



TRADE SECRET AND THEIR PROTECTION

Arpita daga

LLM , Jaipur National University.

Abstract

Our world is becoming even more open and inclusive. New ideas are widely shared on public platforms and more research is being published than ever before.

In this increasingly complex, highly competitive hyper connected world some things that ordinarily be protected by traditional Intellectual Property such as Patents, Trade Marks & Design Rights are best kept secrets. For e.g. Coca-Cola's taste, Google's search algorithm has immense value. These companies quickly recognized the value by these particular intellectual assets lay in their secrecy and by treating them as Trade Secrets; they could maintain their competitive advantage. Trade secrets are secrets that add value to a business. A generally less well known form of intellectual property right, for many years trade secrets have been in the shadows, but today they are gaining traction as an effective way to protect certain intellectual assets. Any commercially valuable and sensitive information- a business strategy, a new product roadmap, or list of suppliers and customers- can qualify as a trade secret. And unlike other Intellectual Property Rights, trade secrets can protect a much wider range of subject matter and are not limited to a set term of protection.

Trade secrets are not exclusive rights like patents, and therefore cannot be enforced against anyone who independently discovers the secret. However, any unlawful acquisition or misuse of a trade secret either under breach of confidence or theft is actionable. And the proprietor of the trade secret can get compensation and injunction in respect of such unlawful acts.

If trade secrets are property, then laws protecting them are normatively justified. The study provides economic and philosophical justifications for protection of Trade Secrets that indeed has cleared the dust in the air with respect to the ambiguity involved in considering trade secrets as Property. This study further gives an outline of the trade secret regime that exists in India and underlines its inadequacy in view of the statutes existing in other jurisdictions throughout the World.

Definition

Trade secret law is a branch of intellectual property law that addresses the protection of proprietary information against unauthorized commercial use by others. Misappropriation of trade secrets is forbidden.

Its forth yet important form of IPR. It can be anything a) a recipe of food, b) Manufacturing Process, c) Technology d) a chemical formula, e) Product design, f) customer & contact lists, g) Pricing schedule, h) marketing strategy.

Any confidential business information which provides an enterprise a competitive edge may be considered a trade secret. Trade secrets encompass manufacturing or industrial secrets and commercial secrets. The unauthorized use of such information by persons other than the holder is regarded as an unfair practice and a violation of the trade secret.

Introduction

The success of any business depends on its competence to obtain and maintain a combative advantage in the marketplace. Often, a company's competitive advantage is sustained by some form of formula, technique, knowledge or invention that a competitor does not possess. A company must take certain steps, once a company develops such a competitive advantage, to ensure its protection. Our world is becoming ever more open and inclusive. New ideas are widely shared on public platforms and more research is being published than ever before. In this increasingly complex, highly competitive, hyper-connected world, some things that might ordinarily be protected by traditional intellectual property (IP) rights such as patents, trademarks and design rights are best kept



secret. Everyone has heard of trade secrets. Employees are often asked to sign an agreement regarding their protection, whereas employers often worry that employees will move to a competitor and take the company's trade secrets with them. The Internet appears to contain information on every company now in business (and many no longer in businesses). Much of the public corporate information now available on the Internet would have been viewed as trade secret information just a few years ago.

Broadly speaking, any confidential business information which provides an enterprise a competitive edge may be considered a trade secret.

A trade secret is a form of intellectual property. It is defined as any information, process, formula, technique, or method that is not readily known by the public and provides an economic benefit to its holder. Popular examples of trade secrets include the recipe for Coca-Cola and the formula for WD-40. Trade secrets may also include items that a person or company has not chosen to patent yet, such as a new plant hybrid or mechanical invention. Popular examples of trade secrets include the recipe for Coca-Cola and the formula for WD-40. Trade secrets may also include items that a person or company has not chosen to patent yet, such as a new plant hybrid or mechanical invention.

