Protection of Intellectual Property in the Form of Trade Secrets

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The onset of globalization has lead to a surge in intellectual activity and thereby initiated a need for better methods on intellectual property (IP) protection. One of the forms of IP that will soon overpower other recognized forms of IP protection is ‘trade secrets’. The greatest advantage of this form of IP is that the protection provided is perpetual, thus gone are the days of limited monopoly. This new wave of protection is based on an element of trust of confidants who would maintain secrecy. But this system comes to a standstill when there is a breach of trust or confidence by confidants entrusted with such secrets or in case of companies when trusted employees are no longer in the service of the organization owning the trade secrets. This paper looks at the possible remedies that a trade secret owner who is also the employer, can get on such breach of trust or confidence. After identifying the models used by courts of developed countries, the author attempts to formulate a possible model that can be followed by Indian courts in counteracting this legal hurdle.

Keywords: Trade secret, intellectual property, inevitable disclosure doctrine

Intellectual property (IP) in the legal sense is a property, something that can be owned and dealt with. Statutory forms of IP are declared to be property rights. In certain instances, the assignment of IP rights is expressly governed by statute and, where this is so, assignment requires no consideration.¹

The notion of property as being merely tangible units has gone through a sea of change. The expression ‘property’ is a term of wide connotation. It is not only the thing, which is subject- matter of ownership, but also includes the dominium or the right of ownership or partial ownership.² The expression is indicative and descriptive of every possible interest which a party can have.³ It embraces within its purview both corporeal and incorporeal rights.⁴

The Supreme Court has held that ‘there is no reason why the word property as used in Article 19(1)(f) of the Constitution should not be given a liberal and wide connotation and should not be extended to those recognized types of interests which have the insignia or characteristic proprietary right’. Article 19(1)(f) has been deleted with effect from 1979 and although the right has been reproduced in Article 300A, the right to property is no longer a fundamental right but has been relegated to being a constitutional right. But the jurisprudence in relation to the interpretation of ‘property’ would be applicable in regard to Article 300A.

Private thoughts, ideas, plans, feelings, and goals may be kept private or made public. The onset of globalization and competition has lead to a scenario where laws are required to ensure exclusive access to individual thoughts and ideas. Though IP serves this purpose, it is also expected to be beneficial for the whole of society. Society seeks to maximize overall utility, which can be achieved by ensuring that new products and intellectual works are created. This in turn can only be ensured by the establishment of a legal system that ensures that these creations are protected. Limited rights are granted as incentive for the production of such goods. According to the utilitarian school, there is no natural right to control intellectual works. Rights to control are granted only because this policy acts as an incentive for authors and inventors to work in furtherance of greater and better intellectual pursuit.

All forms of IP law extend a private right to its holders, while some forms of IP protection have been extended by means of legislation. But there still exists a form of IP and associated rights and duties that have not been documented by means of legislation. This form of IP known as ‘trade secret’, has gained much importance in light of the market oriented culture that exists today.

Importance of Trade Secrets

Nowadays, while estimating the net worth of a company, one would find that the value of its
intangible assets would exceed far beyond that of its tangible assets. This difference in value is the market assessment of the intangible assets such as goodwill, branding, patents, trademarks, copyrights and trade secrets. Of these, trade secrets represent a large chunk of the intangible assets.

Trade secrets are rapidly becoming IP of choice due to their advantages in information economy. Machinery and mechanisms were the assets of the ‘industrial age’ that required the provisions of patent law to protect them. Trade secret law developed from the common law of unfair competition developed in the nineteenth century by English courts. The overriding policy of trade secret law, therefore, is to maintain and promote standards of commercial ethics and fair dealing. The necessity of good faith, honesty and fair play is the very life and spirit of the commercial world and represents the very basic tenet of business. In the ‘information age’, trade secret protection is better suited to the fast-moving and unpatentable confidential information, which is essential to run companies.

