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INTELLECTUALIS

Trade Secrets: An Emerging Field Across Various
Sectors



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Editors' note

Dear Readers,

We proudly present the Second edition of Volume 5 of Intellectualis, with the theme 'Trade Secrets: An Emerging Field Across Various Sectors.' The vibrant world of customary commercial trade and business practices is a confluence of various creative energies and ideas. This hub of creativity is inevitably in need of protection and here comes the tryst with IP law. In this edition, we have directed students to critically analyze the feasibility of protecting trade secrets as an emerging form of intellectual property, its current and future scope in Indian jurisprudence and the need to protect such sensitive, confidential and non-personal information through contractual terms across customary industry practice. These pieces also show the readers how trade secrets can overlap with other forms of IP such as traditional knowledge & patents and are relevant across fields such as healthcare, medicine, sports, film, technology and outer space. Furthermore, the junior members in our committee have contributed to writing case analyses on various landmark trade secret cases in the recent years which have impacted the way Indian companies do its business.

We hope that you take the time to read what our e-newsletter has to offer. We would like to extend our gratitude to the student body of School of Law, CHRIST (Deemed to be University) for their overwhelming response to the newsletter. This edition would not be possible without all our committee members, especially those in the Research and/or Editorial team. We would also like to thank our Faculty Coordinator Dr. Avishek Chakraborty for constantly supporting us and guiding us through the drafting of this newsletter.

We hope you enjoy reading this edition!

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Theories On Trade Secrets & Public Domain

- Samrudh P

Introduction

Various definitions and understandings of the concept of trade secrets make it an exciting yet debatable topic in Intellectual Property (I.P.). The Definitions of trade secrets do not ameliorate the understanding of the concept per se. Trade secrets genesis can be traced back to Roman times; '*actio servi corrupti*', is the maxim linked to protecting trade secrets. Although, this has been debated throughout the years by scholars, as the maxim translates to 'an action of a protected slave.' While this claim did exist, it wasn't certainly used to protect trade secrets per se.¹ While this retrospective debate continues perpetually, the objective legal answer to the genesis of Trade Secrets can be found in *Newberry v. James*², an English case that set the first trademark protection in the U.K., and in *Vickery v. Welch*³, in the U.S. After two whole centuries since the first few trade secrets cases, there are various interpretations, legislations, policies, incentives, rules, and regulations protecting trade secrets in their approaches. In India, there is no specific legislation dealing with the protection of Trade Secrets. However, in the U.S., there exist two fundamental sources of law for Trade Secrets: Restatement (First) of Torts and the Uniform Trade Secrets Act. The definition under the former is '*A Trade Secret may consist of any formula, pattern, device or compilation of information used in one's business, and which allows him to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a*

process of manufacturing, treating, or preserving materials, a pattern for a machine or other device, or a list of customers, etc.'⁴ These understandings and definitions of trade secrets ameliorate our interpretation of the concept. The theories upon which the current laws are based are crucial in fathoming the approach taken by our contemporary laws. This paper attempts to identify such underlying philosophies and justifications for trade secret laws.

Underlying Theories

1. In the Form of Property

The primary question in contention regarding this theory is if trade secrets can be counted within the ambit of the traditional definition of 'Property.' If they are, then the laws protecting them are normatively justified.⁵ There are quite a few theories that consider Trade Secrets as property, i.e. exclusivity theory, bundle theory, and integrated theory.

a) **Exclusivity Theory:** Primarily deals with how a property is deemed exclusive to the owner per se. And the ultimate goal of a Trade secret is to provide exclusivity to the owner and the business. However, this theory misses the mark at offering a viable explanation on how to purge the ideas stemming out a creative mind. As in physical property, the exclusivity is defined by possession and ownership, but with intellectual ideas and concepts, possession and ownership can't really be defined, identified or differentiated.

b) **Bundle Theory:** This theory is based on the Hohfeldian's 'Bundle of Rights'. A collection of social morals, rights and duties outline Trade Secrets. This theory is pretty vague as there is no clarity or differentiation between the bundle of rights that treat Trade Secrets as property or not.

c) **Integrated Theory:** Essentially, it depends on the acquirement, usage, and disposal of an asset.⁶ Exclusivity is debunked by this theory, as it's not crucial for a property's definition or understanding. The contention here is that why would an idea that is, regardless of its acquirement or usage, free for all merit any protection? Nevertheless, the theory fails to deliver a feasible justification for protection.

2. Labour Value Theory

Peabody v. Norfolk⁷ is a landmark case in which the goodwill of a business is by law recognized as property and is vested upon the person who establishes it. As this theory stemmed from John Locke's theory on the property, this theory is also often referred to as the Lockean Theory. He elucidated that anybody who puts forth the effort to develop a piece of land should be granted the rights over that piece of property. This can be interpreted in the field of I.P. as well. The Court, in the case of *Feist Publications, Inc. v. Rural Telephone Services Co.*⁸, opined that addresses, facts, or numbers in a phone book could not be considered subject to copyright protection, although it satisfies the 'sweat of the brow' test. The 'sweat of the brow' test is a court-laid-down

assessment of whether a subject matter qualifies for protection or not. And in order for an entity to satisfy this test, the builder or a person has to actually put in effort and labour into developing that entity; only then can he/she claim protection. However, this is criticized for lack of underlying support. As Couse's Theorem states that if the transaction costs are minimal, then the rights over an entity can be transferred. And through a better definition of property, this can be achieved. Nevertheless, this makes sense normatively as the condition or situation can be established as norms.

3. Original Position Theory

This theory stems from Contractarianism. When a hypothetical negotiation is struck upon to land on an agreement of rights. John Rawls' Veil of Ignorance⁹ is also a form of contractarianism. The consensus reached by the legislators in the veil of ignorance is based on the presumption that the participants would indubitably think about them being the least well-off, and how their decision would influence the same. And the normative justification provided is that the partakers in the veil of ignorance are considering how one values the entity that they've created more than others and how others could build on this entity, then some sort of identification can be offered to Trade Secrets here. Normatively this justification can be plausible in a corporate society, as negotiations, wavers, and NDAs are getting conventional.

4. Populist Theory

Populism is where this theory is derived from; as in our contemporary world, we have legislations, rules, duties, rights, and incentives regarding trade secrets; it just signifies that the support of the masses has been

taken. And the Populist Theory mainly relies on the majority's rule. Until and unless the majority is on board with the law, there need not be any alternative approach to be succumbed to. However, throughout history, there have been times when the public has supported or ratified morally wrong or economically sabotaging laws or rules. This just goes as far as to show that the majority's rationale or understanding can be flawed sometimes, and the law relying on the majority's reasoning and support can end up being skewed. This possibility is substantial in a society where the moral aspects of trade secrets are pretty minimal comparatively to other areas or laws. And this lack of moral aspects and contemplation in the field can also lead to an acceleration of misinterpretation or no understanding of any kind. Albeit the presence of these diverse theories attempting to justify trade secrets, most of Capitalist Democracies rely on the Economic Justification Theory and the Competition Theory. Both these are more or less interlinked at a point. However, the concept remains the most agreed upon by nations in their Trade Secret Laws.

5. Economic Justification Theory

It is the theory relied upon by most of Nations in order to justify Trade Secrets. As any law is related to the betterment or to ameliorating the allocation of resources efficiently. Trade Secrets do help contribute to this betterment by contributing more to the marginal benefits of society. Their influence on society through their bundle of rights is immense as it delivers further protection upon contracts, torts, and common law remedies to protect trade secrets. The marginal benefits of trade secrets can be summed up as follows:

a) **Selective information can be protected:** This imposes a certain condition for the secret for it to be considered a trade secret. However, unlike resorting to contracts or tortious approaches to protecting secrets, trade secrets law requires the owner not to disclose the secret as it is an essential element that qualifies a secret to be considered as a trade secret.

b) **Reasonable Efforts to Protect the Secret:** The owner has to at least take some preventive measures against secret dissemination. Any reasonable attempt to keep the secret within the community or workplace is also a feasible approach. This element is crucial, as, in case of its absence, it can lead to soaring nepotism in companies. As to prevent the dissemination of secrets, companies tend not to hire strangers, leading to nepotism.

c) **Perpetual Usage:** To prevent the 'tie up' of knowledge that isn't in use, most of the nations that have developed a structured approach to Trade Secrets have a continuous use criterion. For Example: in France, any secret for it to have any protection should be in current use, and if not, then the entity loses protection and can be used by anybody free from liability. If this criterion wasn't present, then knowledge could easily be protected as property, regardless of what is it and how it is used. But with its presence, it only considers secrets that are beneficial either momentarily or perennially to an individual.

d) **Higher Threshold for Liability:** As there are various liabilities vested upon anybody in contact with the Trade Secrets. These liabilities have a higher threshold to be fragmented. As there are two approaches to figuring out if there has been a Trade Secrets infringement:

i. **Improper Means:** This is to fathom if the defendant has indeed resorted to any malicious or improper means in order to solicit the trade secret from the plaintiff.

ii. **Usage:** The unfair advantage taken by the defendant also has to be recognized. As this can be punishable under Competition Law.

e) **Enforcement, Costs, Remedies, and Detection:** With considerable enforcement, remedies being damages and compensatory in nature, and the costs of litigation being mostly minimal, although dependable, the economic analysis of Trade Secrets does prove the marginal benefits trump the costs and contribute to the overall societal and economic wealth and welfare.

Conclusion

In India, although there is no specific law that deals with Trade Secrets, there are contractual and tortious remedies that can be resorted to when dealing with Trade Secrets. Non-disclosure Agreements are primarily contracts that act as an alternative to Trade Secrets. In my opinion, the economic analysis of

Indian markets and competition can be deemed feasible enough to specifically have Laws addressing Trade Secrets. Although the general understanding of Trade Secrets will be flawed, incentivizing fair competition and attempting to balance economic stability through trade secrets would be fairly practical for India and The Economic Justification Theory can be the one that a Capitalist Democracy, such as ours, can rely upon. However, the trade and markets in our nation are indubitably not in proportion to our western counterparts. Nevertheless, India's diversity and population make it a massive hub for exchanging goods and an epicentre for Trade. Ergo, any attempt to bring clarity and structure into this unaddressed issue of Trade Secrets would ameliorate the situation in the country.

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Trade Secrets in the Film Industry

- Neha Srikanth & Diya Naveen

Introduction

A trade secret in simple words can be defined as intellectual property rights on information which is confidential that may be licensed or sold. A trade secret is usually commercially valuable and only a limited number of people are made aware of it.¹ Activity and a breach of the trade secret protection when others obtain, utilize, or disclose such secret information without authorization in a manner that is inconsistent with honest commercial practices.

Relevance of Trade Secrets in the Film Industry

The knowledge in question needs to fulfill two requirements in order to be considered a trade secret. The worth of the knowledge must first be derived from the fact that it is not widely known. Second, the person who has the information must make a good faith attempt to keep it secret. Information does not meet the requirements for a trade secret and is not eligible for UTSA trade secret protections that restrict or address appropriation in the absence of these two components. Trade secrets are a typical occurrence in the movie business. In the lengthy process from conception to release, confidentiality agreements are a normal practice in the film industry to prevent leaks and other forms of misappropriation.² Locations can also be kept a trade secret.

Difference Between Public Domain and Public Records with Reference to the Film Industry

Public records are the narrow scope, whereas public domain is the broad ambit, which encompasses public records as well as other items. Therefore, public records only include factual records about the person in an official government database, and do not deal with his personality traits. In contrast, public domain includes fact-based things as well as opinions, scandals, controversies, websites with factually incorrect information about the personality, rumours, fanpages, tabloids, physical and digital news articles, anything else available on the internet, etc. Public records, such as information about births, deaths, marriages, and addresses, are a more limited subset of the vast public domain. Such distinctions between the two were spelled out in the *Autoshankar* case⁴, which stated that consent is required for the use of personal information that is outside the purview of public records. While it is not essential to obtain personality rights in order to make a movie that is exclusively based on public records, it is necessary to do so in order to make a movie that is also based on other publicly accessible information, which is referred to as being in the public domain. For instance, if a production house intends to make a movie about

Sourav based on material that is already in the public domain, they must ask Sourav or his team for the necessary personality rights. It is challenging for a filmmaker to create a movie solely based on birth information or case information of a case that a person is currently involved in, has been involved in in the past, or that is pending against them, as these do not cover the entirety of a person's life story; instead, the personality is filled in by information available in the public domain, as in the case of the biopic "Sanju," which is based on the life of Sanjay Dutt. Both the rulings in *Phoolan Devi* case and *Jayalalitha* case⁵ stated that although newspaper articles are not public records but rather part of the public domain, using them nevertheless requires acquiring personality rights.

Elements of Trade Secrets

The following elements are relevant:³

- 1) It has to be an original idea.
- 2) It has to be reduced to concrete form.
- 3) It has to be disclosed to the defendant in a confidential relationship.
- 4) It has to be used by the defendant.