Basically trade secret could be regarded as information that is not recognized and also is in position of adding economic value to the holder. In order to keep the status of information as trade secret holders must make adequate efforts to uphold its confidentiality. There are many types of information and processes that can be called as trade secrets. Some are: transforming raw material into such usable materials, any mechanism of manufacturing consumer products, technological advancement. Usually the information falls into one of several categories: formula, pattern, compilation, program, device, method, technique, or process. Coke's original formula is the canonical example. Trade secrets are also often referred to as "confidential information" or "classified information."

Trade secrets are protected under law, notably by the Lanham Act and Uniform Trade Secrets Act, however there is no formal registration procedure. Protection lasts only as long as the trade secret remains that way, but can last forever if nobody discloses the secret. Anything that has independent economic value for a company can be considered a trade secret. This includes:

- Recipes and formulas, like the KFC Colonel's secret recipe
- New inventions for which you have not filed a patent application
- Marketing techniques unique to the company
- Manufacturing methods
- A company's customer information

Not all trade secrets are necessarily intended to be kept forever. You may only need to keep them secret until you are ready to reveal them. For example, if you plan to patent your invention, it is only a trade secret until you do so, because your patent application effectively makes the information public.¹

Nature of the Trade Secret

The nature of the trade secret will decide what efforts are required to maintain trade secret class. Certain exchange secrets, inclusive of a secret system, are discrete and of apparent fee. other trade secrets and techniques aren't so discrete. In *Electro-Craft*,⁴ nine the court docket referred to that the claimed trade mystery was of a non intuitive nature, requiring the claimant to tell the personnel of the private nature of the precise facts.⁵ "presumably, if the claimed alternate mystery were a discrete components, the price and secrecy of which changed into apparent to the personnel, the court docket may additionally have observed exchange mystery reputation notwithstanding that the personnel were in no way specifically informed on the private nature of the data.

¹ <https://www.rocketlawyer.com/article/what-are-trade-secrets.rl>.



Further, the cost of the alternate secret to the enterprise will decide, in element, what efforts are reasonable to keep trade secret fame. If a corporation derives all or a extensive part of its sales from a single change secret, it's miles affordable to anticipate the business enterprise to undertake more enormous efforts to maintain secrecy than if the change key's liable for little or marginal revenue. Fifty two conversely, one can't reasonably be expected to spend more time and strength defensive a change mystery than is commensurate with its price.

In general, there are three elements that must be shown by plaintiff when bringing a trade secret action: (1) that the information produced a competitive advantage because it was not generally known; (2) that reasonable and diligent steps were taken to protect the information; and (3) that the information in question was acquired through deception or theft. Trade secrets are protected under state law. The majority of states have adopted the Uniform Trade Secrets Act (UTSA). UTSA is a model act that was developed by the National Conference of Commissioners on Uniform State Laws.

Trade Secrets In India

With recent advances in technology, as well as the ease of sharing, copying and storing information in the digital world, one of the biggest challenges that businesses face is the protection of their confidential business information. This information can include business strategies, proposals, client databases and information, compilations, designs, programmers, drawings, devices, formulae or compositions. Not all types of information qualify for protection under the patent and copyright laws; further, certain data arises out of a company's day-to-day operations for which formal protection is not sought, but which remains valuable.

Many businesses are finding it challenging to safeguard their crucial information, due to the various online and physical tools available to ease the transfer of data. The threat they face is not only external, but can also come from internal sources such as employees and contractors who have access to important business information.

Although India has no specific trade secrets law, Indian courts have upheld trade secrets protection under various statutes, including contract law, copyright law, the principles of equity and – at times – the common law action of breach of confidence (which in effect amounts to a breach of contractual obligation). Section 72 of the Information Technology Act 2000 also provides certain protection, although this is limited to electronic records.

The remedies available to the owners of trade secrets are

1. An injunction preventing a licensee, employee, vendor or other party from disclosing a trade secret;
2. The return of all confidential and proprietary information; and
3. Compensation for any losses suffered due to the disclosure of trade secrets.

Contract law

In India, a person can be contractually bound not to disclose information that is revealed to him or her in confidence.