Trade secrets are different from other forms of IP since their protection requires establishment and maintenance. Although information technology age has made trade secrets immensely valuable, it has also made them more likely to be stolen. Here, trade secrets are more like goodwill and branding. The US courts have held that ‘the extent of a property right in a trade secret is determined by the extent to which the owner of the secret protects his interest from disclosure to others’. In light of its constraints it is usually seen that the management of trade secrets is often poorly understood and poorly performed even in the best of companies.

Trade secrets per se are much broader in their scope than patents, trademark or copyright. Patents require that the invention be novel, useful and non-obvious. They are required to be open for public disclosure and need to fall within the strict boundaries of the patentable subject matter. The protection conferred is not everlasting, the exclusive rights expire no sooner than 20 years from the priority date of the granted application. 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 or concept being communicated.

Trade secrets, on the other hand, do not require any conformity to the definition of patentable matter. They need not be novel or non-obvious. The entire object behind its secrecy is its utility so a trade secret has to be utilitarian in nature. The most important factor for a trade secret is that the content as well as the expression should remain a secret.

Confidential Information

The first and foremost factor in determining any breach of confidence is proving that the information in question is one that warrants protection. Justice O’Connor has said ‘It is first necessary that the claimant should absolutely make it clear and certain what it was that he alleged to be confidential which he sought to protect.’ If a claimant does not identify the information in sufficient detail, their action may be struck out on the basis that it is speculative and an abuse of process. Again, information is a very broad term and therefore it is essential that its boundaries be laid down. It is therefore seen that courts have been selective in deciding what constitutes confidential information. They have specifically excluded information that is trivial in nature, immoral, vague, and information which is in the public domain. Justice Megarry said that he doubted ‘whether equity would intervene unless the circumstances are of sufficient gravity; equity ought not to be invoked to protect trivial tittle-tattle, however confidential’. In many cases, the information protected by breach of confidence is detailed and specific, while some are more general ideas and concepts like television series. The claimant, a company, who was involved in developing methods of separating oil and water, brought an action against the defendants, who were former employees, from working in the same field. The court refused to grant relief, holding that the bare goal, purpose, or possibility, a mere speculative idea, was not capable of being protected as a trade secret.

One of the most important restrictions on the information that is protected by breach of confidence is that the action does not apply to material that is in the public domain. Information, which is prima facie in the public domain, does not warrant any protection.

The level of secrecy that is required to be ensured for confidential information is quite different from other forms of IP. It allows for a number of people to know about a secret without the information being considered to be part of the public domain. The status of information may however, change. A corollary would imply that it would be possible for information that is in the public domain to become a secret. Lord
Justice Shaw stated that ‘to revive the recollection of matters which may be detrimental or prejudicial is not to be condoned because the facts are already known and linger in the memories of others’.14

The degree of publication required, before secrecy is lost, depends on a range of factors. These would include the type of information in question, the domain in which the information was published, the degree of publication within that domain; the form in which the information was published and the vigour with which the information is likely to be pursued within that domain.12 Another factor that may be taken into consideration is the extent to which further publication would harm the claimant. In some cases, the requirement of harm and finding that the information is confidential, have operated as alternative grounds. Needless to say when the information is of confidential nature, certain questions may be raised with respect to their disclosure.

Mars v Teknowledge15

The claimants in this case designed and manufactured coin receiving and changing mechanisms which included ‘discriminators’ that functioned to determine the authenticity and denomination of a coin fed into the machine. One of the problems with the discriminators was that whenever there was a change in the coinage, they had to be re-programmed. The defendants developed a new discriminator ‘cash flow’, which had the ability to be re-programmed for a new coin data.

The defendant had in this case broken the encryption system and reverse engineered the cash flow discriminator. The claimants brought an action arguing, inter alia that the defendant’s activities by way of reverse engineering amounted to a breach of confidence.

Justice Jacob after noting that the machine was freely available in the market held that the encrypted information in the cash flow machine did not have the necessary quality of confidence. He said ‘anyone with the necessary skill to de-crypt had access to the information.’ In this case, the court held that the rarity of the skill would not serve as adequate protection as any buyer was free to acquire those skills.