Now, it is to be noted that on the basis of a business arrangement with the defendant, concept protection may also be allowed. The submission or disclosure of an idea to another person or business may be protected by a contract between the parties. Evidence of a protected disclosure that merits trade secret protections is the main advantage of a contract to the idea submitter. The main advantage of a contract for the party receiving the idea is the laying out of the

terms and conditions for any remuneration, if any, that would be paid to the submitter. Companies that receive unsolicited ideas frequently struggle with the best ways to safeguard their use. The concept needs to be transformed in order to shield them from the ambiguities of trade secret law.

Difference Between Trademarks and Trade Secrets with respect to Film Industry

Although less evident, trademarks and trade secrets can nonetheless have a significant impact on the film business. The inclusion of protected logos and brands in the actual film might also pose issues, as can the usage of identical film titles or logos. However, this type of use is frequently acceptable, even advantageous. Brands may complain if their protected likeness is utilized in a confused or (more significantly) negative light. Numerous brands may seek visibility, depending on the size of the initiative, and contribute to its finance as compensation. Trade secrets are a typical occurrence in the movie business. In the lengthy process from conception to release, confidentiality agreements are a normal practice in the film industry to prevent leaks and other forms of misappropriation. Set places may also be kept as trade secrets. Although they are more frequently patented or even registered, specific filming techniques could nonetheless be briefly considered trade secrets.

Does Your Movie Theater Have Trade Secret Protection?

It is widely acknowledged that collections of publicly available data might qualify as a trade secret if the

collection has distinctive value⁶, but will this protection apply if you see Michael Jackson's 'This Is It' in an IMAX theater? In the *Imax Corporation* case⁷, a New York State court may soon provide an answer to that query. IMAX argues in its lawsuit that it has "specialized in the design and manufacture of highly proprietary, premium grade, large-format, immersive theater systems" for the past 50 years. One of the biggest movie theater chains in the world, Cinemark, has been a cherished client of IMAX since 1997. IMAX asserts that since its founding in 1967, it has devoted a significant amount of time and resources, including hundreds of millions of dollars, to the extensive research and development, marketing, and promotion of a highly proprietary, immersive theater experience that is exclusive to IMAX. This is separate from the actual technological components of IMAX's theater systems. IMAX and Cinemark purportedly entered into a series of agreements beginning in 1997 that covered the setup, upkeep, and management of IMAX cinemas at Cinemark locations as well as the marketing of IMAX films.

Case Study

Trade secret protection is based on common law in India because there is no statutory definition of trade secrets. It was determined in *Krishan Murgai v. Superintendence Co. of India*⁸ that "Trade secrets are certain protected and confidential information that an employee has gained while working for a company and which, in the employer's interest, should not be disclosed to other parties. However, ordinary business operations of an employer that are widely known and understood by others cannot be referred to

as trade secrets. A trade secret might be a set of formulas, specialized knowledge, or an unusual business strategy used by an employer that is kept from the public." The appellant in *Niranjan Shankar Golikari v. Century Spinning and Mfg. Co. Ltd.*⁹ began working for the business as a Shift Supervisor and received training in the production of yarn for tire cords. The contract was for five years, and it was agreed that during that time the appellant would not hold a comparable position with any other company and would keep the technical details of his work confidential. But soon after finishing his training, the appellant joined a competitor company at a greater salary. The respondent company then filed a lawsuit seeking an injunction against the appellant to prevent him from working in a comparable position or as a shift supervisor in the production of tire cord yarn anywhere else and from disclosing the respondent firm's trade secrets. Since negative covenants in effect during the term of the contract do not come under Section 27 of the Contract Act, the Trial Court granted an interim order that was subsequently affirmed until the Honorable Supreme Court on the grounds that the contract does not constitute a limitation on commerce. Since 2010, the Centre for Internet and Society has been doing in-depth research on privacy rights in India with the aim of enhancing public understanding of privacy, completing the study, and advancing privacy laws in the country. The *2013 Personal Data Protection Bill* has not yet been passed in India. The goal of this Bill is to protect the personal data and information of an individual that has been gathered by one organization for a specific purpose and to regulate how that information is used by another organization for commercial or other

purposes. Additionally, it gives them the right to sue for reimbursement or damages when another person's personal information is disclosed without their permission, as well as for issues related to the Act or unrelated to it.

Legal Protection

The legal protection of trade secrets may be based on specific provisions or case law on the protection of confidential information, or it may be part of the general idea of protection against unfair competition, depending on the legal system. While the specific facts of each case will ultimately determine whether or not trade secret protection has been breached, unfair practices concerning secret information generally include contract violations, breach of confidence, and industrial or commercial espionage. Unlike patents, which must be registered to be protected, trade secrets can be secured without such a formality. A trade secret can be kept a secret for as long as it remains undiscovered or until it is legally obtained by another party and made public. These factors may make the safeguarding of trade secrets seem more appealing to some businesses. The information must meet a few requirements to be regarded as a trade secret, nevertheless. The cost and difficulty of complying with such requirements may be greater than originally thought. The following requirements must be met for information to qualify as a trade secret. The details need to remain a secret (i.e., it is not generally known among, or readily accessible, to circles that normally deal with the kind of information in question). No need for complete confidentiality. For instance, as long as they are kept a secret from other professionals working in the

industry, trade secrets can be maintained by many parties. Because it's secret, there must be some actual or potential commercial value. The measures taken to safeguard trade secrets include marking confidential documents, placing physical and electronic restrictions on access to trade secret information, introducing a systematic monitoring system, and increasing employee awareness. The "reasonable" steps may vary depending on the specifics of each case. In general, trade secret protection gives owners the right to stop knowledge that is legitimately in their possession from being disclosed, obtained, or utilized by others without their permission in a way that isn't ethically acceptable for business. While the specifics of each case must be taken into consideration, unfair practices involving secret information generally include industrial or commercial espionage, violation of contract, breach of confidence, and incitement to breach. Additionally, it covers the use or disclosure of a trade secret by a third person who knew—or acted with egregious negligence in not knowing—that such methods were used to obtain confidential information. As a result, it is not considered illegal for someone to use a trade secret that they legally acquired through a valid business transaction. For instance, a rival might buy a product, investigate its composition or structure, and extract the secret information it contains (so-called reverse engineering). This action does not violate the confidentiality of trade secrets.

Conclusion

The film industry has a significant impact on intellectual property law, and everyone involved can profit from even a basic understanding of the subject.

The majority of the creative effort that goes into a film is governed by copyrights, and brands and their methods are protected by trademarks and trade secrets. Patents have laid the groundwork for further technological advancement. Everyone participating in the industry should be aware of the relevant IP rules that are in force, make good use of them, and avoid breaking them.

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Biosimilars and Trade Secrets: How Far Gone is Too Far Gone?

- Shreya Sampathkumar

What are Biosimilars?

Biosimilars, or generics for biologics, are pharmaceuticals derived from biological origins. They typically consist of complex molecules, prominently antibodies. Although they are not exact replicas of the initial biological (as the name suggests, is wholly derived from biological sources) product,

biosimilars are named so because of their striking resemblance to them.

European Markets

The latest IQVIA (a leading life sciences solutions organization) assessment on the impact of biosimilar competition in Europe reveals that biosimilars

currently make up 9% of the whole European biologics market. Additionally, during the past five years, the market for biosimilars in Europe has expanded by around 60% year-on-year.¹ This statistic may be interpreted to be indicative of a surge of interest in biosimilars across Europe. Due to the burgeoning monopoly biologics have created in the choices poised before public health authorities, biosimilar manufacture is nothing short of a cornucopia of potential cost-savings. According to IQVIA, the advent of biosimilar competition has resulted in a drop in the list price of medications of approximately a third (on average) from 2001 to 2011. This has brought about a 5% decrease in drug budgets since 2014, atop the expectation of an additional reduction of 5% to 10% owing to biosimilar competition effects on discounting practices and rebates.² A first-of-its-kind of a biosimilar to reach European markets in 2015 was Infliximab - used to treat conditions like Crohn's disease and rheumatoid arthritis. Thereafter emerged anti-cancer and autoimmune disorder treatment drugs etanercept, rituximab, adalimumab, and trastuzumab. These biologics collectively rank among the most notable for having recently lost their patent protection and be susceptible to biosimilar competition in Europe.³ Over the next ten years, numerous prominent biologics, most notably anti-cancer medications Opdivo (nivolumab) and Keytruda (pembrolizumab) will exhaust their patent protection. Biosimilar producers will now be required to deliberate upon their intellectual property strategy as they determine which products and markets to target. Biologic originators will also have to think about their

primary markets, patent portfolio, and licensing preferences.⁴

How are trade secrets currently being used to protect Biosimilars?

Trade secrets are not rights that can be registered with the government, unlike patents and trademarks, as a result of which one cannot apply to protect a trade secret. Instead, an organization that protects its trade secrets does so using the internal procedures to keep them confidential. Trade secrets are crucial to give a business its competitive "edge," say, a secret manufacturing procedure.⁵ Trade secrets in the biologics manufacturing process are the main barriers to competitive entry by biosimilar producers and, consequently, to a decrease in price. Understanding how jurisdiction-specific regulatory process laws interact with the science of biologics manufacturing is of utmost importance to comprehend the obstacle to this industry, which are trade secrets.⁶ In contrast to patents, which are products of pure federal law; trade secret enforcement has its roots only in state common law. Since the proprietor of a trade secret cannot restrain the third party from independently acquiring, exploiting, and concealing the same invention that the former currently holds as a trade secret, trade secrets, in some ways, provide less protection than patents. In another way, the protection is more potent since, in theory, state common law stipulates that trade secret protection lasts forever. Further, there is remarkable unanimity on this crucial issue of interpreting this body of law, as there must be. This issue must be addressed since a trade secret revealed in one location is unavoidably lost everywhere else. It is indisputable that no company

has the authority to acquire the trade secrets of its competitors by illegal or unethical means to be a quicker market entrant. It is also apparent that it cannot receive misappropriated confidential information, whether for free or in exchange for payment. Therefore, the main question in the regulatory context is whether government intervention changes the balance between competing enterprises. Challenging concerns of constitutional law may constitute when and how a trade secret owned by one business may be transferred to apply to a second firm.⁷

What Problems Lie at the Intersection of Trade Secrets and Biosimilar Innovation?

Political pressure to develop a "generic" approach was necessary due to the rapidly growing prominence of biologics in national healthcare budgets around the world - however, it is uncertain to what degree this route will ultimately succeed in slashing costs. Biologic manufacturing procedures are notoriously tricky and a vast body of literature attests to the costs that companies attempting to produce biosimilars will incur. The knowledge required to develop biosimilars is already in the hands of the companies that created the original biologics. Making at least part of this information publicly available without jeopardising innovation incentives is the apparent difficulty. The development of biosimilars will only result in competitive markets for off-patent biologics if and when the costs associated with reverse-engineering cell lines and other biological production methods are prevented and when it is demonstrated through

clinical trials that biologics are substitutable with biosimilars. The knowledge of biologics production and related processes is protected as a trade secret under the biotechnology industry's current interpretations of intellectual property law and data exclusivity agreements. However, the dichotomy between knowledge that must be disclosed to obtain a patent or any other market exclusivity protected by a trade secret is far from being set in stone. It is susceptible to alteration through executive rule-making, judicial decisions, or amendments. The ability to reward innovation in the biopharmaceutical industry while forging a path for true competition between generics to emerge after these market exclusivities expire could be achieved by expanding these disclosures to include key information about the procedure required to manufacture these drugs. This proposal has promise and must be substantially considered from both a legal and economic perspective.

In both circumstances, a business may enhance its profits by decreasing its prices to lure new sales units, which it can then distribute across fixed costs of production. In this scenario, social and private incentives are suitably aligned. Another hypothetical involves giving any owner of a trade secret a choice to be able to employ both exclusive and non-exclusive license to permit the confidential sharing of trade secrets with third parties. Courts now regularly enforce these terms given that they are aware that protecting the contents of trade secrets from third parties is essential to achieve a commercial edge.⁸

Biosimilar Entry: A Dawn of Challenges and Opportunities

The backdrop for IP issues is likely to change in many ways owing to the differences between biosimilars and more traditional generic small molecules. Biosimilars, for instance, could have greater development expenses, more complicated manufacturing or administration (with relevant patents and trade secrets), and higher capital requirements for manufacturing and distribution. The competitive landscape between the reference product and the biosimilar is considerably different from what experts anticipated. Some variable factors could influence how innovators think of IP protection.

- **Indication Extension:** An example of the first factor that renders differences in the competitive environment is Remicade's indications for rheumatoid arthritis, Crohn's disease, and psoriasis. The experience of pioneer biologics demonstrates that the same biologic treatment may exhibit safety and efficacy across a variety of very different indications. Would a biosimilar be able to treat all of the indications of a hypothetical innovative reference drug, or would managed care organizations (MCOs) advocate switching to a different biosimilar instead? How will the molecule's potential for indication expansion compare to more indication-specific method-of-use, namely, patents?
- **At-risk launches:** Secondly, biosimilars considering market debuts before the conclusion of patent lawsuits may have to go

through a more onerous procedure to identify pertinent IP defending the reference biologic. Nonetheless, compared to small-molecule generics, the potential harm exposure for biosimilars launching at risk may be reduced as a result of lower penetration rates and price differentials, especially if the biosimilar clearance does not permit interchangeability with the reference product. Due to the anticipated halt of current research and development efforts into additional diverse indications (if the biosimilar were permitted to enter the market), the innovator may also stand a better chance to secure a preliminary injunction premised on irreparable harm.