However, in **Richard Brady v Chemical Process Equipments P Ltd*(AIR 1987 Delhi 372)* the court went further by invoking a wider equitable jurisdiction and awarding an injunction in the absence of a contract. The plaintiff had invented a fodder production unit and, for indigenous production of the same, had sought a supply of thermal panels from the defendant. The plaintiff shared technical material, detailed know-how, drawings and specifications concerning the fodder production unit with the defendant. An agreement was set out between the parties for the supply of specialized thermal panels; however, the plaintiffs later discovered that the defendants were unable to supply the required thermal panels and did not place an order. After learning about the defendant's own fodder production unit, the plaintiff filed a suit for misappropriation of know-how, drawings, designs and specifications disclosed to the defendant.



Copyright law

In some cases, the courts have recognized client information stored in the form of databases as copyrightable material. Section 2(o) of the Copyright Act 1957 defines compilations, including computer databases, as “literary works”.

In **Govindan v Gopalakrishna**(AIR 1955 Mad 391), which concerned a compilation, it was held that although the amount of originality in a compilation is small, it is still protected by law. Hence, no party may steal or appropriate the result of another's intelligence, skills or labor, even in such works.

The present legal position mandates that every effort, industry or expense of skill results in copyrightable work, but only those works are protectable which

1. are somewhat different in character;
2. involve some intellectual effort; and
3. involve a minimum degree of creativity.²

There is no particular law that protects trade secrets in India. Evolved through judgments, trade secret protection in India has been upheld on the basis of principles of equity and on common law action for breach of confidence. (High Court of Calcutta while summarizing the legal status of trade secret protection in India in the *Fairfest Media Ltd Vs Lte Group Plc and Ors* (Calcutta High Court, 8th January 2015).

Elaborating upon this, the Calcutta High Court in the *Fairfest Media Ltd vs. Lte Group Plc and Ors*, (2015)14 13 High Court of Calcutta while summarizing the legal status of trade secret protection in India in the *Fairfest Media Ltd Vs Lte Group Plc and Ors* (Calcutta High Court, 8th January 2015) , stated that “the essence of this branch of law whatever the origin it may be, is that a person who has obtained information in confidence is not allowed to use it as springboard for activities detrimental to the person who made the confidential communication.” The Indian case laws have tried to address various aspects of trade secret protection whether it is defining trade secret/confidential information or the grounds under which trade secrets can be protected or the scope of remedies. While the Indian courts have drawn extensively from English case laws, they are now increasingly relying upon the growing body of domestic jurisprudence on trade secret protection.

Trade Secret and Ethical Issues

Almost every business owns proprietary information that adds value and provides a competitive advantage because the information is not known to the business's competitors. Trade secret law protects such information from theft or unauthorized disclosure. Because one of the principal policies underlying trade secret law is the maintenance of standards of commercial ethics, trade secrets are a rich source of material for exploring questions of business ethics alongside the law. This pedagogical case study offers a means to examine the legal and ethical issues involving the protection and misappropriation of trade secrets within the business environment.

Decisions made by business managers are never made in an ethical vacuum; usually such decisions have a wide-reaching impact on shareholders, employees, consumers, communities, and other businesses. This case study provides a means to integrate the study of trade secret law with business ethics.¹ Trade secrets are a form of intellectual property and can consist of "any information that can be used in the operation of a business and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others."³ Trade secret law differs from other forms of intellectual property law because it does not impose liability for mere unauthorized use; rather, the defendant must have improperly used, acquired, or disclosed the trade secret as a result of some wrongful or unethical conduct, such as by theft, fraud, or breach of a confidential duty.¹ Indeed, the U.S. Supreme Court has explained that one of the principal policies underlying trade secret law is the maintenance

² <https://www.lexology.com/library/detail.aspx?g=c83e8a6c-a02e-44ba-8723-94087d2e5e20>.

³ RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (1995)



of standards of commercial ethics.⁴ At least as far back as the Middle Ages and the Renaissance, rules have existed to protect guilds and other businesses against those who used their ideas and processes without permission. Once a trade secret has been disclosed, even if inadvertently, its owner may lose all protection, no matter how much was invested in its creation.⁵ There have been numerous recent and well-publicized instances of trade secret misappropriation involving information technologies. The extent to which business managers might decide to appropriate or disclose another's trade secret may depend on several factors, including whether:

(1) they might get caught and punished, (2) they are harming an individual or entity, (3) the trade secret owner has done anything perceived to be wrong, (4) others have acted improperly as well, (5) the business will benefit from the action, and (6) whether the benefit outweighs the harm to the owner. Nevertheless, investors pay a price when it comes to light that businesses have engaged in illegal or unethical activities. The results of one study indicate the stock market "react[s] negatively to the release of news of firm illegality." While some trade secret cases involve industrial espionage or theft by competitors, the majority of cases have arisen in the context of departing employees accused of stealing proprietary information from their former employers. In today's competitive business environment, employees can "make or break" an enterprise when it comes to intellectual property (IP) protection. While there are several legal and technical mechanisms that can be put in place for protecting IP assets of enterprises, employee loyalty remains one of the biggest challenges faced by enterprises in protecting their IP. The adage "information is power" is very relevant to the whole concept of strategic use of trade secrets. When used strategically, trade secrets often provide a significant competitive advantage in the market place. Trade secrets are but one tool amongst a collection of different intellectual property tools and when used appropriately complement and strengthen the other tools. Enterprises that successfully protect their trade secrets strengthen other IP assets that they have; for example, when Coca-Cola protects its secret formula as a trade secret, by doing so it also strengthens its trademark. Since the market is changing so rapidly, and the fact that trade secrets can be independently discovered by others, enterprises are advised not to rely only on their existing trade secrets but to make continuous efforts to develop new trade secrets in order to remain competitive. In addition, this will be helpful in case of unwanted disclosure because the enterprises would be able to rely on a newer and better product or plan.⁶

There are three basic requirements for any information to be considered a trade secret and thus be legally protected

1. The information must be secret or shared in a context of confidentiality;
2. The information must have commercial value by virtue of being secret;
3. The owner of the information should have made reasonable efforts under the relevant circumstances to keep the information secret.

A trade secret may be any type of information such as formulae, devices, patterns, financial information, business plans, client lists, and unannounced products and so on that an enterprise considers being valuable and offers it an advantage over its competitors.

When deciding whether to rely on trade secret protection, an enterprise must consider the advantages and disadvantages of doing so in comparison with other IP tools.⁷

On the advantage side, a trade secret:

⁴ Kewanee Oil Co. v. Bicorn Corp., 416 U.S. 470, 481 (1974)

⁵ See UNIF. TRADE SECRETS ACT § I cit., 14 U.L.A. 433 (1985)

⁶ Wipo Magazine, Trade Secrets Are Gold Nuggets: Protect Them, April 2002

⁷ Intellectual properties for business series WIPO, Inventing The Future, 2006



1. Involves no registration costs
2. Is not limited in time
3. Is immediately effective
4. Does not require disclosure or registration with the government

On the other hand, the disadvantages include

1. If the secret is embodied in a product, others may be able to discover the underlying secret and use it legally by "reverse engineering" it
2. Protection is not granted if the secret is publicly disclosed
3. Protection is only effective against improper acquisition and use or disclosure of the confidential information
4. Protection is weaker than the protection granted to patents
5. If the secret is embodied in a product, others may be able to discover the underlying secret and use it legally by "reverse engineering" it
6. A trade secret does not protect against those who independently come up with the same confidential idea. As a consequence, a trade secret that is also patentable may be patented by another if independently developed by that other. This is in contrast to patents that protect the owner of the patent even against those who happen to independently develop the same invention
7. The law does not punish fair discovery, which includes discovery by legal means like:
8. Independent creation; trade secrets do not provide exclusivity, so anyone can discover your trade secret independently and use it or patent it.
9. Reverse engineering; this is a common practice employed to find out the mechanism or the ingredients of a product, when a competitor studies a product to duplicate it or even make a better product.

Redressal Mechanism And Need For Codification of Laws On Trade Secrets

Trade secrets in the industrial economy have increased greatly in the past few years, for a number of reasons. There are mainly two reasons for that, one among them is that other forms of intellectual property like Patent, Trademark and Copyright have an element of uncertainty as compared to Trade Secret. Secondly, trade secrets have gained importance because, in many fields, the technology is changing so rapidly that it has surpassed the existing laws intended to encourage and protect inventions and innovations.