Springboard Doctrine

The springboard doctrine developed by the English courts attempts to prevent a person from using any special information that may have been obtained in confidence from gaining an advantage over others who would have had to obtain the information by other means. In essence, the doctrine aims to ensure that a person who breaches a duty of confidence is not able to benefit from the breach.16 A person who has obtained information in confidence is therefore, not allowed to use it as a springboard for activities which are detrimental to the person who has made the confidential communication. Such information remains a springboard even when all the features have been published or can be ascertained by actual inspection by any member of the public.17 Although a person must not use the confidential information he acquires as a springboard, such a springboard does not last forever. There is a time period within which the court can restrain the activities of such person but such restriction is not forever. Courts have also held that due to the inability to conclusively determine as to when the ‘springboard’ started, and indicated that it would be more equitable to allow monetary relief rather than injunctive relief.10
specifically not to disclose trade secrets will rarely provide satisfactory protection because in most cases it is very difficult to segregate where skill and experience ends and trade secret begins.

Another option exercised by the employers is that the person having knowledge of the ‘inner workings and dynamics’ of the company is retained for a specified period of time during the course of which he does not attend work but is paid. The period is to be determined on the same basis as in the ‘springboard doctrine’ i.e., as long as the information the employee possesses is of importance to the company. Such form of retainership is usually termed as a ‘garden leave’.

In absence of an express duty of confidence in the contract of employment, courts imply certain limited obligations on the use that an ex-employee can make of the information acquired during the course of employment. In a normal business context, the obligations imposed are primarily limited to the use that can be made of trade secrets.

**What are Trade Secrets?**

The term trade secret is often used in relation to confidential information associated with industrial and commercial activity. But in certain circumstances judges have purported a different view. Justice Staughton differentiated trade secret from confidential information. A ‘trade secret’ has been characterised as

‘information which, if disclosed to a competitor, would be liable to cause real or significant harm to the owner of the secret. It must be information used in the trade or business, and ... the owner must limit the dissemination of it or at least not encourage or permit widespread publication'.

The modern definition of trade secret encompasses any information that can be used in the operation of a business or other enterprise and is sufficiently valuable and secret to afford an actual or potential economic advantage over others. Some states in the US have adopted the Uniform Trade Secrets Act, which provides protection for trade secrets if certain legal requirements are met. Two primary requirements are that ‘information not be generally known in the trade, which independently derives economic value, actual or potential, and that the trade secret holder takes reasonable measures under the circumstances to protect the information as a trade secret.

Thus, the novelty of the information is not essential, but it should be inaccessible. The information should be crucial to the holder due to its potential value. It is very difficult to compartmentalise ‘what is a trade secret?’ Trade secrets consist of virtually any information developed by a company through its efforts, unknown to it competitors. It must be material that is indigenously created, which has the potential of creating profit for the company. Trade secrets may be technical and business secrets. Technical secrets relate to the production of goods and services and may consist of an invention, a manufacturing process, chemical formulae or engineering and design drawings. They may also consist of craft secrets and recipes associated generally with cosmetic, food and pharmaceutical trades. Business secrets are generated by a company’s own activities, and include information on cost and pricing data, sales statistics, lists of customers and sources of supply, market projections and details of its promotional strategies and expansion plans. Such information may provide to a firm competitive edge over its rivals.

**Faccenda Chicken v Fowler**

The Court of Appeal held that, in deciding whether information amounts to a trade secret, a court should consider four factors, the first being the nature of the employment. Under this heading, the court would consider things such as how near the employee is to the ‘inner counsel’ of the employer. This is because only information which is made available to a select group of trusted employees is worth protecting. Secondly, the information must be specific and detailed in nature, a general business method or practice is not worth protecting. But it has also been held that information, merely because it is technical, does not imply it is a trade secret. If an employee is a specialist in any field their ordinary realm of knowledge may be very specific and detailed. Thirdly, whether the duty of fidelity and confidentiality has been impressed upon by the employer with respect to the specific information in question while entrusting it on the employee. Finally, whether the information can be easily isolated from other information, including the employee’s own knowledge known or gain by experience, which can be easily disclosed by the employee without being in breach of any covenant.

