public, private or public-private partnership. The second objective is evolving a National Integrated Science and Technology Plan. The third objective is codifying and consolidating a law of confidentiality in aid of protecting confidential information, trade secret and innovation.

The draft NI Act was widely speculated to be modeled on America's Creating Opportunities to Meaningfully Promote Excellence in Technology, Education, and Science Act – popularly known as COMPETES Act. The preamble of the COMPETES Act states that the objective of the law is to invest in innovation through research and development, and to improve the competitiveness of the United States.

The draft NI Act through codification and consolidation of the law of confidentiality demonstrates the significance of trade secrets and confidential information within the realm of innovation. Innovative ideas, products and business practices help enterprises to maintain competitive superiority in the market besides furthering their economic interests.⁴⁰ It is for this reason that there is a need to prevent others from taking advantage of another's breakthrough ideas and knowledge or in ordinary parlance, the confidential information or trade secrets. Section 2 (3) of the Indian Innovation Bill defines 'confidential information' as:

Confidential information means information, including a formula, pattern, compilation, program device, method, technique or process, that (a) is secret, in 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 circles that normally deal with the kind of information in question; (b) has commercial value because it is secret; and (c) has been subject to responsible steps under the circumstances by the person lawfully in control of the information, to keep it secret.

Under the draft NI Act, trade secret and confidential information are elucidated in Chapter VI titled as 'Confidential information, remedies and offences'. The obligation to maintain confidential information under the draft statute, rests on the contractual terms and conditions. The remedy in case of any right arising out of inequity is preventive or mandatory damages, on proof of breach of confidentiality. The draft NI Act lays down the following scope regarding trade secrets and confidential informations:

1 Section 8 of the draft NI Act casts an obligation of confidentiality to parties to contractually set out the terms and conditions governing rights and obligations in respect of confidential information to prevent misappropriation.

- 2 The confidentiality arising from non-contractual relationships such as equitable considerations may also create rights to maintain and obligation to preserve confidentiality and rights to prevent disclosure into public domain (Section 9).
- 3 The remedies to protect and preserve confidentiality and misappropriation include granting mandatory protective orders in connection with discovery proceedings, holding in-camera hearings, sealing the confidential information including confidential filings or records of the action, etc. (Section 10).
- 4 The exception to misappropriation of confidential information enumerates that confidential information shall not have been misappropriated if available in the public domain and held to be in public interest by a court of law (Section 11).
- 5 The remedy includes preventive or mandatory injunction restraining misappropriation of confidential information (Section 12), besides the mandatory damages (Section 13).

The draft Act has many salubrious provisions including the provision compelling the Ministry of Science and Technology to present an Annual National Integrated Science and Technology Plan to the government, tax and fiscal incentives for innovation and the creation of designated special economic zones for innovation. The management of intellectual property in trade secrets under the NI Act is dubbed absurd by many IP practitioners. They are of the view that the disclosure of the confidential information can be held to be in public interest only by a court of law. The ground for such criticism is the term 'public interest' which in the Act is too vague. Moreover, Section 12(4) which says that an injunction restraining uses of confidential information 'may stipulate conditions for future use upon payment of a reasonable royalty for no longer than the period of time for which use could have been prohibited' is also controversial. The proposed exception constitutes infringement and tantamount to introduce a compulsory license in trade secrets. To buttress this point, one may say that these provisions would make it possible for someone to steal the recipe for making Coca Cola and manufacture a drink using this recipe at a cheaper price, while paying a 10 per cent royalty fee.

On the positive side, the draft Act has suitably identified the performance metrics for building up an innovation-based competitive economy, although the parameters and roadmap for their execution are yet to

be designed.⁴¹ The draft Act is open to public suggestions and debate following which it shall become a final legislative enactment. The final Act should reflect the plans and measures to be undertaken in furtherance of the broad goals, the corpus to be set aside to realize them and should also identify the various governments and authorities responsible for clearances, infrastructural support, participation and benefit sharing. It also needs to be equipped with sound provisions for different sectors for execution of goals put down. The enforcement mechanisms and the infrastructural set up to effectuate the substantive provisions have to be stated clearly. There is a need to integrate planning with building linkages across different sectors to spur innovative activity.

Conclusion

Trade secret protection in India is still at a nascent stage as there is no special legislation codifying the principles of trade secret law. This is contrary to the global trend towards codification of common law principles for trade secret protection. The court's application and interpretation of common law approach to protect trade secrets had been found to be inconsistent in practice. Therefore, a statutory law on trade secrets and confidentiality in the framework of IPR is not only a good idea but a subject of utmost necessity. The propellers of industrial development in the information age protect trade secret under TRIPS Agreement.⁴² The TRIPS Agreement has mandated its Member States to amend their laws or develop new legislations in order to fulfill obligations under the Agreement. It is high time that the Parliament introduces supplementary provisions in Competition Act incorporating a separate chapter on use, misappropriation and regulation of confidential information. The Indian Penal Code, 1860 may be concurrently amended to contain provisions on the misappropriation of trade secret. The basic corporate enactment of Companies Act, 1956 should also include provisions on confidential information and trade secrets. Keeping in mind the above considerations, it would be reasonable to opine that India needs a statutory law on confidential information, not just to protect it but also to regulate its use and transfer. The response of Indian Government in promulgating draft National Innovation Act, 2008 to boost research and innovation is praise worthy but the need for a central legislation

on trade secret in the current globalized economy, with influx of multinational corporations and foreign direct investment demands high priority.

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