There are many significant factors which has enhanced the value of trade secrets is the relative ease of creating and controlling trade secret rights. There are no bureaucratic delays and no multiyear waits for government grants, such as those for patents. Trade secret rights, in contrast, can be established by the explicit conduct or agreement of the interested parties. They also have the advantage of being lasting forever, again, as long as secrecy is maintained.

Of course, trade secrets have negative aspects. They are a volatile form of property, and they terminate when secrecy is lost. Also, they require constant vigilance to protect them. Nevertheless, trade secrets play a major role in protecting innovations and establishing rights to use new technology. It is universally important that the information that is to be guarded as a trade secret must be kept 'secret'. The extent to which such fact or the information is known to the outside world, how much of such information is known to the employees and the risk of having such information in the hands of the competitors are the most important factors to determine the trade secret.

However, it is only the effects of breach of confidence in the legal contracts or breach of trust that are protected. There is no particular law with which trade secrets can't be protected, as they are secrets but they can surely be protected by various others laws such as criminal law, the laws governing employee/employer relations and fiduciary obligations, unfair competition law and contract law. If a producer or a company reveals information to a third party that is a trade secret, it is very important that the party should have made an agreement that includes of what constitutes a trade secret and who owns that proprietary material. In any developing country, protection of



intellectual property is one of the most significant tasks, as it encourages foreign investment in many fields. India does not have any proper laws for protection of Trade Secrets, we still depend on the old traditional Common Law Principles for Protection of Trade Secrets; these Common Law Principles have lost their significance in the scenario of the developing Economy. There is a dire need for a Proper Policy Frame work to regulate Protection of Trade Secrets. There are a lot of Companies, especially chemical companies who prefer Trade Secrets as a form of protection for their Intellectual property; these companies are reluctant to invest in India just because India cannot offer proper protection for their Trade Secrets.

India is losing on a lot of foreign direct investment because of this.⁸ There is no specific legislation in India to protect trade secrets and confidential information. Trade secrets are protected in India either through contract law or through the equitable doctrine of breach of confidentiality. It is common to insert clauses that protect the confidentiality of the secrets of the company in the agreement with the employees not only during their employment period but also after they are terminated.⁹

In the absence of specific legislation defining and governing trade secrets, the Indian courts are often guided by common law and the principles of equity, fair play and good faith. Further, parties often buttress their arguments with precedents from foreign jurisdictions such as the United Kingdom (which, like India, is a common law jurisdiction). An example of foreign legal dogma seeping into the Indian system is the springboard doctrine, which has been followed in several cases involving the illegal or unauthorized use of trade secrets. This doctrine has evolved from the principle of equity, whereby a court may grant an injunction to restrain a wrongdoer from deriving an unlawful advantage from such wrongdoings.

The springboard doctrine prescribes that courts are bound to restrain someone who has come into the possession of certain information and is unlawfully using it as a 'springboard' to derive economic or commercial gain at the detriment of the rightful owner. In the 2012 UK case of *QBE Management v Demote*, the tenets of the springboard doctrine were summarized:

1. Where a person has obtained a head start as a result of unlawful acts, the court has the power to grant an injunction which restrains the wrongdoer so as to deprive him or her of the fruits of such unlawful acts. This is often known as 'springboard relief'.
2. The purpose of a springboard order is to prevent the defendant from taking unfair advantage of the springboard.
3. Springboard relief is not confined to cases of breach of confidence; it can also be granted in relation to breaches of contractual and fiduciary duties.
4. However, springboard relief must be sought and obtained at a time when the wrongdoer is still enjoying an unlawful advantage.
5. Springboard relief should have the aim "simply of restoring the parties to the competitive position they each set out to occupy and would have occupied but for the defendant's misconduct".
6. Springboard relief will not be granted where a monetary award would have provided an adequate remedy to the claimant for the wrong.
7. Springboard relief is not intended to punish the defendant for wrongdoing. It is merely designed to provide fair and just protection for unlawful harm on an interim basis. What is fair and just in any particular circumstances will be measured by the effect of the unlawful acts on the claimant, and the extent to which the defendant has gained an illegitimate competitive advantage.¹⁰