- **Competition Issues and Patent Tangles:** Thirdly, complex molecules like biologics could be the subject of many more patents covering their composition, methods of use, and manufacturing techniques, not to mention potential trade secrets relating to the same. However, if it is determined that a large IP portfolio unnecessarily inhibits follow-on innovation, it may possibly raise competition concerns.⁹

Conclusion

With the emergence of biosimilars, inventors now confront both new possibilities and concerns regarding their intellectual property. Innovation leaders can develop prudent solutions to challenges by paying careful attention to the shifts from the small-molecule context. ⁵ This might not appear to be a major issue at first sight. After a company registers

a patent, the patented knowledge will enter the public domain and be available to anybody who is interested in using it to create the invention. However, doing so in reality may be quite problematic. Despite being able to access the patent, competitors will not be able to replicate the final product for goods that require a great deal of manufacturing complexity - especially if the patent doesn't fully disclose all the information required to make it, namely, trade secrets. As a result, many life science businesses continue to maintain a de-facto monopoly on their inventions even after their patents have expired. This is especially true for biologics. This method severely restricts the ability of biosimilars to enter the market. Companies that are interested in making biosimilars must invest a lot of money in research and development to build new platforms for generating biologics. Consumers pay for this expense through higher pricing. As a result, biosimilars do not provide the usual cost savings offered by generic small molecule medications. Given that biosimilars are a promising and quickly expanding new field of medicine development, consumers should be aware of these problems. Consumers will confront high pricing and fewer alternatives due to the inherent secrecy utilized in most of the production process of biologics, unless the industry as a whole works toward practicing transparency and disclosure.

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An Analysis of the Relationship between Traditional Knowledge and Trade Secrets

- Anjali Saran

Introduction

Trade Secret is recognized as a part of an individual's intellectual property. A secret of such stature would ensure enough economic success for an individual. Hence, such knowledge needs the utmost protection. An example can be *silk*, which was originally discovered by the Chinese centuries ago. The knowledge of how silk was produced was kept hidden by the people who had the knowledge for hundreds of years before it *leaked* out of China to the rest of the world. During the period between these two events, China made sure to exploit this *secret* to its fullest. It started manufacturing this cloth, and selling it world over. Due to the richness in its quality, people world over were ready to buy these imports at premium rates, helping China in trade greatly. This can be considered a perfect example of a trade secret, wherein the secret of the cloth-making technique was kept hidden, and a business was built out of this *trade secret*. Hence, trade secret can be regarded as an intellectual property that the owner takes reasonable measures to protect it. The minute this secret is out, it no longer enjoys protection and be exploited by

anyone for his gains. The unauthorized acquisition, use or disclosure of such secret information in a manner contrary to honest commercial practices by others is regarded as an unfair practice and a violation of the trade secret protection.¹ A trade secret can include many things. It can be a formula, design, recipe, technique, technology, tactics, and even traditional knowledge. While traditional knowledge can be studied as a separate component of Intellectual Property, yet, it does have some connect with Trade Secret. Traditional Knowledge can be capitalized upon to work as a Trade Secret. Though forming a very small yet significant part of Trade Secret, it can be used very well.

Traditional Knowledge Vis-A-Vis Trade Secrets

Traditional Knowledge can be said to be the knowledge owned by a particular community for generations. Due of its time period and the fact that only that community knows about it gives it an upper hand and therefore is recognized as an Intellectual Property. An example can be the knowledge of

benefits of *Haldi*, which was proven by India on an international footing as part of its Traditional Knowledge. Similarly, there are multiple examples of Traditional Knowledge that can be used as an IP asset. However, traditional knowledge can also be passed on as a Trade Secret. The example of the *Hoodia Cactus Plant* can be considered as one of them. The Hoodia cactus, local to South Africa, has, as of late, come to the front of the discussion encompassing bioprospecting and licensed innovation freedoms.² The Hoodia cactus, local to the Kalahari Desert, has been utilized for quite a long time by the agrarian San talking clans of the district (in the past they were normally alluded to as "Bushmen", albeit presently this assignment is perceived as being derogatory, wrong and obsolete). The San people groups have long perceived the craving suppressant characteristics of the Hoodia Cactus, and have customarily bitten the stem to fight off appetite and thirst during long hunting endeavours in the desert.³ Researchers from the South Africa have learned of the Hoodia's properties and started to concentrate on the desert flora. In logical tests, creatures given the cactus shed pounds quickly with next to no obvious negative secondary effects. This knowledge, native to the Sans Tribe, has been capitalized upon by Pfizer, and patented as their own drug.⁴ An NGO then filed a case against the company, who was then forced to compensate the community as well as give royalty to the community. From the above illustration, it can be gauged that Traditional Knowledge can also be used as a Trade Secret, till the knowledge hasn't been disclosed to anyone. In the above example, if a hypothetical situation is considered wherein the community themselves start

manufacturing a drug on the basis of the Cactus plant and start trading in it, then the community will enjoy a monopoly and become the owner of this secret till it is revealed to the world. That is one major difference between Trade Secret and Traditional knowledge. While traditional knowledge may already be known to the world, i.e., the culture native to a place or folklore, a trade secret is protected only by virtue of their secrecy. The moment the secret is out in the open, the very essence of this IP ends. An example can be the technique of making a dish. Suppose that is a recipe that has been passed on since generations and is used by a person in a restaurant. Till the recipe is not revealed to anyone, it remains as a trade secret; however, when the recipe is revealed, it no longer enjoys this protection. But, the recipe will always be considered as a part of the traditional knowledge of the person's family (although traditional knowledge is generally associated with a community).

Trade Secret: An Alternative to IP?

Furthermore, what many people tend to ignore is the fact that Traditional Knowledge can act as an alternative to IP. For any of the existing conventional IP methods, like Copyright, Patent, Designs, etc., the revelation of the main component is necessary. For copyright, the artistic work has to be revealed to check its authenticity. For a patent, the invention's technique/formula needs to be told so as to prove novelty. However, for a trade secret, there's no revelation to be made. Instead, companies/institutes need to take extra care for the non-revelation of the information. A less notable type of protected innovation for a long time, trade secrets have been in

the shadows, however today they are gaining some momentum as a compelling method for safeguarding specific scholarly resources.⁵ Any commercially significant and sensitive data - a business methodology, another item guide, or arrangements of providers and clients - can qualify as a proprietary innovation. Trade secrets can safeguard a lot more extensive scope of the topic and are not restricted to a set term of security. They are not selective privileges like licenses, and thus can't be upheld against anybody who autonomously finds the mystery. In any case, any unlawful obtaining or abuse of them is significant. Furthermore, the owner of this IP can get remuneration and an order in regard of such unlawful demonstrations. Any knowledge that is industrially significant in light of the fact that it is confidential be known exclusively to a restricted gathering of people, and be dependent upon sensible advances taken by the legitimate holder of the data to stay discreet, including the utilization of secrecy arrangements for colleagues and representatives can qualify as a trade secret.⁶ It is still an evolving area of IP and even in India there are no proper legislation for the same. The simple way to form a trade secret is to keep that knowledge a secret. There are international agreements and treaties that do exist on this subject like *The Paris Convention for the Protection of Industrial Property*, however, the extent of their efficacy is still a question.

Conclusion

The approach towards traditional knowledge in the face of trade secrets can be considered by industries, especially at places where both the elements intermingle with each other. Many people view trade

secrets in the form of an ordinary things rather than an IP. For example, many of the people at their houses sometimes tend to mislead people by not telling them proper techniques or proper formulas of things, while completely hiding the actual component. At instances like this, humans tend to unknowingly use the trade secret. Therefore, this form of IP is yet to be understood by people. Therefore, it is advised that such kind of knowledge be advertised more so that people become aware of this IP. Laws also need to be framed keeping this IP in mind, so as to provide it some sort of protection as is done in the international arena. India needs to change its stance on this subject and become more aware of this IP since numerous instances of traditional knowledge being capitalized into trade secret can be found here. If developed properly, it can support the economy in a viable manner.

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Trade Secrets in the Age of Sports

- Aditi Shandage

Introduction

To qualify as a trade secret, the information must generally be commercially valuable, should be known to only a limited group of persons and should be subject to reasonable care by the rightful holder to keep it a secret. The violation of a trade secret protection is said to be caused when there is unauthorized acquisition, disclosure or use of such secret information, which is in a manner opposite to fair commercial practices.¹ Unlike trademarks, copyrights and patents, trade secrets aren't registered with the government or any of its agencies. However, sometimes, they can represent a company's most essential and valuable intellectual property assets.² They often consist of information and data that can be easily memorized or noted by employees, developers, suppliers, customers and others.

Trade Secrets in the World of Sports and Rising Problems

Sports in today's age also generate an essential volume of trade secrets which plays a significant role in value creation and competitive advantage. Teams develop and collect proprietary information through a psychological matrix, statistical data, dietary charts, scouting reports, physiological assessment

techniques, etc., to gain a potential advantage over their opponents. Now, a problem arises when such information generated by a team or a player, as a crucial tool or tactic to perform better, gets violated when it's stolen or illegally obtained and later given to the opposition team. This leads to unfair practice and also puts the rivals or opposition at an advantage. In the world of sports, trade secrets can be of various kinds. Training techniques, game strategies, making of equipment, skill development, merchandise, product appearance, team formation etc. Another situation that recently occurred in the National Football League (NFL) in the United States illustrates the issue of crucial information's confidentiality. A scandal developed after it was discovered that the head coach of an NFL team (the New York Jets) had orchestrated the observation of some of its rival NFL teams' sporting strategies by videotaping the visual cues exchanged between the coach and his players on the field during the contests (this technique being called "sign stealing").³ Taking motorsport as an example which offers spectators some of the most impressive displays of human-made machinery featuring incredible engineering, design, and aerodynamic feats, are, however, frequently not covered by the broad ranges of registered intellectual

property (I.P.) protection.⁴ The outstanding qualities of human ingenuity that went into creating such machines are often violated by leaking the algorithms in public. Cricket used to be considered the pinnacle of sports in India, and it has since evolved into a lucrative commercial industry. Initiatives like the T20-20 format, the Indian Premier League, the Hockey India League, the Indian Badminton League, Pro-Kabaddi, the Indian Super League, and heritage sports like Goti, Lagori, and Gatta Gusthi have proudly declared that business is now at the forefront of the game. As a result of this transition, the need for intellectual property rights protection at sporting events is becoming more critical. It must be admitted that play is not always fair and that unfair behaviour is not absent from the professional sports arena, given the often enormous investments made in the professional sports business and the intense media appeal of professional sports events today.

Legal Analysis

India is a signatory to the TRIPS Agreement (an agreement between all WTO members). As a result of the same, it has the power and flexibility to frame laws protecting trade secrets. Although there is no specific law or enactment in India at present, the Indian tribunals and courts have upheld the protection of trade secrets by relying on other pieces of legislation such as the contracts law, copyrights law etc. In addition to the aforementioned, the Information Technology Act, 2000 also establishes legal safeguards for private data kept in electronic records.⁵ Scrutinization of unfair behaviour which occurs in the field of sports can be done under the light of Article 39 of the TRIPS Agreement. The

element of trade secrets under this provision is that - the information in hand must not be readily accessible but should be a secret. The wording of Article 39, para 2(a) also makes it clear that even if some individual elements of a complex body of information are known, the information as a whole can still be viewed as secret. According to Article 39.2 of the the TRIPS Agreement, a three-fold criteria needs to be considered:

- a) The information is not, as a body neither in the precise configuration and assembly of its components, usually known among or readily accessible to persons that usually deal with the kind of information in question;
- b) The information has real or potential commercial value as they are secret;
- c) The person lawfully in control of the information has taken reasonable steps under the circumstances to keep it a secret.

Now, the issue arises as to what type of information in the sports field could be viewed as secrets within the meaning of Article 39 of the TRIPS Agreement. Referring to Article 15.3(c) of the Protocol for the 31st America's Cup, it can be said that: "*Design or performance information or equipment (including appendages, rigs and sails but excluding standard fittings which are generally available) of or in relation to such yacht of a person or entity may not be shared or exchanged with another person or entity except information which may be gleaned without assistance from the other person or enlightening information which may be gleaned from the other.*"⁶ Trade secret misappropriation is punishable by both civil and criminal measures regarding enforcement.

The owner of a trade secret may ask a court for an injunction to prevent the wrongdoer from disclosing the secret and damages. Return of trade secrets or materials containing trade secrets is further civil actions that the courts may give to the owner of a trade secret in case of a trade secret leak. In contrast, courts have the authority to impose fines or jail time under the penal code, copyright, and information technology laws. Trade secrets and sensitive information are not specifically protected by law in India. However, trade secret protection, confidential information, and corporate know-how are upheld by Indian courts and tribunals. Under common law, trade secrets may be broadly protected from the action of misappropriation. Trade secrets can be taken unfairly if a confidentiality agreement is broken or if a third party has unlawful access to private information. This misappropriation may involve taking illicitly obtained information or misappropriating information that has been shared in confidence. In the case of *Tata Motors Limited & Anr. v. State of Bengal*⁸, the High Court of Kolkata relied on the definition of the term "trade secret" in Black's Law Dictionary. It noted that a trade secret is a formula, process, device, or another piece of business information that is kept under wraps to maintain an edge over rivals. In India, most sports and national sporting organizations have framed their laws and rules to avoid the violation of trade secrets in the absence of a legislature. Therefore, the number of trade secret cases in sports that reach courts is minimal. As India has not yet focused on creating laws based explicitly on trade secrets, the courts take the help of other laws such as the contracts act, torts

etc. Most of the judgments in trade secrets cases are precedent and general law based.

