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Protection of Trade Secrets as Intellectual Property in India: A Critical Analysis

■ Shumi Wasandi



Intellectual property is, legally, a form of property, i.e., something which can be owned and legally enforced.

The globalisation and

liberalisation of markets has intensified the significance of Intellectual Property Rights in all forms of transactions. On the international level, the agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), which is a part of the World Trade Organisation (WTO) Agreement has defined the minimum standards to be complied by member states with respect to legislations recognising and protecting IPRs. India, a signatory to the TRIPS Agreement, has successfully brought the legislations concerning patent, copyright, trademark, industrial design, and geographical indication in harmony with the international standards laid down by TRIPS. However, one particular form of Intellectual Property that TRIPS has recognised is 'trade secrets' or 'undisclosed information', has not been covered under any specific legislation in India even though trade secrets have always been a valuable asset for businesses of all types and sizes for centuries.¹

MEANING OF TRADE SECRET

TRIPS Agreement was the first multilateral agreement to directly address trade secrets

protection, and in its Article 39 lie the essential requirements of 'undisclosed information' or trade secrets. The approach laid out in the TRIPS Agreement is based on the notion that protection against unfair competition should include protection for undisclosed information. In presenting this approach, the TRIPS Agreement makes reference to the prior-existing protection against unfair competition as presented in the Paris Convention for the Protection of Industrial Property (1967), a convention administered by the World Intellectual Property Organization (WIPO).² TRIPS Agreement stipulates the following three essential conditions which are to be fulfilled by any information before it can qualify as "undisclosed information" (trade secret):³

(i) Such information must be a secret. i.e., not generally known or readily accessible to persons within the circles that normally deal with the kinds of information in question.

(ii) The information must have commercial value because it is a secret.

(iii) The information must be the subject of reasonable steps by its owners to keep it a secret.

Trade secrecy does not provide an exclusive



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right to use the undisclosed information so protected. Obtaining of such information by a third party and entering of the information into public domain are both permitted provided it is carried out by fair means. Thus, unlike patented inventions or copyright protected content, trade secrets are not protected for a statutory time limit and they can run out in the regular course of competition. The scope of trade secret protection broadly concerns three categories of information:

- a) technical information;
- b) confidential business information;
- c) knowhow

Technical information typically includes industrial processes, blueprints,

formulae and similar information regarding technology. Confidential business information typically includes customer lists, financial information, business plans and similar information regarding the operation of a business. Know-how includes information about methods, steps and processes for achieving efficient results. Most countries recognise the first two categories, often without demarcating them. Know-how is a term commonly used both in discussion of proprietary information and in agreements, but it enjoys less formal recognition as a separate and defined category of trade secrets.

However, the TRIPS Agreement does not specify a detailed framework to be adopted by the signatory states for

protection of undisclosed information/ trade secrets. Therefore, it is left to the discretion of each country to enact a sui generis legislation for the same according to their needs and conditions.

EVOLUTION OF TRADE SECRET PROTECTION

The protection of trade secrets is a well-established concept, functionally related to the impact of innovation in the evolution of the economy⁴. Secrecy has been a part of trade for thousands of years. Trade secrecy is a legal regime that protects relationships of trust. Before the industrial age, innovative craftsmen would keep their 'tricks of the trade' closely held through small, family-owned shops. Trade secrets seem to owe their origin to the common law.

Until the emergence of the globalised economy, the legal framework governing trade secrets in a nation was dictated by local socio-economic sensibilities; thus, remained heterogeneous across nations. However, with the changing dynamics of economy worldwide, information has become the new gold. This has given a new boost to the significance of trade secrets, and has generated the demand for a uniform standard of protection across national boundaries. In today's economy, information and know-how - representing the result of R&D investments, creativity and business initiative, have become the key factors for developing and maintaining competitive advantage, for both businesses and governments.

TRADE SECRET PROTECTION IN INDIA

India started becoming a party to international agreements concerning protection of IPRs in the late twentieth century. Despite being a signatory to the TRIPS agreement and bearing an obligation to comply with the requirements of Article 39 by the year 2005, India, as of 2019, does not have legislative protection for trade secrets. The trade secret law in India is dispersed across a variety of legislations, principally Contract laws, Tort laws, Copyright laws, Information and Technology laws as well as judicial decisions; therefore, there is no uniform standard for the identification, recognition, and protection of trade secrets within India's national IPR regime. The Government of India, on May 13, 2016, announced the National IPR Policy with a view to

promote creativity, innovation and entrepreneurship. The policy identifies protection of trade secret as one of the areas of study and research for future policy development.

Trade secrets seem to be a neglected field in India with no policy framework or specific enactment for the protection of the same. For securing the business interests of foreign investors and boosting the Indian economy, it is imperative to consider the feasibility of legislation for protection of trade secret as intellectual property under the 'sui generis' system as provided for under Article 10bis of the Paris Convention, and Article 39 of TRIPS in order for India to function on par with other developed nations in international trade and business.