⁸ <http://www.legalserviceindia.com/article/1123-Trade-Secrets.html>

⁹ <https://blog.ipleaders.in/laws-protection-trade-secrets-india/>

¹⁰ <https://www.remfry.com/wp-content/uploads/2017/11/the-viability-of-trade-secret-protection-managing-the-ip-lifecycle-sept-2013.pdf>



The legislations which are having a connection with the trade secrets can be summed up as

1. Copyright Act, 1957[Section 51, 55 and 63]
2. The Designs Act, 2000
3. The Information Technology Act, 2000[Section 65, 72]
4. Indian Penal Code [Section 408, 415]
5. The Indian Contract Act [Section 27]
6. The Competition Act, 2002 [Section 3]
7. Civil Procedure Code
8. Criminal Procedure Code

Below mentioned are the various cases in which an attempt has been made to protect the trade secrets under the heads of their respective legislations:-

Copyright Act, 1957

A. Burlington Home Shopping Pvt. Ltd. Vs Rajneesh Chibber¹¹

The main issue in this case was whether a database consisting of compilation of mailing addresses of customers could be subject matter of a copyright and whether the defendant can be said to have committed infringement of the plaintiff's copyright? The court held "a database consisting of compilation of mailing addresses of customers can be subject matter of a copyright and if used by the defendant will amount to an infringement"

B. Mr. Diljeet Titus Vs Mr. Alfred A. Adebare and Ors¹² In this case the issue was whether compilation of list of clients and their addresses amounts to a 'literary work' wherein the author has a copyright? The Court came to the conclusion that list of clients and their addresses amounts to a literary work, which falls under the purview of the copyright act.

C. Mr. Anil Gupta and Anr. Vs. Mr. Kunal Dasgupta and Ors¹³

There were two main issues before the court in this case. First was, Can there be a copyright in an idea, subject matter, themes, and plots based on historical characters and the second was, Where the theme is the same but is presented and treated differently so that the subsequent work becomes a completely new work, does a question of violation of copyright arises. The court held "concept developed and evolved by the plaintiff is the result of the work done by the plaintiff upon material which may be available for the use of anybody but what makes it confidential is the fact that the plaintiff has used his brain and thus produced a result in the shape of a concept". And therefore the plaintiff can claim copyright over it.

D. Puneet Industrial Controls Pvt. Ltd. vs. Classic Electronics¹⁴

One of the issues in this case was whether the defendants are guilty of infringement of the plaintiffs Copyright under Section 51 of the Copyright Act, 1957. In this case the plaintiff, who was engaged in the manufacturing and selling broad range of electric goods, alleged that his relative, misusing the trade secret and confidential information, had started his own manufacturing unit and started imitating the products of the plaintiff. The court held that plaintiff had copyright over the information and restrained the defendants from imitating the products of the plaintiff.

¹¹ Burlington Home Shopping Pvt. Ltd. Vs Rajneesh Chibber 61(1995) DLT6

¹² Mr. Diljeet Titus Vs Mr. Alfred A. Adebare and Ors
2006(32)PTC609

¹³ Mr. Anil Gupta and Anr. Vs. Mr. Kunal Dasgupta ors 97 (2002) DLT 257

¹⁴ Puneet Industrial Controls Pvt. Ltd. vs. Classic Electronics (1997)
Sup ARBLR 195 Delhi(1997)



In the above cases attempt has been made to protect their trade secrets under Copyright Act. The primary attempt of the Court in the above cases is to determine whether the trade secret falls within the definition of designs and copyrights in the respective Acts. But the courts have not shown consistency in their stand. In Burlington Home case¹⁵, the Delhi High court held that customer list could be protected as copyright. The same court took the opposite view in American Express case¹⁶, because, the court held, in the case of a customer's list there is only compilation and no adaptation. The courts have also held that copyright can be claimed over industrial drawings¹⁷. Designs Act, 2000

A. Tractors and Farm Equipment Ltd. vs. Green Field Farm Equipments Pvt. Ltd. and Ors.¹⁸

The picture that emerges from the above case law is that the court shall entertain injunction only if the same is protected either through Copyright or Designs along with a non-disclosure agreement.