Trade Secret Laws in the USA

Contrary to the constitutional foundations of copyright and patent law, trade secrecy law in the United States developed from common law. Trade secret law in the United States was later codified in three key statutes: the Economic Espionage Act (EEA), the Uniform Trade Secrets Act (UTSA), and most recently the Defend Trade Secrets Act. Currently, 48 states and the District of Columbia have embraced UTSA in some form. To establish a claim for misappropriation of a trade secret under the UTSA, a plaintiff must show that 1) a legally protectable trade secret exists; and 2) the defendant acquired the trade secret improperly. Plaintiffs are entitled to damages under the UTSA and injunctive relief for "both the real loss caused by theft and any unjust enrichment" that the 'misappropriator' may have earned. The Economic Espionage Act criminalizes two types of trade secret theft: (i) theft that benefits a foreign entity; and (ii) domestic theft for financial gain. Unlike civil liability under the UTSA, the EEA also prohibits attempted trade secret theft and conspiracy involving domestic or foreign misappropriation. In addition, the EEA has a unique men's rea component that requires proof of unlawful intent. The Defence Trade Secrets Act amends the EEA to create a civil cause of action for trade secret misappropriation. Specifically, the new law covers "theft of trade secrets related to products or services used or intended for use in interstate or foreign commerce." However, the DTSA does contain ex parte seizure clauses that allow courts to "in

exceptional circumstances issue orders providing for the seizure of property necessary to prevent the disclosure or dissemination of trade secrets.⁹ The U.S. makes use of these laws when a trade secret problem arises in the field of sports. In *National Football Scouting, Inc. v. Rang*¹⁰, a federal district court case in Washington State involving disclosure of confidential football player ratings; and news reports regarding the hacking of the Houston Astros' proprietary database, "Ground Control," the publication of "confidential information" from the database regarding trade talks and player evaluations. Here, the court's rulings and the terms of the settlement in *Rang* buttress the conclusion that a business entity's methods of generating and presenting player evaluations, if kept reasonably secret, should be entitled to trade secret protection. Thus, the USA is one of the very few countries with stringent trade secrets laws. India can borrow a few laws and basic structure from the U.S. while framing trade secrets laws.

Conclusion

Trade secrets in the field of sports are not protected unless certain rules and laws are laid down by the organizers or the legislature. Sports organizations at the international level, to some extent, have created their laws and rules for maintaining fairness and preventing violation of trade secrets. But, when it comes to sports mainly recognized in India or at a local level, the threat of breach of trade secrets is always present. All of this can be resolved by bringing in laws specifically on trade secrets in India. Trade secrets in India are solely protected by traditional judicial decisions and clauses and

elements of equitable law, contracts law, and tort law. Decisions have always been challenging because there is no legislation governing trade secrets. The international standard for trade secret laws was established by Article 10(b) of the Paris Convention and Articles 39(2) and 39(3) of the TRIPS Agreement, 1995. However, as there is no legislation specifically for India, the country's concealed proprietary assets remain in danger. The TRIPS Agreement required its Member States to amend their existing laws and enact new legislation to carry out their duties under the TRIPS Agreement. It is now necessary for statutory legislation to take effect in India that not only safeguards trade secrets and confidentiality but also makes essential changes to the Competition Act's current anti-misappropriation and regulation provisions for such confidential information. As mentioned above the U.S. is one such country which has created laws for trade secrets and it is time for India to borrow ideas from such laws. Therefore, there is a need for new laws with respect to trade secrets and such development will be not only beneficial in the field of sports but also in various other fields.

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Trade Secrets in Outer space Activity

- Amisha Sharma

Introduction

Recently, as announced by Planetary Resources Inc., Arkyd 3 Reflight (A3R), a replica of an asteroid-analyzing telescope was successfully launched. These

Arkyd telescopes are primarily intended for use in asteroid prospecting. The most profitable heavenly pieces of minerals and volatiles are identified by spectrographic image analysis for further investigation and eventual resource extraction.

The spectrographic data¹ obtained from asteroids using A3R telescopes is protected by intellectual property and trade secrets, just like the seismic² and geological survey data. "*A formula, practise, process, design, instrument, pattern, commercial method, or compilation of information that is not generally known or reasonably ascertainable by others, and by which a business can obtain an economic advantage over competitors, who don't know how to use it, or customers,*" is the essence of a trade secret.³

Whether a future licensee would be obliged to present a thorough survey date of the celestial body as part of its licensing application to the licensing authority still has to be resolved as the legal standards relating to space resource claims need to be defined. One would need an on-site survey probe to touch down on the asteroid. Thus, the license will not specify particular asteroids or space sectors and will merely include the Right to Mine celestial resources from asteroids.

Protecting Trade Secrets in Space

A rise in claims that mimic patent interference actions, such as "astro-trolling" or "rock stalking," makes protecting trade secrets a complex legal problem.⁴ The use of trade secrets appears to be the only logical weapon against rivals when one or more spacefaring parties or launching governments disregard a competitor's intellectual property rights, or, its attempts to prosecute patent infringement claims are unsuccessful.⁵

Currently, there are few regulations governing the protection of trade secrets relating to space, spacecraft, autonomous and telerobotic probes, and private or international space stations. A party may be required to

employ unique technologies or unusual procedures to successfully protect trade secrets from competitors.

Using appropriate telemetry technologies such as laser communication with additional secure signal coding, asteroid-survey telescopes, or probes, like the A3R, can be carried out. A case for infringement or industrial espionage could be filed under the U.S. and E.U. law, if there was any deliberate signal interception or an attempt to attack the relay server. If, for example, a telescope, which fell out of orbit after a collision with a meteorite, is captured by a crewed or robotic ship, then the ship would be able to successfully assert its right to salvage in an outer space admiralty court and receive a salvage award.⁶

A salvage operation, however, might infringe on the telescope owner's legal rights, including any intellectual property rights stored on drives or built into the telescope's circuitry. One might readily imagine a situation where the salvor has access to the private data by the time the rescued equipment is returned to its rightful owner, thus unjustly obtaining an advantage in the asteroid mining industry. The salvor may even potentially sell the retrieved confidential information to the highest bidder.

Enforcement Mechanisms after Recognition of Trade Secrets

The plaintiff must first demonstrate that the material is sufficiently hidden, that the secrecy is valuable, and that the plaintiff has taken reasonable precautions to maintain the concealment. The trade secret owner must then demonstrate that the defendant improperly used the trade secret in their business. Although the plaintiff

may ask for a protection order, they would be required to name the trade secret during the legal proceedings, according to the Roman maxim of “*actori incumbit probatio.*”.

The rules of such States appear to protect all forms of intellectual property because every ship and craft in space is seen as an extension of the State of Registry. However, these regulations do not always protect against theft or I.P. piracy.

The entity that salvages a whole spacecraft or a component of it will hold it in its control until duly awarded by its owner after submitting a salvage claim, as shown by examples from marine salvage. Therefore, nothing prevents a third party with the necessary knowledge and tools from "searching" for wrecks and abandoned objects.⁷

But this might be a way to deal with the issue of I.P. theft during salvage operations. To file a salvage claim, the salvor must have physical ownership and control of the wreck. However, the salvor in possession must also demonstrate that it is actively engaged in continuous efforts to fully recover such a wreck in addition to being in physical possession of the salvaging object.⁸

Other Remedies Available

The owner of a spacecraft, probe, or other essential space equipment may choose a specific company to salvage their wreck or derelict using a pre-salvage contract and insurance. The owner will guarantee the pre-contracted emergency salvage the title of "salvor in possession", thereby preventing unauthorized salvagers from trying to salvage or intercept them. This can be done by permanently mounting an emergency

beacon of the chosen emergency salvage firm on one's own spacecraft before its launch. When there is a crisis, the beacon transmits appropriately coded signals to the headquarters of the salvage firm, which immediately submits a salvage claim to the appropriate outer space admiralty court. A secrecy and non-disclosure clause should be included in the contract with the intended emergency salvor.

Conclusion

The concept underlying the evolution of law is the same as that behind the evolution of life: constant adaptation to novel and altering environments. The industry cannot afford to wait for national or international governments to develop a satisfactory solution to protect intellectual property in space, given the harsh and unforgiving environment of space mining and exploration. The legal departments of space companies should be responsible for ensuring that their trade secrets or other intellectual property rights are adequately secured by means that keep pace with rapidly advancing technology.

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are obtained so that it cannot be displayed to the public domain and no one gets access to it. But, how is Trade Secret an Intellectual Property Right then? Intellectual Property rights mainly are the rights given or obtained so that no other company, business or an individual can use, sell or derive the same, while getting it out to the public domain. Trade Secrets only exist when it's not out in the public domain. Trade secrets may take a variety of forms, such as a proprietary process, instrument, pattern, design, formula, recipe, method, or practice that is not evident to others and may be used as a means to create an enterprise that offers an advantage over competitors or provides value to customers. If a trade secret holder fails to safeguard the secret or if the secret is independently discovered, released, or becomes general knowledge, protection of the secret is removed. But under any other Intellectual Property rights protection of that information, invention is there forever.² Two of the most famous examples of trade secrets are the Google algorithm and Coco Cola recipe. Google's search algorithm exists as intellectual property in code and is regularly updated to improve and protect its operations. The secret formula for Coca-Cola, which is locked in a vault, is an example of a trade secret that is a formula or recipe. Since it has not been patented, it has never been revealed.

The Protection of Trade Secrets in India

Trade Secrets seems to be a neglected field in India, as there is no enactment or policy framework for the protection of trade secrets. This form of intellectual property is a new entrant in India, but is nevertheless

a very important field of IP. Protection of trade secrets is a very important and one of the most challenging tasks for the Indian government. The Indian courts have tried putting the trade secrets of various businesses under the purview of various other legislations in order to protect them and also they have tried to define what a trade secret is in various cases.³ In the case of *Bombay Dyeing and Manufacturing Co Ltd v. Mehar Karan*,⁴ every piece of information can be regarded a trade secret if the conditions are met. The conditions which are necessary are, the extent to which the information is known outside the business, the extent to which it is known to those inside the business, namely employees, the precautions taken by the holder of the trade secret to protect the secrecy, and the savings affected and the value to the holder in having the information in comparison to competitors.

The Future of Trade Secrets in India

India is a party to the Paris Convention; it is important to note that Article 1(2) of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) says that intellectual property shall include the protection of secret knowledge. Furthermore, Article 39 of TRIPs Agreement addresses maintaining effective protection against unfair competition, as specified in Article 10 of the Paris Convention, with regard to information that is a secret that is not widely known or easily accessible, has commercial value due to secrecy, and has been subjected to reasonable measures to ensure its confidentiality.⁵

Conclusion

Even though trade secrets as a whole haven't been given importance, it is equally important as an IPR as it gives an individual, company or a business the right to safeguard its invention, information, data or recipe, etc. without it being displayed in the public domain. According to Article 39, member countries shall ensure that natural and legal people have the "possibility" of preventing such information, under their control, from being divulged, obtained, or used by others without their consent in a way contrary to honest business behaviour. It can be argued that the "possibility" referred here means that trade secrets should be protected inside the legal system, rather not necessarily within the member nation's IP legislation framework. However, there still exists concerns about it being against the "commercial exploitation" scope that is normally an essential character of IP and its excessive overlap with existing IP laws such as patent laws (secrecy).

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Trade Secrets v. Patents

- Sudekshana Venkatesan

Introduction

Both trade secrets and patents protect the processes for the production of entities. They provide for different means leading to the same end. While patents have statutory backing, trade secrets are implied arrangements. An inventor or entities may choose between the two forms of protection based on their features, as listed below.

Trade Secrets – Its Position

Pros:

- Indefinite protection
- No legal formalities required

Cons:

- Not granting absolute protection

- Enforcement only through a suit
- Innocence and Independent Invention are defences
- It is legal to reverse engineer and copy a trade secret as long as done lawfully

Patents – Its Position

Pros:

- Absolute protection
- Easy enforcement
- Innocence is immaterial for infringement

Cons:

- Limited period of protection (maximum 20 years including renewal)
- Disclosure of the process is a precondition for protection
- Costly and time-consuming process
- Complicated legal procedure

Comparing Trade Secrets and Patents: What to Choose?

The choice of the appropriate course of action between the two modes of protection can be made by weighing the pros and cons. The other factors for consideration are:

- **Profitability:** Based on the nature of the product or process, the form of protection that ensures the highest return on investments to the inventor is the obvious choice. For a product whose marketability depends on the unique recipe or process, the inventor will profit more if it is protected as a trade secret. However, if the process is something that could be replicated easily,

patenting is the way to ensure proper protection. It will enable the recoupment of the cost incurred in creation.