The quintessential reason for not patenting the matter is to prevent the information from coming into the public domain. Trade secret offers a means of securing information by the company for eternity. The formula for ‘Coca Cola’ is a trade secret since it is the...
essence of the drink. If the company were to patent it, monopoly over its usage would be lost after two decades or so. But if the formula is protected as a trade secret, then the formula to the drink remains with the company forever. There are certain aspects of trade secret that differentiate it from a patent. A trade secret as the name suggests has to be protected from outsiders, and this protection is private protection unlike patents which are protected by legislation. One of the doctrines developed by courts to justify injunctive relief to protect threatened disclosure of trade is called ‘inevitable disclosure’ doctrine.\(^{25}\) If one is to get relief under this doctrine, it has to be proved to the court that the plaintiff has made a \textit{prima facie} showing of existence of the trade secret. So if ever a trade secret were compromised, the greatest hurdle would be to prove ownership over the trade secret in question. In trying to prove that, often it is seen that the trade secret comes out into the public domain. Therefore needless to say a trade secret is an expensive investment, its basic tenet is secrecy i.e. keeping it away from the public domain and if ever law is resorted to for its protection, the element of secrecy may be lost.\(^{6}\)

**Remedies Available to a Trade Secret Owner**

**Position in the United States**

The primary remedy in any trade secret case in US is an injunction.\(^{26}\) The value of a trade secret rests upon secrecy. Any unauthorized disclosure or use of a trade secret causes irreparable harm as a matter of law because once another person obtains access to the trade secret without authorization, the value of the trade secret immediately diminishes. Once the ‘horse has left the stable’, damages are no longer an appropriate remedy.\(^{27}\) The only way the trade secret or whatever is left of it can be salvaged is by plugging the loophole. The issue of an injunction is an extraordinary remedy. The \textit{PepsiCo Inc v Redmond}\(^{28}\) case demonstrates the importance of moving quickly to protect trade secret rights. Redmond had worked for PepsiCo for 10 years, and was the general manager of one of its business units. In that position, he received and was responsible for implementing PepsiCo’s strategic business plans for the manufacturing, distributing, pricing, marketing, and advertising of PepsiCo’s sports drink. When Redmond left PepsiCo for Quaker (a rival company), PepsiCo sued alleging that he would inevitably disclose PepsiCo’s strategic plans in the course of his job at Quaker. The Circuit court acknowledged that the ‘question of threatened or inevitable misappropriation … lies at the heart of a basic tension in trade secret law, ‘resulting from the conflicting interests of employers, employees, competitors and society’. This tension is ‘particularly exacerbated when a plaintiff sues to prevent not the actual misappropriation of trade secrets but the mere threat it will occur.’ This decision now provides strong support for moving quickly to prevent the ‘threatened’ misappropriation of trade secrets and is quite apt in light of the ruthless commercial world.

But needless to say, an injunction cannot be issued on the mere possibility of unauthorized or potential use. There must be sufficient evidence of a probable loss or injury to justify injunctive relief. Now while granting this relief, the court has to consider (i) the employer’s interest to protect his trade secret assets, (ii) the employee’s interest to use protection of his mobility, and (iii) public interest to protect free and fair competition. The court is given a difficult task because the court has to arrive at a balanced decision taking into account all the above stated interests. All of them are interconnected, so the burden of proof is on the person trying to prove that disclosure has taken place. However, the essential character of a trade secret requires that its protection be ensured by private means, since any litigation involving trade secret is risky due to the possible destruction of the trade secret during the course of litigation.\(^{29}\)

**Inevitable Disclosure Doctrine**

The inevitable disclosure doctrine developed in the US courts protects intangible information. The information it might protect is not necessarily embodied in documents or disks that can be returned to an organization when an employee resigns. It is not something, which can be protected by a confidentiality agreement because the employee, in most cases, has not and does not plan to disclose confidential information, as it is traditionally defined. This doctrine applied by the US courts, now part of the Uniform Trade Secrets Act, loosely resembles a non-competition agreement. The theory has, on more than one occasion, been applied by courts to sustain an injunction to prevent a key employee from beginning a new job with a competitive employer, because he will inevitably (it is presumed) disclose proprietary information in the exercise of his new job’s duties.