Attracting Criminal Liability

A. Pramod s\o Laxmikant Sisamkar and Uday Narayanrao Kirpekar Vs Garware Plastics and Polyester Ltd. and Anr¹⁹

The Respondent contending that the action of the petitioner's amounts to Criminal Breach of Trust and cheating as the technical know-how acquired by the respondents amounts to 'property', filed a criminal complaints. Court did not answer the question of whether a trade secret amounts to being a property, because the case hadn't satisfied the other requirements for attracting criminal liability. The plaintiffs failed to prove the dishonest intention on the part of the appellants. The court evades in deciding as to whether it would amount to 'property'. But, the court had made an observation that if the petitioners use the technical knows how in contravention of the agreement of service, then section 408 and 420 can be attracted. But as the burden of proof in criminal cases is much higher in criminal cases, its scope is minimized.

Contractual Liability (Section 27 of the Contract Act)

A. Control Print (India) Limited Vs. Sanjay Sribastab and Ors²⁰

The Court held that in order to prove that the confidential information will be or is being used by the ex-employee, it has to be proved to the satisfaction of the court that the ex-employees or the defendant by virtue of the their employment had access to the secret information which was not available to any outsider unless this is proved there is no scope of granting injunction.

B. Shree Gopal Paper Mills Ltd.Vs.Surendra K. Ganeshdas Malhotra²¹

In this case the plaintiff's sought to restrain the defendant during the continuance of the agreement of employment. The court did not grant injunction and dismissed the appeal on the following grounds:-

a. The master is entitled to be protected only in regard to his interests in trade secrets and secret process of manufacture. And also in regard to invasion of his customers

¹⁵ 61(1995) DLT 6

¹⁶ (2006)IIILLJ540Del

¹⁷ John Richard Brady and Ors V. Chemical Process Equipments P. Ltd. And Anr, AIR1987Delhi372

¹⁸ 2006(32)PTC343(MAD)

¹⁹ 1986 (3) Bom.C R411

²⁰ (2006) 2CAL LT145(HC)

²¹ AIR1962Cal61



- b. The restraints imposed by the contract are alleged to be not reasonable in the interest of the defendant and to be against public policy.
- c. The master is not entitled to be protected against competition.
- d. In the present case the restraint sought to be enforced is not against protection of trade secrets or of trade connection.

D. American Express Bank Ltd. vs. Ms. Priya Puri²²

The Relief sought in this case was an order for temporary, interim injunction. The court did not grant it. Grounds on which the petition was dismissed were: The court held that the said clause restrained the defendants only from doing any activity competing with the business carried out by the plaintiff's company. The restraint clause didn't prevent doing business to the business carried out by the plaintiffs Companies. Merely because the defendants have started similar business it cannot be said that the same amounts to competition with the business of the plaintiffs companies

Legal remedies available to trade secret owner civil remedies

The owner of the trade secret can file a civil suit seeking an injunction against the unauthorized or illegal user, and can also demand the return or destruction of physical material (in respect of the trade secret being misappropriated). The probability of obtaining an injunction from the Indian courts is based on certain basic principles formulated in the Code of Civil Procedure 1908:

- A prima facie case in favor of an injunction exists.
- The balance of convenience is in favor of granting the injunction. There is a risk that, in the absence of an injunction, the owner will suffer irreparable loss and injury. In addition, the owner of a trade secret has the right to claim damages. However, the Indian courts do not usually award exemplary damages and the claiming party is required to adduce proof of actual damage. Criminal remedies The owner of a trade secret can lodge a criminal complaint with the police and may allege theft under Section 378 of the Penal Code 1860. However, in order to satisfy the requirements of Section 378, the trade secret should have physical form (e.g., client lists, formulae or blueprints) and must be proven to have actually been stolen. A complaint alleging criminal breach of trust under Section 408 of the code, read with Section 420 alleging cheating, may also be initiated. However, the same would apply only in situations where an agreement (express or implied) of trust exists and has been contravened.