- **Possibility of reverse engineering:** If the invention can be reverse engineered easily to identify its process and replicate the same, then the obvious choice would be patent protection. This is because trade secrets can be lawfully infringed if the person doing so is able to legally acquire information about the product or process or reverse engineer it. Moreover, there is no liability in this case. Further, innocence is a valid defence to the infringement of trade secrets. Coca-Cola is a good example. Since they have been able to keep their recipe a secret to this day, and no attempt to reverse engineer and identify its recipe or ingredients has been successful, obtaining a patent protection would be irrational as that would require them to disclose their secret recipe. Hence, the inability to detect the process incentivises the inventor to opt for protection as a trade secret.

- **Cost-benefit analysis:** The form of protection which yields the maximum benefit at the least cost is to be identified. After thoroughly weighing the pros and cons of each form of protection, and the nature of the product or process, the inventor is to arrive at a conclusion as to which form of protection is to be opted.

Dual Protection

Since both forms of protection have their own benefits, in order to ensure that the inventor does not forgo the benefits of either, and to maximise the incentive to innovate, an approach that unifies the strengths of both is to be devised. The Leahy-Smith America Invents Act¹ passed in 2011 can be seen as a step forward towards this unified approach which merges the benefits of both forms of protection while doing away with its shortcomings. This Act has lowered the disclosure requirement for inventions. So, while enjoying the benefits of trademark protection, an inventor can also withhold confidential information that can be capitalised. This way, an inventor can have a strong remedy against infringers without innocence as a defence and also preserve trade secrets. Therefore, there is no trade-off of the benefits of both patents and trademarks.

Case Study: Premarin

Premarin, a drug manufactured by the pharmaceutical company Wyeth, was used as a treatment for adverse symptoms of menopause. It became quite famous in the US and Canada during the 1940s. Wyeth patented the drug, but not its extraction process. The drug was extracted from a natural source. Since this process was not patented, it remained a secret. Due to the inability to duplicate the same, there were no generic competitors to the drug for a long time.² The drug was extracted from the conjugated estrogens taken from pregnant mare urine. Essentially, the drug was extracted from horse pee! With a combination of patent and trade secret protection, Wyeth could make huge profits on the drug. Hence, the determination of the right form of protection, and using it wisely and

rationally would yield maximum returns. In 1998, an application was made for a generic version of Premarin by a group of ranchers who claimed to have succeeded in unearthing the extraction process. Later, when Wyeth found that the ranchers could discover the secret due to a leak by one of the former scientists of Wyeth, they were victorious in obtaining a permanent injunction from the use of the trade secret.

The Coca-Cola case

Coca-Cola comes to one's mind when one hears the word trade secrets. Coca-Cola has succeeded in maintaining the secrecy of its recipe even after 130 years.³ Had they opted for patent protection, their benefits would have been relatively short-lived. Their rational decision to protect it as a trade secret enabled them to dominate the world of cold drinks. The secrecy around the recipe has not only helped the drink in terms of intellectual property law, but also commercially. This is because, according to social psychologists, the secrecy in itself has created a natural curiosity about the product. This is an added benefit to trade secrets: the curiosity about the product, whose recipe is a secret, drives consumers toward the product.

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Trade Secrets in the Pharmaceutical Industry

- Swaroopa Parthasarathi

Introduction

Trade secrets, as the name suggests, is a type of intellectual property right over confidential information which is generally not disclosed to the general public and gives a competitive edge to the company. It is universal and spreads across various industries, and includes a wide range of information from clients, strategies and designs to formulas, recipes, devices and techniques. There are two conditions for a piece of information to qualify as a trade secret: the first is that the information has some sort of economic value, and the owner took reasonable measures to protect and keep it as a secret. It was held in the case of *American Express Bank v. Priya Puri*¹ by the Delhi High Court that a trade secret is an information which, if disclosed will, cause harm to the owner. Trade secret misappropriation is when a trade secret is obtained through improper means, and the only valid defence for it is when the information has been leaked publicly or has not been maintained with utmost confidentiality or secrecy.

The Pharmaceutical Industry

The drug industry is one of the most research - intensive fields, working day in and day out to

produce lifesaving drugs. There is a constant need to research, develop, innovate and commercialize drugs, also making them prone to the highest level of trade secret misappropriation. Major trade secrets here include chemical formulas of drugs, clinical data, testing procedures and protocols and other materials and information generated by companies which reflect the years of research and effort by scientists.² The reason for this industry being at high risk is that, pharmaceutical companies encourage collaborative work, which requires sharing of data, personnel and other resources. They also enter into contracts to aid in the manufacturing or distribution process of medicines, wherein it is pertinent that they disclose certain information. Sensitive information once leaked, is gone forever from the owner's domain and accounts for an unimaginable economic loss. Although there are legal remedies for the same, the spread of information cannot be controlled, thus weakening a company's position in the market. Medicines are universal and need to be distributed internationally. All of this requires obtaining international approval, which in turn necessitates the submission of confidential information to various medical agencies of different countries. The problem arises in the difference in protection levels. Each

nation has a distinct set of rules and regulations regarding the protection of pharmaceutical trade secrets, therefore it makes it difficult to decide what will qualify as a trade secret and whether any effective remedy will be given in case of a breach.

Legality

There is no law in India governing trade secrets per se, but courts have clearly outlined the fact that common law will serve to protect trade secrets.³ Both civil and criminal recourse is available for trade secret misappropriation, wherein the wrongdoer will be liable to pay damages, or an injunction order will be granted by the court to restrain him from disclosing trade secrets. The maximum punishment extends to the imposition of a fine or imprisonment. It was held in the case of *Diljeet Titus, Advocate v. Mr. Alfred A. Adebare & Ors*⁴ that the court must step into restraint of a breach of confidence independent of another side. India is a signatory of the TRIPS agreement, and it has the freedom and flexibility to frame laws for the protection of trade secrets. Contract law and copyright law are the primal legislations applied in these cases, and the IT Act, 2000 lays down methods of protection of electronic information. Pharma companies have to pay a heavy price for not taking reasonable measures for the protection of information. The term ‘reasonable’ includes steps like marking documents as ‘private’ or ‘confidential’, restricting access to documents, having a secure database to store electronic information and having proper security measures in place. In the case of *Eli Lilly and Co. v. Emisphere*⁵, the court laid down the principle that “perfect security is not optimum security.” In this case, Lilly and Emisphere had

entered into license agreements for the purpose of manufacturing new chemical compounds. This required them to share confidential information with each other, and after negotiations for the next stage of collaboration failed, Lilly formed her own research program. Simultaneously, Emisphere restricted access to its electronic files by Lilly’s scientists, and one of Lilly’s scientists who had collaborated with Emisphere gave a presentation using material clearly marked ‘Confidential – Property of Emisphere Technologies Inc’ which served as the basis for her secret research program. She proceeded to file a patent application and revealed her topic of research. Emisphere filed a lawsuit against her, claiming breach of contract along with trade secret misappropriation, ultimately holding her liable to pay \$18 million.

Conclusion

For a lifesaving industry, the absence of concrete legislation makes it crucial for pharmaceutical companies to enter into non-disclosure agreements. It is the only way that they can bind the other party to ensure the protection of information, and it also provides an appropriate recourse or remedy in case of breach of contract or trade secret misappropriation.

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Trade Secrets in the Healthcare/Hospital Industry

- Preemal D'Souza & Ananya Singh

Introduction

Trade secrets law is unique as it comes under the rough framework of innovation, contracts and intellectual property rights. Trade secrets essentially protect the confidential information of a business. The North American Trade Agreement (NAFTA) defines trade secrets as “*information having a commercial value, which is not in the public domain and for which reasonable steps have been taken to maintain its secrecy.*”¹ A few famous examples of trade secrets are ingredients of coca cola and the google search algorithm. In healthcare industries, potential trade secrets could include vaccines, drugs, medical devices, or testing results and patient databases. Negative research takes up a significant role in this industry. It is essential information on what does not work. Clinical trials and testing take up a substantial number of resources to produce negative results. Competitors can save a large number of resources if they get their hands on negative research.

This allows the competitor to offer the same end product at a much lower cost.

Position in the US

The Health Insurance Portability and Accountability Act (HIPAA) gives every person (in the US) the right to access information about their health from their providers. However, healthcare companies are increasingly using trade secrets as a defence to keep this information a secret. Companies use the patient database to maintain a competitive edge by using this information to increase the predictive power of their tests. The healthcare sector which consists of hospitals, clinics etc. believes that the information related to a patient's medical condition, and prices of medicines should be kept confidential and are claimed as ‘trade secrets’ as contending such publication would undermine important negotiations that happen between the providers.² The governments of various countries, on the other hand, want these

hospitals and other healthcare institutions to open up about the information which is kept private. For example, in the US, the American Hospital Association has responded to these initiatives by arguing that the federal government does not have the necessary legal authority to require hospitals and health services to publish their prices. The association also claims that the publication of prices would rather have a negative outcome. They claim that publishing the price for every service, which changes frequently, would put more pressure and burden on the industry which is already under immense pressure. The transparency would also increase the operating costs, which would ultimately be passed down to the patient, which defeats the ultimate goal of lowering the prices. There have been instances where trade secrets should not have been there for instance, during the pandemic, when vaccines such as Moderna, Covaxin and others had got the approval for

manufacturing, the sector should have shared the formula for the same worldwide as saving lives was more crucial than earning profits. The debate about keeping trade secrets in the health sector or not is an ongoing one but the thing which needs to be taken care of is how people especially patients, manufacturers and even the common people are getting affected by it.

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International Conventions Governing Trade Secrets

- Prarrthana Gopi

Introduction

Trade secrets include technical information such as manufacturing processes, computer programming and drawings, as well as commercial information such as distribution systems, supplier and customer lists, and advertising strategies. A trade secret may consist of a combination of elements, each of which is public, but which combination of secrets creates a competitive advantage. Examples of other information that can be protected as trade secrets

include financial information, formulas and recipes, and source code.

International Conventions

North American Free Trade Agreement (NAFTA) defines a trade secret as “information having commercial value, which is not in the public domain, and for which reasonable steps have been taken to maintain its secrecy.”¹ The Agreement on Trade-related Aspects of Intellectual Property Rights

(TRIPS) under the auspices of the World Trade Organization under Section 7 of Article 39.2 lays down the following three criteria for regarding any information as undisclosed information (or trade secrets):

1. It must not be generally known or readily accessible by people who normally deal with such type of information.
2. It must have commercial value as a secret.
3. The lawful owner must take reasonable steps to keep it.²

In *Ambiance India P. Ltd. v. Naveen Jain*, a trade secret was defined as "a trade secret can be formulae, technical know-how or a peculiar mode or method of business adopted by an employer which is unknown to other."³ Section 2(3) of the Indian Innovation Bill, 2008 defines confidential information as "information, including a formula, pattern, compilation, program device, method, technique or process, that:

- (a) "is secret, in that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within circles that normally deal with the kind of information in question;
- (b) has commercial value because it is secret, and
- (c) has been subject to responsible steps under the circumstances by the person lawfully controlling the information to keep it secret."

Delving Deep Into TRIPS Agreement

The Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement is to protect intellectual Property Rights. The provisions of TRIPS protect Trade Secrets with the help of the term "Undisclosed Information." Article 39 of TRIPS, Article 10 *bis* of the Paris Convention of 1967 obliges member states to protect undisclosed information (trade secrets). Clause 3 of Article 39 provides that data and information provided to the government for regulatory approval or other purposes must be protected against leakage or theft by third parties. India is a party to the agreement, but in 1989, along with Brazil, it refused to include trade secrets in its program, arguing that it was not a form of intellectual property right and was constitutionally protected against unfair competition and that Article 10 *bis* of the Paris Convention are sufficient. TRIPS is the first multilateral agreement to recognise the role of trade secrets in the industry. The purpose of the TRIPS Agreement is to increase patent protection and protect trade secrets. Rather than treating such undisclosed information as a form of property, the agreement requires that a person lawfully in control of such information must have the possibility of preventing it from being disclosed to, acquired by, or used by others without his consent in a manner contrary to honest commercial practice.⁴

Trade Secrets in India

As a signatory to the TRIPS Agreement, India has an obligation to bring its intellectual property legislation in line with existing international standards. This obligation is further emphasised by Article 51 of the Constitution of India, which makes it a Directive

Principle of State Policy, to foster respect for International law and treaty obligations in dealings of organised peoples with one another.⁵ India has largely fulfilled this responsibility by enacting new laws and amending existing intellectual property laws. Legal protection of trade secrets does not yet exist in India, although courts have repeatedly recognised them as protected intellectual property and prevented their infringement. To date, such violations have been deterred by unfair competition, tort and contract laws. Specifically, Indian courts have relied on the principles laid down in the *Saltman Engineering Case*⁶, which states that “maintenance of a secrecy, according to the circumstances in any given case, either rests on the principles of equity, that is to say, the application by the Court of the need for conscientiousness in the course of conduct, or by the common law action for breach of confidence, which is in effect a breach of contract.”⁷ Court decisions recognise trade secrets as a form of intellectual property. Still, they are protected by ordinary unfair competition or contract law. There is no codified enactment on this subject. In the judgment reported as *Cattle Remedies v. Licensing Authority*⁸, the Division Bench of Allahabad High Court of India observed that a trade secret is a form of intellectual property right. However, the provisions of TRIPS have not been applied by Indian courts. This law is based on common principles such as breach of trust and confidence. The only statutory provision governing trade secrets is section 27 of the Indian Contract Act of 1872, which states that any contract under which a person is not entitled to carry on any trade, business or profession is void. This clause includes non-

disclosure and non-competition agreements, which are important to protect trade secrets.