The doctrine is applied in a situation, where the former employer and the new employer are
competitors, the employee’s new position is comparable to his or her former position, and the steps taken by the new employer to prevent misappropriation of trade secrets are mostly inadequate. It stretches traditional trade secret law, which allows remedy for misappropriation or threat of misappropriation, to the next level. Therefore it is quite obvious that negative know how that a company possesses is most often the one information which is most valued.

The ‘inevitable disclosure’ doctrine is the only means of protecting such types of trade secrets. The modern era of the ‘inevitable disclosure’ doctrine began with the case of B F Goodrich v Wohlgemuth.

Donald Wohlgemuth worked his entire career in the ‘pressure space suit department’ at B F Goodrich and had risen through the ranks to be manager of this highly specialized department in charge of all research and development regarding space suits. In 1964, Wohlgemuth announced his resignation to go to work for International Latex Corporation in their space suit department, which was 14 years behind B F Goodrich in the development of this specialised technology.

B F Goodrich sued Wohlgemuth to protect its trade secrets. There was no evidence of actual misappropriation of any trade secrets although Wohlgemuth was reported to have said to fellow employees that ‘loyalty and ethics had their price; insofar as he was concerned, International Latex was paying that price.’ Based on this record, the court had no reservation granting injunctive relief to prevent the threatened misappropriation of trade secrets. The court decreed ‘We have no doubt that an injunction may issue in a court of equity to prevent a future wrong although no right has yet been violated.’ Further, the court stated, ‘unless a restraining order is entered, Goodrich may suffer irreparable injury.’

The scenario now is that an employer seeking injunctive protection for his trade secrets prior to their disclosure has to allege that either the ex-employee actually intends to do so or that the type of work is such that he is subconsciously doing so. The situation is such that the threat of misappropriation of trade secrets can be enjoined without regard to proof of actual misappropriation or the intent of the former employee.

The applicability of ‘inevitable disclosure’ doctrine is strictly limited to the entry of injunctive relief. It is not a separate cause of action. An award of damages in a trade secrets case requires proof of actual misappropriation. The inevitable disclosure doctrine does not come into play unless and until the plaintiff has prima facie shown existence of trade secrets. If information sought to be enjoined from disclosure or use does not qualify as a trade secret, the court will not proceed further because the inevitable disclosure doctrine is irrelevant under such circumstances. Courts have enumerated several factors that bear on its application. These factors include: (i) whether the former and new employers are direct competitors, (ii) whether the employee’s new job is identical to the old one, (iii) whether the trade secret is clearly established and (iv) whether the trade secret is highly valuable to both employers. So essentially there can be no likelihood of success without showing of the existence of trade secrets entitled to protection.

Position in the United Kingdom

Interim Relief

The remedy most likely to be pursued by the claimant in cases of breach of confidence action is an interim injunction. Where the defendant proposes to publish the information, the claim for injunctive relief is normally directed at preserving the confidential nature of the information. In most cases, courts apply the ‘balance of convenience almost always favours restraint in order to ensure that the information remains confidential till the trial’. But now Article 12(3) of Human Rights Act, 1998, provides that where a court is considering whether to grant relief, which might affect the exercise of right of freedom of expression; no relief should be granted which would amount to restraining publication prior to the trial unless ‘the court is convinced that the applicant is likely to establish that such a publication should not be allowed.’ In some cases injunctive relief is sought to prevent use of confidential information. In such cases the wrongdoers are prevented from benefiting from their wrongful acts or continuing to inflict damage on the claimant. If a claimant succeeds at trial in establishing a breach of confidence, they are prima facie entitled to injunctive relief. But claimants are not entitled to injunction as a matter of right.