MAKING A CASE FOR SUI GENERIS TRADE SECRET LEGISLATION IN INDIA

It is urged that a sui generis trade secret framework should be crafted in commensuration with the slogan of the National IPR Policy, 2016- "Creative India; Innovative India".

NEED FOR SUI GENERIS TRADE SECRET LEGISLATION

- Business organisations, in a knowledge economy, invest in acquiring, developing and implementing innovative know-how, which is a source of competitive advantage to them. Therefore, they seek to protect such know-how through intellectual property rights. The valuable know-how, which is

intended to be kept confidential, is termed as a business's trade secret and merits protection under the intellectual property rights regime.

- India, despite being a key player in international trade and business, and a signatory to the WTO TRIPS Agreement, does not have trade secret legislation, while its counterparts around the globe have a systemised trade secret protection mechanism in place such as the Uniform Trade Secrets Act adopted by the United States of America. And, due to lack of a dedicated legislation and the underdeveloped jurisprudence related to trade secrets in India, the courts refer to foreign principles and settle disputes on a case to case basis. This often leads to ambiguity and consequent delay. Such delay can cost heavily to business interests. With trade secrets increasingly becoming the intellectual property of choice for corporates and business houses, there is an imminent need to formulate a dedicated framework for tackling legal issues involved therein.

- The dissemination of knowledge and information is quintessential to a dynamic business environment. Intellectual creation and innovation in an internal market is boosted by minimising barriers to cross-border collaboration, enhancing cooperation and facilitating employee mobility. Trade secrets play a key role in protecting the exchange of knowledge between businesses, both within and across the borders of an internal market. Trade secrets are one of the most commonly used forms of protection of intellectual creation and



innovative know-how by businesses, yet at the same time they are the least protected by the existing national legal framework against their unlawful acquisition, use or disclosure by other parties.

KEY PROVISIONS OF THE SUI GENERIS TRADE SECRET LEGISLATION

- The definition of trade secret should cover know-how, business information and technological information where there is both a legitimate interest in keeping them confidential and a legitimate expectation that such confidentiality will be preserved. Furthermore, such know-how or information should have a commercial

value, whether actual or potential. The lawful as well as unlawful acquisition, use and disclosure needs to be demarcated.

- To ensure the free flow of knowledge and encourage innovation, the legislation should not make trade secret an absolute right but have limitations imposed by law in public interest.
- The legislation should provide protection to whistle-blowers and their freedom should not be restricted because of protection of trade secrets.
- The legislation should provide safeguards for preservation of secrecy during pendency of legal proceedings and set out the remedies which may be

sought in cases of unlawful exploitation of the information involved.

BENEFITS OF THE SUI GENERIS TRADE SECRET LEGISLATION OVER CONTRACTUAL OR TORTIOUS PROTECTION

- An independent legislation would recognise trade secret as a distinct legal entity meriting protection. The protection will no longer have to be occasioned solely by the volition of the parties involved.
- There would be uniformity in the scope of trade secret protection, by way of a commonly-accepted definition of what a trade secret is. Information possessing potential commercial value



can be explicitly included within the ambit of trade secret protection by way of a statutory definition. Similarly, the contours of what is lawful acquisition, use and disclosure of trade secrets, and what conduct would amount to its misappropriation, would be defined.

- One of the most striking advantages of a dedicated legislation for trade secret protection over contractual protection is the demarcation of third party liability. Due to the rules of privity of contract, third party liability in cases of trade secret misappropriation cannot be ascertained when the trade secret involved is protected through a confidentiality agreement.

- Legislation would take care of maintenance and preservation of secrecy of the trade secret in the light of every conceivable contingency, which a contract between parties might fail to address given

its ad hoc nature and purpose. For instance, the preservation of secrecy during legal proceedings can be ensured under legislation by mandating it for the court itself to take the required measures to achieve the end of preservation of secrecy. Any party disobeying the court's orders against disclosure would be subjected to further consequences.

- Legislation would render possible the imposition of public policy limitations on guarding trade secrets thereby ensuring that public interest prevails over the commercial interests of the private parties involved.

With increasing globalisation and digitisation, it won't be long before the inadequacies of the existing framework start hurting the legal and business interests of India. In view of the above, a sui generis for trade secrets has become the need of the hour. [W](#)



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¹Saunders, Kurt M. "The Law and Ethics of Trade Secrets: A Case Study," 42(2) CAL. W. L. REV 209 (2006).

²Douglas C. Lippoldt and Mark F. Schult, "Uncovering Trade Secrets - An Empirical Assessment of Economic Implications of Protection for Undisclosed Data", OECD Trade Policy Paper No. 167 (7th August, 2014).

³The Agreement on Trade Related Aspects on Intellectual Property Rights (TRIPS), Article 39.

⁴The European Commission, Report of Study on Trade Secrets and Confidential Business Information in the Internal Market (April, 2013).