Looking at the US Model on Trade Secrets

In contrast, the United States' position is starkly different as they have specific legislation for protecting trade secrets. The Uniform Trade Secrets Act of 1970⁹ defines trade secrets as information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

1. derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
2. is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

The Act provides injunctive relief under Section 1(2) to prevent actual and threatened misappropriation of trade secrets. There is no denying that India desperately needs a trade secret law. Indian law may be reconciled with English law, English courts, or US federal trade secret law under the Uniform Trade Secrets Act of 1990. Restatement (Third) of the principles of unfairness exclusion and its rulings. Protection must extend to aggregated information and combinations of such information. Certain elements of a trade secret may not be useful even if protected. This information must be protected along with other information. The level of knowledge sharing and the validity of industry information can be considered to

ensure that knowledge is not disclosed. Tort liability requires codified legislation, and tort liability is often enforced through improper means or a breach of trust. In impeachment, the larceny doctrine states that the destruction or substantial alteration of evidence that is otherwise used as evidence in pending or reasonably foreseeable litigation must be admitted into evidence. As with other intellectual property related cases, litigation must be conducted by an entity experienced in handling trade secret cases. The disclosure of trade secrets should also be monitored, not procedures, and the disclosure of these trade secrets should also be monitored. The U.S. Uniform Trade Secrets Act of 1990 articulates a preemption principle whereby a cause of action is superseded or barred if it conflicts with the misappropriation of trade secrets. Liability to third parties due to outsourcing should also be indexed. In imposing such obligations, the principles of agency and subjective responsibility should apply. The application of the trade secret exception must take due account of the common law court exception.

Recommendations

Trade secret protection plays an important role in protecting the confidential information of Indian companies and organisations. The main goal of protecting trade secrets is to gain a good reputation in the market and to increase production and services in the market. Here are some recommendations that will help strengthen India's trade secret law.

- India does not have a specific trade secret protection law. Therefore, I propose the Indian Parliament enact a special law to protect trade secrets.

- The company shall not disclose confidential information to third parties and should take responsibility for protecting the company's trade secrets.
- Before using a user account on a social network or registering on a virtual website, every citizen must carefully read the rules and conditions of that particular website. Otherwise, you will never realise that what you think is not a crime is a clear violation of the law. It can get your company's personal and confidential information from the internet and hack your company website.
- When law enforcement agencies receive complaints about blocking content or accessing confidential information and websites, they do not take action on the complaint unless they receive a court order or follow specific legal and judicial processes.

Therefore, it is expected that through the above recommendations, governments and individuals will be able to successfully address issues related to trade secret infringement and introduce new laws and reforms to address trade secret issues.

Conclusion

Protecting their technology is important for companies to protect their proprietary rights. Furthermore, as with other forms of intellectual property, legal protection of trade secrets can stimulate research and innovation. India should pass a trade secret law so that any breach of trade secrets will be punished like other intellectual property rights. When foreign companies feel their trade

secrets are protected in India, they encourage us to provide the latest technology.

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Trade Secrets in Software Algorithms

- Manushri Bhat

Introduction

By offering better and improved goods, services, and many other things, algorithms are revolutionizing society and opening the door for increased human productivity, effectiveness, and well-being. A definition for the same cannot cover all its aspects as that would limit its scope. However, Hill defines it as “a finite, abstract, effective, compound control structure, imperatively given, accomplishing a given purpose under given provisions.”¹

IP Laws Governing Trade Secrets

Algorithms are useful in our daily lives and have become a vital part of them. Algorithm development needs a lot of ingenuity and work, so its creators

ought to be granted certain unique rights for its appropriate application. The rights that are typically granted for this type of intellectual activity are known as intellectual property rights so that its usage is protected from illegal authorization and usage. For the same, there are 3 major protection mechanisms, being:

1. **Patents** - Even though algorithms are usually excluded under patents, they qualify for it as it fulfills their essentials of usefulness, non-obviousness, and novelty. However, the problem lies in the fact that processes that include computers can be patented but protection is not granted to the software programs themselves.

2. Copyrights - Even though an aspect of algorithms qualifies under copyrights, where exclusive rights are given to the author over their creative idea and work, it does not identify non-human authors like AI as a qualified author. Further, it only protects an expression of an idea but not the idea itself, thus mandating the idea to be tangible. This is not possible with respect to algorithms as it entails a lot more than this.

3. Trade Secrets – Thus, algorithms can be best protected under trade secrets as the ambit is wide and creates a far more nuanced space for its derivatives. The tangibility of the idea is not a necessity. There are 3 main essentials for anything to be classified as a trade secret: 1. Trade secret in the sense that it is not widely known in the field in which it is applied or by those who are a part of the social groups where it is typically utilized, nor is it readily available to them; 2. Possess potential or actual business value, specifically so that they are concealed. This means that having access to this information and keeping it a secret implies (or may indicate) having a competitive advantage in the industry in which it is used; 3. Be (or have been) the focus of secrecy measures.

Relevant Factors of Trade Secrets

Numerous considerations affect whether businesses pursue patent protection or seek to preserve trade secrets on any of their inventions. Some factors that one might consider in choosing the best category include the following:²

1. Whether the invention actually qualifies for patent protection;³
2. The limited duration of a patent (today only twenty years⁰ compared to the potential perpetuity of a trade secret;⁴
3. The life-cycle of the invention—whether the typical twenty-four-month time period for obtaining a patent exceeds the amount of time there will be demand for the product on the market;⁵
4. The high price of obtaining a patent, including the costs of retaining legal assistance and the fees owed to the PTO (patent and trademark office), compared to the relative affordability of maintaining a trade secret;⁶
5. The risk of trade secret misappropriation and disclosure of the secret to the public;⁷
6. The risk that a trade secret will be exposed through legal means, such as through independent invention or reverse-engineering, and thus lose its trade secret protection;⁸
7. The “signal value” that patents provide to third parties;⁹ and
8. The extent to which patent protection will enhance the liquidity and alienability of the information.¹⁰

Trade secret law complements these patent and copyright protections. But trade secret law is in some ways the exact opposite in that it protects secrets—disclosure is not required, and in fact, disclosure inhibits the ability to protect the IP at issue.¹¹

Pursuant to this corner of IP law, one may to a certain extent protect his invention or special knowledge if it constitutes a “trade secret,” meaning that the individual has taken reasonable measures to maintain the secrecy of information that derives economic value from its secrecy.¹² Trade secret law does offer some protection against the misappropriation of that trade secret, even though it does not offer as strong a protection as patent or copyright law.

Challenges Involved

The problem with trade secrets is that merely protect information from unfair competition and commercial use. The trade secret holder has no recourse when the acquisition or use of the information becomes permissible, such as when it is done in the public interest or in the performance of official duties. The information is safeguarded against unauthorized acquisition and use. Simply said, trade secrets are a technique for maintaining confidentiality rather than giving its holder exclusive intellectual property rights. Since they are considered to be intellectual property, algorithms need to be properly protected and granted exclusive rights. Trade secrets, however, do not guarantee the same thing, and this is detrimental to business. In this way, start-ups and business owners find themselves in a challenging predicament when attempting to safeguard their innovative software or algorithms. There also exists a troublesome clash between secrecy and transparency emerging from the increasing reliance on technology in legal decision-making and the competing interests of technology developers, technology users, and the general public. The dynamics among these different populations vary depending on the technology,

making it difficult to find a universally applicable solution. In some circumstances, making the algorithm available under seal or allowing it to be viewed in camera might satisfy the users and public clamouring for access while simultaneously addressing the developers’ primary concerns. Under other conditions, pushing the developers and users into exclusive license agreements that would mitigate the developers’ disclosure anxieties could be feasible.

Suggestions & Recommendations

The importance of protecting software algorithms through trade secrets is that it allows companies to maintain a competitive edge by keeping their algorithms a secret. If a company's algorithms are made public, then other companies can easily copy them and create their own versions of the software, which would put the original company at a disadvantage. By keeping the algorithms a secret, the company can ensure that its software is unique and not easily replicated. Thus, IP protection must strike a balance between individual and societal rights. Long-term reliance on trade secrets is not justified because it would defeat the purpose of intellectual property rights. The mainstay IP protection tools, like patents and copyrights, provide true IP protection, but trade secrets are fundamentally not an IP protection tool. In addition, as already mentioned, protection through trade secrets lacks transparency and accountability. The problem needs to be addressed, and the IP legislation needs to open the door for AI to advocate for its own protection. The underlying problems would be resolved and made possible by the recognition of AI, including algorithms, as creative or technical art, which would also make them eligible

for copyright or patent protection. Switching to copyrights might be preferable, but it also has several drawbacks, such as limiting technical systems under a framework intended primarily for "artistic" works.

Conclusion

While copyright protection may be too complex for AI and algorithms, patent protection is flexible and hence preferred over copyright protection. Furthermore, according to professionals in this field, patent protection is the best form of security for algorithms. The scope of patents must be expanded to include algorithms, algorithmic models, and their custom datasets in order to achieve this. Algorithms would be better protected as a result, and their use would be transparent and accountable. A deeper understanding and fair usage of trade secrets are necessary, as the lack of proper guidelines and structure in it causes one to find solutions through different means. The world of software algorithms is dynamic, highly nuanced, and is constantly evolving, widening its scope to include a lot more than one can comprehend. This is in dire need of structured laws to keep in check its volatility and to make sure that

intellectual property, in all forms, is prioritized and protected.

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Trade Secrets in Design and Inventions

- Shreya Jagadish

Introduction

Trade Secrets are Intellectual Property Rights on confidential information that may be sold or licensed. They protect personal information that generally provides a competitive edge to its owner. Trade secrets are precious to a person, whether they have designed an original product, founded an invention, created a recipe, or developed a new technology. The commercial value of a particular formula is why the company or the organization goes to any length to keep it. For anything, in general, to qualify as a trade secret, the information must be commercially valuable, it must be known only to a limited group of persons or a limited number of people, and it must be subjected to reasonable steps taken by the rightful holder of the information to keep it secret, including the use of confidentiality agreements for business partners and employees.¹ The World Intellectual Property Organization (WIPO) provides a forum where governments can debate and shape intellectual property rights. It is one of the most specialized agencies of the United Nations. Its headquarters are situated in Geneva, Switzerland. India has joined three WIPO treaties designed to ease the search for trademarks and industrial designs, helping brand owners and designers obtain protection for their work.

Trade Secrets in Designs and Inventions

Designs and inventions, when created or founded by an individual or by a company, become very valuable for them. Hence, to protect this information, trade secrets are sold or licensed. Trade secrets ensure that an invention or design is not disclosed to the public before and if applying for a patent or industrial design. An invention or a design should be new, original, and not known to the public to obtain a patent or industrial design. However, this cannot be easy for investors or designers when they are trying to launch a business, commercialize a product, or are trying to test it, find financing partners, or seek partners. Hence, they usually have to disclose the invention or design to other people, which will come under the general public. Hence, inventors will guard their new inventions as trade secrets to ensure confidentiality before obtaining patent protection. Most businesses and investors rely on trade secrets, as securing a patent is time-consuming and costly. This is often used when the invention has a short life span. When businesses or companies have new research or a cutting-edge invention or analysis and want to ensure that the competitors do not get this information in hand, they opt for trade secrets. For example: LEGO, the company, tried hard to keep out competitors by using its designs for the blocks. While Google developed a search algorithm and continues to refine it, this invention by Google has made it the world's top search engine today, and the company has

no signs of giving up its place. WIPO recently launched a forum to exchange ideas and perspectives on issues relating to the interface between trade secrets and innovation, called the 'WIPO Symposia on Trade Secrets and Inventions'. They discuss new challenges and opportunities for both the technological and service innovation sectors and the potential effects of technological innovations on the integration of trade secrets in the contemporary innovation ecosystem.² The most recent WIPO Symposium was conducted in May.