Damages

Where the obligation of confidentiality is contractual, the promisee will usually be entitled to damages for breach of contract under normal contractual principles. But damages for breach of equitable duty of confidentiality are still quite
debatable. The Court of Appeal has held that damages are to be assessed in reference to the market value of the information.\textsuperscript{33} Other techniques include damages by way of fair remuneration for a license, loss of profit the claimant would have gained, or the depreciation in value of the right to have the information to be kept confidential.\textsuperscript{27}

In general, a claimant relying on equitable duty of confidence is entitled to an account of profits for wrongful use or disclosure of confidential information. This restitutionary remedy is also available in cases where the obligation of confidence is contractual.

**The Indian Position**

As far as trade secrets are concerned, India is far behind in terms of standards followed in say US or UK. India does not have any specific dedicated legislation to protect trade secrets and the only means of protecting a trade secret is by a contract. In India, unlike in the West, no criminal action can be brought about for revealing confidential information. In fact in India restrictive covenants, non-disclosure agreements are the means of protecting trade secrets. Whereas in US, detractors of ‘inevitable disclosure’ doctrine argue that the doctrine permits employers to obtain ex post facto restrictive covenants that were not bargained for in advance by the employers with the employee, in India, such ex post facto restrictive covenants is the only way to protect trade secret rights under many circumstances. They are often viewed as contracts of adhesion executed by the employee before he is even exposed to any trade secrets. These contracts are not favoured by the courts and are unenforceable by statute in some states. The strict requirements of reasonable temporal and geographical limitations often are not adequate to protect trade secret rights that are world-wide in scope and perpetual in nature.

In India, there is only a civil remedy in the case if breach of trade secret or disclosure of information under the law of contract and the Specific Relief Act, 1963. No remedy under criminal law is available. A contract, which has for its object a restraint of trade, is prima facie void, unless a particular contract can be distinctly brought within the exception (1) of Section 27 of the Contract Act.\textsuperscript{34} A bare covenant not to compete cannot be upheld, unless it is ancillary to the main covenant and necessary to make it effective. It can be upheld only if it is reasonable and is consistent with interests of the public.

**Gujarat Bottling Co Ltd v Coca Cola\textsuperscript{35}**

Coca Cola had entered into an agreement with Gujarat Bottling Co Ltd to distribute the beverages sold under the trademark of Coca Cola. The agreement contained a negative covenant by means of which Gujarat Bottling Co Ltd could not manufacture, bottle, sell, deal in or otherwise be concerned with the products, beverages of any other brands or trade marks/tradenames during the subsistence of the agreement with Coca Cola. But shares of Gujarat Bottling Co Ltd were sold to a closely associated subsidiary of Pepsi, which later gave a notice to Coca Cola for cancellation of the agreement.

The Supreme Court laid down ‘that it was difficult to appreciate how Pepsi could ask Coca Cola to part with its trade secrets to its business rival by supplying the essence/syrup etc., for which Coca Cola holds the trademarks, to Gujarat Bottling Co Ltd which is under effective control of Pepsi. Pepsi took a deliberate decision to take over Gujarat Bottling Co Ltd with the full knowledge of the terms of the agreement. It did so with a view to paralyse the operation of Coca Cola in that region and promote its products. Gujarat Bottling Co Ltd, who was a party to the agreement, did not act in conformity with the terms set out in the said agreement. Neither the consent of Coca Cola was obtained for transfer of shares of Gujarat Bottling Co Ltd nor was Coca Cola informed of the names of the persons to whom the shares were proposed to be transferred. Since Gujarat Bottling Co Ltd has acted in an unfair and inequitable manner in its dealings with Coca Cola, there was hardly any occasion to vacate the injunction order passed by the Bombay High Court.’