One effective tool available to protect trade secrets is for the owner to enter into nondisclosure agreements with employees or third parties. Such restrictive covenants are considered reasonable and non-conflicting with public policy. However, the situation is different with respect to negative covenants (aimed at protecting trade secrets) that impose restrictions on a former employee following termination of employment. In the context of an employer-employee relationship, the Indian courts have repeatedly ruled against agreements that curtailed an individual's right to carry on a trade, business or profession of his or her choice on the grounds of violating Section 27 of the Contract Act 1872. An absolute prohibition on an employee (eg, in terms of territory or time period) being engaged by a competitor following the termination of employment is certainly unreasonable. In the 1980 Supreme Court case of Superintendence Company of India (P) Ltd v Krishnan Murgai, it was held that neither the test of reasonableness nor the fact that the restraint was partial could override the mandate of Section 27. In this case, a clause restraining a former employee from working in the place of his last posting for two years post employment was held to be contrary to Section 27. However, decisions are made on a case-by-case basis and, on occasion, reasonable conditions imposed by an employer to protect its trade secrets have been upheld Lastly, with respect to an employment arrangement, the Indian courts might wish to take a cue from their foreign counterparts and recognize concepts such as garden leave clauses in employment contracts. Such provisions are necessary in the present economic scenario for the effective protection of trade secrets, and must be respected as a

²² 122(2005) DLT421



business choice that does not contravene Section 27 of the Contract Act. The law of trade secrets is evolving globally and consolidated efforts towards their Protection is certain to foster growth and to provide a more congenial business environment, as well as healthy competition.²³

Conclusion

It is submitted that as explained hereinabove, the common law trinity of equity, breach of confidence and contractual obligations for the protection of trade secrets is well suited to business requirements in India. India's position should not be mistaken to connote that there is insufficient protection accorded to trade secrets and confidential information in the country. In fact, it must be clarified that Intellectual Property may not be the correct form of protection accorded to trade secrets. Trade Secrets rely on their nature of secrecy which precludes the quid pro quo disclosure required by the State before granting a statutory right of monopoly. Moreover, secrecy prevents the subject matter from being tested with regards to the scope of "has commercial value" and "has been subjected to reasonable steps of secrecy". It is also pertinent to note that statutory enactment may not be sufficient to define the scope of what constitutes trade secret and protection thereof which could be more adequately handled on a case to case basis by the common law approach. It would be apposite to mention that legal proceedings and pleadings pertaining to trade secrets should be based on high modicum of confidentiality to protect the nature of the information as such.

Trade secrets are an important, but an invisible component of a company's intellectual property portfolio of assets. They can add tremendous business value, so they need to be properly and professionally managed, and looked after. Trade secrets should be on the agenda of any in-house intellectual property function as well as on the agenda of any Legal or IP Firm advising organizations. As stated earlier, trade secret legislation is likely to strengthen in key jurisdictions, interestingly at a time when patents seem to be weakening in some locations. Trade secrets can be the crown jewels in an organization's intellectual property portfolio. As listed earlier, they possess some clear advantages over other forms of intellectual property. However, trade secrets only work if managed properly and they are well looked after. Trade secrets also have some disadvantages which need to be properly understood. It is not misappropriation of a trade secret to independently discover the secret information, or to reverse engineer it from a properly obtained source. An organization should therefore take a broad holistic approach to intellectual property and consider how to leverage all of the different forms that exist, such as trade secrets, patents, publications, etc. as each form has different pros and cons. Proper and professional trade secret management requires a thorough understanding of this particular form of intellectual property, a fit for purpose trade secret management process underpinned by a robust trade secret management system, plus a good governance process together with regular trade secret audits.

At last it is distressing to accept the fact that the Indian law does not place any sort of relevancy upon the growth of new and developing IPR laws in the world. New trade secret legislation is, therefore, the only way to ensure strong and effective IPR protection which would in turn open up new and profitable avenues for the business scenario in India to prosper.

²³ <https://www.remfry.com/wp-content/uploads/2017/11/the-viability-of-trade-secret-protection-managing-the-ip-lifecycle-sept-2013.pdf>