Trade Secrets vs. Patents – Protecting an Invention

Patents allow one to exclude from selling, using, or importing the invention in exchange for public disclosure. However, trade secrets, as mentioned, pertain to information used in the invention that is not supposed to be known by the public. Trade secrets protect the owner's secret from theft by assisting the trade secret owner in keeping the information secret, thereby making it highly confidential. Trade secrets can be patented by their owners when they are no longer required to be confidential. When it comes to patenting technical innovations, it is necessary for the innovation to meet the necessary requirements. Unlike patents, however, trade secrets do not have such specific criteria or an examination process to test trade secrets. Licensing patented technology is much easier when it comes to the commercialization of the invention.³ The technology being licensed is precisely defined, and license terms can be easily set out in an agreement. In the case of trade secrets, the licensee must be satisfied that he or she is receiving a legitimate trade secret rather than something from the

public domain, which is why there is no specific definition of a trade secrets agreement. From the standpoint of the licensor, any licensee may become an origin of trade secret leakage. As a result, maintaining the confidentiality of the trade secret is difficult for both the licensee and the licensor.⁴

India's Position

There is no specific legislation in India to protect trade secrets and confidential information. While trade secrets are upheld in Indian courts under the principles of equity and common law action of breach of confidence, which amounts to a breach of contractual obligation. The owner of the trade secrets may seek an injunction prohibiting the licensee from disclosing the trade secret, the return of all proprietary and confidential information, and compensation for any losses sustained as a result of the disclosure of trade secrets.⁵ In India, a person is legally obligated not to reveal any information in confidence. The same is stated in the IPC, Contract, and Information Technology Act. Under Section 27 of the Contract Act, it defines a Non-Disclosure Agreement⁶, and under Section 72 of the Information Technology Act, it imposes a penalty for breach of confidentiality and privacy.⁷ In the case of *John Richard Brady and Ors. v. Chemical Process Equipments P. Ltd.*⁸, the Delhi High Court invoked a broader equitable jurisdiction. It granted an injunction even in the absence of a contract. For the first time, the principles of confidentiality were discussed in this case. According to the Court, the law on this subject is not dependent on any implied contract. Based on broad equity principles, whoever has received information in confidence shall not take unfair advantage of it.

Conclusion

Trade secret protection is not an alternative but is a good option as it will not be displayed in the public domain until and unless the company, business, or individual wants it to. Trade secrets in designs and inventions are essential as the inventions discovered are not public. The position of India in relation to trade secrets is unclear because no moral law has been implemented; therefore, a trade secret law should be developed for greater understanding in the Indian jurisdiction.

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Blockchain Protection for Trade Secrets

- **Kandalam Abhisvara**

Introduction

Trade secrets are often seen as a loose concept that includes confidential business information that gives the enterprise a competitive edge.¹ Because they do not fall under the purview of the more traditional intellectual property rights, which are by nature, and by law easier to protect or enforce, trade secrets are

among those intangible assets that have historically been challenging for businesses to safeguard. The unprecedented rise of trade secret litigation over the past few decades has mainly been caused by two key factors.² First, employee mobility has significantly increased since the turn of the twenty-first century. Employees frequently switch jobs, commonly even

moving to the competitors of their former employer. Additionally, because of the information that competitors can gather, there is an increase in strategic employee poaching.³ Electronic document storage has also advanced significantly. Because of digitalisation, reproducing and transferring confidential data may be as simple as sending files over email or online file transfer services. The risk linked with employee mobility has significantly grown as a result. Rising employee mobility in a highly competitive global market necessitates the implementation of technical and legal safeguards to preserve ownership and control over intellectual property assets.

The EU Trade Secret Directive

Due to the regime of trade secret protection being left to the national legislators' discretion historically, there are significant differences in protections across various jurisdictions. However, the final version of an EU Trade Secret Directive was accepted and released in the Union's Official Journal in 2016.⁴ The criteria to constitute the existence of a trade secret are outlined in Article 2, paragraph one, of the Directive (identically transposed text from the Article 39.2 of TRIPS Agreement):⁵

- a. *it is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that usually deal with the kind of information in question;*
- b. *it has commercial value because it is secret;*

- c. *it has been subject to reasonable steps under the circumstances by the person lawfully in control of the information to keep it secret;*

It must be proven that the information in question is legitimately owned and under the claimed trade secret holder's control for the trade secret holder to have any rights over the information. Trade secret owners are left to themselves when proving the time of creation for the court to determine ownership and chronological creation, unlike with patents, where proof of existence and priority date is organised through a formal registry, where the first person to apply for a patent gets the monopoly.⁶ As a result, the burden of proof is solely placed on the trade secret owners. ⁷

Difficulties in proving ownership, followed by the inability to prove that reasonable measures were taken to protect the trade secret, can arise. The most challenging aspect of a trade secret, however, pragmatically considering, is this last criterion, which entails that one must take all reasonable measures to protect it and provide compelling evidence of its creation and existence. Finding such a confluence of factors is not simple. Moreover, no legal definition indicates which measures, in light of the Directive, constitute "reasonable steps." As a result, the new Trade Secret Directive establishes a minimum standard level of protection and seeks to impose and harmonise trade secret laws throughout the EU.⁸ What "reasonable steps" are and how a trade secret holder can safeguard their information while yet making it accessible to enforce it is challenging to determine. It

is evident that in order to identify ownership and infringement, a court would need to have the following information: A description of the trade secret to assess whether it satisfies the essential criteria; (ii) the time of creation to establish ownership and the duration of its existence (chronological existence); and (iii) assurance that the holder has maintained the confidentiality of the information (i.e., not disclosed).

Blockchain for the Protection of Trade Secrets

The adoption of blockchain, a third-party neutral network that offers the potential of securely storing value using cryptography, maybe a plausible solution to what has been described in the preceding paragraph. Blockchains can be helpful at various stages of a trade secret's life cycle, especially regarding the the "reasonable measure of protection" and the enforcement of a trade secret, i.e., being able to demonstrate that the information has been kept secret in the event of misappropriation.⁹ Blockchains can also convey information confidentially and securely, and non-disclosure agreements can serve as evidence of transfer between parties. Blockchain's main selling point is that the stored information can be distributed without being accessed, copied, or altered.¹⁰ Trade secret holders would be able to upload documents that specify the data they want to keep private (for example, early notes, additional details, recipes, procedures, etc.) using blockchain in its time-stamping application. Owing to the so-called "zero-knowledge technology,"¹¹ such information would have been certified in time but never disclosed, not even to the blockchain provider, who encrypted a

digital fingerprint of the trade secret. The blockchain, a list of records, traces the beginning of a transaction and produces an ID correlating to the transaction itself. This is what is intended when a document is "uploaded" to the blockchain. This ID will indicate that a specific moment in time value has been uploaded on the blockchain. The uploading and creation of certificates or customised evidentiary proof are realised by providers who have developed ad-hoc API (Application Programming Interfaces) solutions that link the trade secret holder with the blockchain and enable them to have an intelligible proof of ownership, which may be used for enforcement.¹² Consequently, in this context, a guaranteed environment like blockchain (a system that is incorruptible, safe, and immutable) enables trade secret holders to minimise the onus of both securing information at all times, dreading losing such documents, as well as providing a time seal and a certificate of ownership.

In cases of trade secret misappropriation and whenever technical and commercial know-how is disclosed to outside parties (employees, investors, auditors, partners, suppliers, etc.), NDAs serve as the first line of protection.¹³ An affixed blockchain certificate allows a blockchain-enhanced NDA to precisely indicate the confines of the shared confidential data. No sensitive information will be given out, but by being concise and establishing a clear link between the receiving party and particular knowledge items, the agreement will be much simpler to enforce.

Admissibility of Blockchain-Evidence in Court

In European court proceedings, the introduction of blockchain-based evidence is not new. Notwithstanding, the admissibility of blockchain evidence has not been established as a precedent. It has only been used in secondary contexts, such as by appointing expert witnesses to explain what the specific evidence is intended to prove and to reassure the court that it is legitimate and credible.¹⁴ The issue with considering blockchain evidence as a secondary source is that the evidence's inherent authority will be compromised and reduced to relying solely on the judge's technical expertise or the relevant expert witness's knowledge.¹⁵ Additionally, this would negate any possible gains from blockchain technology and render blockchain evidence less credible for those holding trade secrets, resulting in lower access to justice. Hence, it is imperative to determine if blockchain-based evidence can be utilised as a direct and legitimate source of electronic evidence based on its inherent reliability.

Blockchain Protection of Trade Secrets in China

Beyond Europe, the acceptance of blockchain evidence is on the rise. China has long aspired to lead in technological advancements. In August 2017, China launched the first "internet court" in the world in Hangzhou.¹⁶ The Hangzhou internet court heard a case involving online copyright infringement nearly a year after it opened.¹⁷ To create an incorruptible record of the copyright infringement, the plaintiff captured the violating website's source code and uploaded it to a blockchain platform. The Chinese

Supreme Court was ultimately tasked with ruling on the admissibility of blockchain evidence. The court stated that "*Internet courts shall recognize digital data that are submitted as evidence if relevant parties collected and stored these data via blockchain with digital signatures, reliable timestamps and hash value verification or via a digital deposition platform, and can prove the authenticity of such technology used.*"¹⁸ Thus, the court affirmed the immutable nature of blockchain technology and held that as long as the legitimacy of the network's source can be established, there is no reason for the court to object to the evidence's direct legal effect.¹⁹

Conclusion

The days of notarizing documents and keeping them in safes for decades to protect trade secrets (as was done historically) are long gone. To make it simpler for trade secret holders to prove ownership rights and establish compliance with the law in a newly developed digital world, novel thought and efficient methods, such as blockchain, in trade secret protection are necessary.

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‘Too Many Cooks Spoil The Broth?’ - Trade Secrets in Recipes in the Food and Beverage Industry

- Karan Mathias

Introduction

A recipe acts as a format or directory listing out various ingredients along with the techniques required to prepare a form of food or beverage. A look

into history will reveal that recipes are passed down from one generation to another. Chefs pass it down to their juniors, mothers to their daughters, and multinational companies into their brand. Although a

common man may not feel that there is a real need for legal protection of his recipe, a chef thinks differently - he prefers the same level of protection on his recipe or concoction as it would be granted to expensive arts and crafts.¹ For a company to be able to distinguish itself from another, there are, in most scenarios, either particular recipes or products they create/manufacture that establishes this unique distinction. A trade secret acts as a formula, pattern, method, or technique that holds a high level of monetary value and reputation attached to this goodwill of the Company.²

Benefits and Intricacies of Trade Secrets

Legally, most food corporations choose to acquire a *trade-secret form of protection* for their recipes and procedures because the formalities are minimal, with no registration complications or registration fees involved. Trade secrets assist businesses in safeguarding their exclusive formulations till they are not made public. A trade secret, in some form, acts as a form of property belonging to a particular individual in the form of secretive information that is personal to the knowledge holder or creator in question. Once this information or knowledge is communicated to the general public, the trade secret in question that acts as a form of property to the owner or creator is lost. Trade secrets, however, come with administrative hassles like exclusivity and non-disclosure agreements with their staff. When an employee's job at the company expires, these obligations frequently remain in effect. It is for this very reason that companies such as Kentucky Fried Chicken take necessary means to protect their recipe

and the concoction of spices that go into them. KFC is seen to provide so much importance to the secrecy of its recipe that it ends up having the blend of the recipe being derived in two separate locations so that no individual location holds the complete instructions to create the final product. For a recipe to be considered a trade secret in the first place is a little difficult, since there exist a multitude of factors required for information to be considered as a trade secret, such as the recipe may be able to stand as eligible of being called a trade secret as long as the creator or chef in question is seen to have taken the appropriate action to protect the confidentiality of the recipe and thus, garner profit from the outside world's lack of command or knowledge over the said recipe.³ Non-disclosure agreements (NDAs) are frequently used by chefs to stop the theft of knowledge relating to a recipe. According to the International Association of Culinary Professionals ethical standards⁴, establishments like restaurants and chefs should offer legal agreements that specifically outline a staff's duties once they leave their jobs, especially when it comes to using confidential information. In the case of Thomas English Muffins⁵, an employee who was one of the seven who knew the instructions and ingredients of their world-famous muffins decided to leave their company and join a rival company that was known for making similar products. The executive was stopped from going forward with his departure to the rival company as he went against the non-disclosure agreement that was signed when he decided to take sensitive and secretive knowledge about the company's secrets from a flash drive owned by the company.

Position in India

There is no specific law in India that protects food recipes as intellectual property. Food recipes can only be given patent protection under the terms of the Patents Act of 1970 if they meet all of the requirements mentioned under the test, which states that the said invention or recipe must: firstly, be novel and neoteric. Secondly, it must be unique and non-obvious in nature. Lastly, there must be some usage and importance provided by the recipe or concoction, which will benefit society as a whole. Protection of trade secrets in India, unlike patents, can be protected without the means of the relevant recipe being registered. Trade secrets also hold the potential to be protected for an indefinite duration of time by the original owner or creator. The TRIPS Agreement by WTO⁶ lays down the required constraints and requirements concerning registering a recipe as a trade secret. In particular, Article 39 of the TRIPS Agreement sets down the general standards for countries that are party to the agreement.

Conclusion

Trade secrets are a safe and highly creator-friendly tool to protect one's recipe. For a chef in today's day and age, a recipe can either be chosen to be broadcast to the public or may be personally held by the restaurant that would like to benefit monetarily from the recipe in question. A restaurant can apply for trade secret protection to prevent its personnel from

stealing the recipe and using it against rival eateries if it believes it has a legitimately "secret" recipe for a popular dish that gives it a competitive edge. If a recipe is developed using an original method, it may be patentable, but in this instance, the recipe will also become public as soon as the patent is published. Therefore, you should rely on one of these safeguards depending on how the recipe will be promoted.