The courts in India have also made a distinction between the extent of restraint applicable when the employee is still in service with the employer and after cessation of his employment with the owner of the trade secret. The covenant of restraint is applicable to the employee when he is still in service with the owner of the trade secret but if that employee is removed from service by the employer, then the post service covenant prohibiting him from starting a business of his own or joining service with another competitive firm will not be enforceable against him. Where the ex employer can prove to the court that there is not only a possibility but a probability of his trade secret being divulged by his ex-employee, then he can ask the court and get an injunction to protect the employer’s interest.\textsuperscript{36}
In India, most cases of trade secrets or confidential information are considered along with Copyright Act.

**Zee Telefilms Ltd and Film and Shot and Anr v Sundial Communications Pvt Ltd and Ors**

Where the plaintiff No 1, a company engaged in the business of television programming, video programming, multi media programming and feature films, television production etc., made a presentation to the defendant with the clear understanding that it was confidential and will not be used, exploited in any manner other than through the plaintiffs.

In this case, the Court relied upon the basic principles of the law of confidence as set out in Copinger and SkoneJames on Copyright, ‘he who has received information in confidence shall not take unfair advantage of it or profit from the wrongful use or publication of it. He must not make any use of it to the prejudice of who gave it, without obtaining his consent or, at any rate, without paying him for it. It has for long been clear that the courts can restrain a breach of confidence arising out of a contract or any right to property…If a defendant is proved to have used confidential information, directly or indirectly obtained from a plaintiff, without his consent, express or implied, he will be guilty of an infringement of the plaintiff’s rights.’

**Striking a Balance**

Trade secret law of any country or legal system essentially entails the following elements: (i) identification of a trade secret, (ii) determination of the extent of such breach and (iii) medium by means of which it was breached and finally the remedy. Identification of a trade secret and the extent of its breach, have been extensively debated in most legal systems and now it is quite clear as to how a trade secret is to be determined and what differentiates a trade secret from confidential information. Determining the extent of breach is purely a matter of fact and can easily be understood after identification of the trade secret. The ambiguity is in relation to the remedy. The US with its Uniform Trade Secrets Act of 1989 passed by about 40 states has more or less laid down the law. This Act differentiates between ‘injunctive relief’ and ‘damages’ and quite aptly so, since first and foremost the leak of information should be plugged and only then can one speak of remedy. In the United Kingdom, the situation is entirely different and courts have awarded different remedies including account of profits, damages, constructive trusts and interim injunctions.

India has not had much experience in relation to trade secret matters and the courts while determining would have a diverse array of ‘persuasive’ value precedents from all systems of law. Now with respect to post employment breach to a potential competitor or existing competitor has been quite conclusively dealt with under the inevitable disclosure doctrine. The ‘garden leave’ concept, which is loosely based on the ‘springboard doctrine’ (i.e., to keep the employee technically in the roster till the confidential information he has is of relevance to any competitor) is a capital intensive approach but then maintenance of trade secrets are expensive and if they are never disclosed, the owner technically retains monopoly for all eternity. Breach during the course of employment can be easily dealt with by non-disclosure clauses or even implied or express duty of fidelity in the contract of employment.

Needless to say, India is in desperate need of a dedicated legislation, which would concretise trade secret protection in India. Trade secrets as mentioned earlier are fast becoming IP of choice for many corporate bodies and therefore an effective expedient legislative intervention is felt even more. Trade secret jurisprudence is lacking in India and so courts are not self reliant in adjudicating disputes relating to any form of confidential information. This lack of self-reliance forces Indian courts to take refuge in foreign principles, developed by courts more experienced in the matter. This leads to ambiguity and ambiguity leads to delay. This delay proves to be costly and may even result in complete loss of a trade secret. Once legislation is in place it would immediately make trade secret owners aware of their legal rights and duties and therefore sensitise them as to their obligation. Most importantly a dedicated legislation would remove all doubts and misconceptions thus expediting the adjudication of all legal suits in relation to such matters. Delay in enactment of a dedicated legislation will bring it the same fate of tangled web of legislative ambiguity and complicated judicial reasoning shared by many legal concepts. This will in turn undermine the very purpose of having a trade secret in the first place.

**References**

1. Section 20 Indian Copyright Act, 1957. This is especially seen in case of copyright, when the owner of the copyright dies intestate, a statutory transmission takes place without any consideration i.e., the copyright is passed on to his legal representatives. If the manuscript of a literary, dramatic or
musical work, or an artistic work has been bequeathed to a beneficiary without specifically bequeathing copyright, the bequest will carry with it the copyright also unless a contrary intention appears from the will.

2 Shukla V N, Constitution of India, 10th edn (Eastern Book Company, Lucknow), 2003, p. 133.

3 Jones v Skinner, (1835) 5 LJ Ch(NS) 87.

4 Dwarkadas Shrinivas v Sholapur Spinning & Weaving Company AIR 1954 SC 119 (139).

5 The following are findings of a 2003 IPO survey on strategic IP management. Patents are often not viewed as a panacea but as a side show inasmuch as patents have limits, such as, publication, possibility of inventing around and inability to patent much innovation but proprietary technology is highly rated as a key source of competitive advantage and the really important intellectual assets are skills and knowledge (88% of responses), which implicates trade secrets. Another finding of this survey was that while some companies dominate an industry by controlling key patents, others do so by holding important technology as trade secrets. Patents are but the tips of icebergs in an ocean of trade secrets. Over 90% of all new technology is covered by trade secrets and over 80% of all license and technology transfer agreements cover proprietary know-how, i.e. trade secrets, or constitute hybrid agreements relating to patents and trade secrets’, quoted from Jorda R., The role and value of trade secrets in IP management strategies, 35th PIPA Congress (Toyoma, Japan) 2004, p. 2, http://www.ipmall.info/hosted_resources/pubspapers/jorda_role_value_trade_secrets_IP_Management.pdf, 8 March 2006.


10 Coco v A N Clarke (Engineers), [1969] RPC 41.


13 In patent law, a single disclosure to a person would imply that the information is in the public domain and such single act of indiscretion could challenge all claims of novelty and inventiveness, Secion 29 Indian Patent Act, 1970.


16 Seager v Copydex, [1967] 2 All ER 415.


19 Attorney General v Blake, [1998] 1 All ER 833. The courts have at times imposed more onerous obligations on more senior employees, primarily because of their fiduciary role that they play in respect to their employers.

20 Littlewoods Organisation v Harris, [1978] 1 All ER 1026.


22 Lansing Linde Ltd v Kerr [1991] 1 All ER 418.


24 Faccenda Chicken v Fowler, [1986] 1 All ER 617.


26 § 2 Uniform Trade Secrets Act is ‘injunctive relief’ and § 3 is damages, hence a clear intention of legislature to plug the leak first and then evaluate damages.


28 PepsiCo Inc v Redmond, 54 F.3d 1262.

29 FMC Corp v Taiwan Tainan Giant Industrial Co, 730 F.2d 61.


32 Hubbord v Vosper [1972] 2 QB 84.

33 Seager v Copydex [1969] 2 All ER 718.

34 Hariprasad v Benibai 1970 LJL 191.


37 Zee Telefilms Ltd and Film and Shot and Anr v Sundial Communications Pvt Ltd and Ors, 2003 (5) Bom CR404.

38 § 2, Uniform Trade Secrets Act.

39 § 3, Uniform Trade Secrets Act.

40 If a confider succeeds in a claim for breach of confidence, the court might order that property derived from the breach is held by the confidant on trust for the confider. The effect of this may be to enable a claimant to obtain priority over general creditors, to recover profits-from-profits made by the defendant, to obtain compound interest, and to bring an action outside the normal contractual limitation periods. Bently L & Sherman B, Intellectual Property Law, 1st edn (Oxford University Press, New York), 2001, p. 974-975.