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Case Analysis: Beyond Dreams Entertainment Pvt. Ltd. & Ors. v. Zee Entertainment Enterprises Ltd. & Anr. (2015)

- Devrata Siddharth Morarka

Brief Facts

In or about March 2011, Beyond Dreams Entertainment ('BDE') developed a concept for a TV show, initially titled "Paachva Mausam Pyaar Ka" ('*fifth season of love*'). The concept was reduced to a concept note and registered with the Film Writer Association on 11 June 2013.¹ BDE thereafter worked from time to time and developed the concept and fleshed the same out extensively to convert it into a full-fledged TV series with the title of the concept note undergoing a few changes and eventually being differently named "Badki Bahu" (eldest daughter in law) with a tagline "*aaude main sabse chhoti..umar main sabse badi... hai toh ghar ki chhoti bahu magar kehlaygi-Badki Bahu.*" BDE contended that between 11th June 2013 and March 2014, it worked on the various versions and presentations of the concept notes which contain the developed concept, story, pitch-line, plot, tracks, family, characters, names, set design, jewelery design, and from time to time shared the concept notes with ZEE. Sharing of concept notes was in circumstances of confidence and was on the basis that ZEE promised BDE that the former would telecast a serial based on BDE's concept notes and that the production of this serial would be entrusted to BDE. When the television serial was ready to be launched, ZEE insisted that BDE take on board a co-producer and recommended a few names in this

regard. Both discussed the modalities, but BDE never accepted the proposal for taking a co-producer on board and instead withdrew the concept notes from ZEE. Thereafter, ZEE proceeded to announce a new serial to be launched on its new television channel titled "Badi Devrani" (sounding colloquially similar to BDE's TV show title, which in English would mean the oldest sister-in-law), which, BDE argued, is entirely based on the concept notes prepared by them and shared with ZEE.

The Rationale behind the Case

This suit was filed by the Plaintiffs (Beyond Dreams Entertainment) to prevent the misuse of confidential information as well as the infringement of copyright against ZEE before the high court. This case established three main elements in order for the claim of protection to be held valid, them being:

1. It must be proven that the information itself is confidential.
2. It must be shown that it is communicated to the defendant under occasions where he/she has an obligation of confidence in him/her.
3. It must be proven that the information shared was threatened to be used unruely or unjustly by the defendant.

The Delhi High Court in *Anil Gupta's* case², popularly known as the Swayamvar case, and the case of Zee Telefilms Ltd. are cases in point. In the case of Anil Gupta, the idea was to produce a reality TV programme of matchmaking to the point of an actual spouse selection, in which every day ordinary persons would participate before a TV audience. The programme was titled "Swayamvar" since many people would associate the name with the idea of a woman selecting a groom in public fora, recalling mythological 'Swayamvar.' In this case with its minimalistic details, this idea per se, was sufficient to make the same unique and confidential.

Court Ruling

The court inferred that BDE has not only prepared the first concept note and got the same registered but has also developed this concept into various character sketches, plots and so on and it would be improper of ZEE to take advantage of such work, and exploit the hard work of BDE. The court opined that no irretrievable damage shall be caused to ZEE if they are restrained from telecasting the serial based upon the concept notes originally created by BDE.

Impact

I think that this particular case has had an impact on copyright law and the way we look at trade secrets. This case stresses that an idea per se has no copyright. The court places strong reliance on *Seager v. Copydex Ltd.*, (1967) 2 All ER 415. In this case, the plaintiff, in the course of discussion with the defendants of a carpet grip described as 'the germ of the idea' for a different form of carpet grip, which the plaintiff had devised. Later the defendants developed and

marketed the carpet grip which was unwittingly based on the plaintiff's alternate type of grip. The Court of Appeal concluded that the plaintiff's idea was 'the springboard' which enabled the defendants to devise their own grip and held that the defendants were liable for breach of confidence.³ The learned counsel also referred to a judgment of Justice Megarry in *Coco v. AN Clark*. The Court had delivered the right verdict in my opinion; ZEE should be held liable for the breach of confidence and should be restrained from telecasting their serial.

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Case Analysis: Dr. Sudipta Banerjee v. L.S Devar & Co. & Ors. (2021)

- Janet Treesa

Introduction

A trade secret is a formula, process, design, pattern, or compilation of information used by a business to obtain an advantage over competitors or customers. They are intellectual property rights on confidential information which may be sold or licensed. In India, there is no statute, legislation, specific law or enactment that governs the protection of trade secrets in India. However, rights in respect of trade secrets are enforced through contract law, copyright law, principles of equity, common law action of breach of confidence and laws to protect confidential information in the form of electronic devices. India is a member of the TRIPS Agreement and has the flexibility to frame laws to protect trade secrets that prevent the unauthorized disclosure and use of certain information or misappropriation that leads to a civil action for the breach of contract. An NDA (non-disclosure agreement) often serves as a tool to prevent the disclosure of confidential information to a third party. In India, a person can be contractually bound not to disclose any information that is revealed to him/her in confidence.

Facts

Dr. Sudipta Banerjee was a known patent professional working in the respondent company.

Subsequently, 3 of the professionals, including the appellant, in this case, moved out of the firm to start their own business. The company filed a suit on the claims that the appellants are revealing the trade secrets and other confidential information procured during their course of work in the company and are using it for their own benefit. The company alleges that in a clear breach of their legally binding commitments emerging out of their Employment contracts with the accused party, who are as yet utilizing, unveiling, and passing on the essential records and information, the respondents pleaded that relief be granted with immediate effect. Hence, the present case has been filed. The issue was whether the appellants are liable for breach of the contractual agreements of their employment contract with the defendant-company.

Analysis

The Court of Appeal held that the “*confidential*” information: “*must not be something which is public property and public knowledge. On the other hand, it is perfectly possible to have a confidential document, be it a formula, a plan, a sketch, or something of that kind, which is the result of work done by the maker on materials which may be available for the use of anybody; but what makes it confidential is the fact*

*that the maker of the document has used his brain and thus produced a result which can only be produced by somebody who goes through the same process*¹.” In other words, confidential information is something which only a limited group of people have access to based on the owner’s discretion. There should not be any copy of this information available in the public domain. In the present case, the Court examined the facts and circumstances of the case based on this observation. Therefore the defendant who used the drawings of the plaintiff was held liable for the breach of agreement. In the above case, the employee sharing such confidential information would be a breach of confidentiality. In India, there are limited means for the protection of this IP. One way to assurance of trade secret protection is through traditional judicial rulings, aspects of equitable law, contracts law and torts. The absence of legislation for trade secrets has always made difficult in judgments. The need for legislation with respect to trade secrets in India is undeniable, and if such legislation comes, it’ll help in the development of IP other than the traditional ones. Hence, this case also sheds some light on the importance of a codified law in India dealing with trade secrets.² In codified law in India must first define the word ‘trade secret’ and the subject matter thereto. The term has now become a global issue for the insurance of proprietary advantage. It is essential for the codified law to take the tort of misappropriation into consideration which is usually committed through improper means or breach of confidence. Many countries like the US, Japan, China, the South Korea have begun realizing the importance of trade secret and hence have enacted

laws. In the US, Trade Secrets are protected by specific law - The Uniform Trade Secrets Act (USTA) which is a state law enacted by the Uniform Law Commission in 1979. The US has the strongest law for the protection of Trade Secrets in case of any misappropriation of Trade Secrets. The involvement of global initiatives like TRIPS and NAFTA though not large but still contributed to the initiate some laws regarding the same³.

Court’s Ruling

The Court judgments mainly focused on two areas: (a) Protection of trade-secret basis: The High Court opined that while there is no particular regulation in India to safeguard trade secrets, the Courts maintained trade secrets on the premise of standards of equity, and on occasion, upon a customary regulation activity of break of confidence, which basically sums to a break in legally binding commitment. The relief sought by the parties in the Court was to get an order for an injunction to prevent the divulgence of trade secrets and return of all private and exclusive data and pay for any losses because of the revelation of proprietary innovations. The Court limited the appellants from uncovering, disclosing or sharing private data accumulated over the span of their work in any way at all till the removal of the injunction. (b) The Court also noted that, while construing the provisions of Section 27 of the Act, neither the test of reasonableness nor the principles of restraint being partial are applicable here⁴. The Court further opined that Indian law is not advanced and freedom of contract and trade must be balanced. If the

employee shares such information and communication, it would be unethical and a breach of confidentiality. An injunction granted by Courts can restrain the wrongdoer from disclosing trade secrets as well as damages can be sought by the trade secret owner⁵. No specific law was enacted for the protection of Trade Secrets and Confidential Information in India, and it is still not there. It is based instead on equity and common law.

Conclusion

The case has a great impact on the Indian legal concept due to the emergence of law in trade secrets. The absence of well-defined laws gave rise to widespread concerns and confusion in judgments which could be altered by such trade mark cases. The main aim of judgments, however, will be to prevent the misuse of confidential information developed by the individual and to enable them to use it for their own gain and, when confronted, take proper shelter under the law. The injunction placed by the HC against former law firm employees barring them from disclosing confidential information and trade secrets obtained during their term of employment seems to give assurance to the employers in regards to the holding of confidential information, thus prompting them to contribute to the workspace. Any such case arising out of issues with the misuse of confidential information by the employee will hold the right path with such judgments. The fact that Mr. Banerjee's argument on the restrictive clause prohibiting the respondents from carrying on business same or similar in nature would be void and hit by Section 27

of the Indian Contract Act cannot also be neglected in the present circumstances. It is high time to relook at Section 27 and to impose some restrictions and to recognize negative covenants in service contracts. While freedom of contract and trade need to be upheld, they must also be balanced⁶. Since India needed legitimate regulation for the insurance of trade secrets, it is, without a doubt, a troublesome undertaking to guarantee its finished security. The gatherings to any such support of classification are by and large limited by a legally binding understanding, yet because of the absence of a legitimate institution, the Indian Courts have been not able to accommodate satisfactory help to the pleading parties. Despite the fact that the Courts have understood the significance of trade secrets, the relief available is comparatively less due to the fact that it is calculated on a case-to-case basis. The presence of uniform legislation on this topic will help standardize the damages that the aggrieved party is entitled to.

References:

1. Dr. Sudipta Banerjee v. L.S Devar & Co. & Ors., FMAT 735 of 2021.
2. Anonymous, *WIPO Symposium on Trade Secrets and Innovation*, Geneva (2019), https://www.wipo.int/meetings/en/2019/symposium_trade_secrets.html
3. Trade Related Aspects of Intellectual Property Rights, 15th April, 1994, Marrakesh Agreement Establishing the World Trade Organization, art. 39(2), 1869 U.N.T.S. 299,

33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement].

4. The Indian Contract Act 1872, No. 9, S. 27, Acts of Imperial Parliament, 1872 (British India).

5. The Information Technology Act 2000, No.21, Acts of Parliament, 2000 (India).

6. Saltman Engineering Co. v. Campbell Engineering Co. Ltd., (1948) 65 R.P.C. 203 (UK).

Case Analysis: LifeCell International Private Limited v. Vinay Katrella (2020)

Thomas Alex

Introduction

Trade Secret is considered an important component of IP now. With the recent developments in the arena of trade secrets both nationally and internationally, it has become of utmost importance to develop this particular form of IP. In India, there's negligible presence of this form of IP, also considered as an alternative to traditional IP. Therefore, very few cases exist on this issue. However, the present case is one such case where the presence of trade secrets has been acknowledged, and its breach has been adequately compensated.

Facts

The applicant is in the business of testing, processing, preserving and storing Umbilical Cord Stem Cells collected at the time of the birth of the child. The applicant had centres/branches throughout the country through its own centres and independent Franchisees. The respondent is one of the Franchisees to run the centre in Bengaluru for a period of three years from 01.10.16. The parties have entered into a Franchise agreement dated 01.10.16 at Chennai.

There were various clauses to that agreement. These clauses were meant to restrain the use of the IP granted to the franchisee. The clauses put a prohibition on the interaction between the Franchisee and the vendors of the company for a period of 2 years. The breach of this clause will lead to heavy penalties being imposed on the Franchisee, and the agreement will be terminated with immediate effect. There was explicit mention in the agreement about the trade secrets of the company too, whereby if the Franchisee comes to know about the same, then the agreement shall hold valid despite its termination. There is also the presence of a non-compete clause in the agreement, wherein, the Franchisee couldn't indulge in the manufacture of similar things for two years after the expiry of the agreement. The Franchisee was also prevented from employing any personnel of the company either during the term of the agreement or within two years after the termination of this agreement. The issue in this case was whether the respondent is responsible for

breaching the terms and conditions of the contract agreed upon by parties.

Delving into the Details of the Franchisee Agreement

The respondent failed to achieve the target even in the minimum sales, hence he was advised to improve his performance and the failure of which will constitute a breach of terms and conditions of the Franchise Agreement. Therefore, in order to save themselves from incurring liabilities, the Franchisee approached the clients of the Company, as against their contractual agreements. When the applicants, here the Company, sent notices to the Company to desist from going to those clients, the respondent did not pay heed. Hence, the contract was terminated as the conduct of the respondent was seen to be in violation of the agreement acceded by both the parties. However, the terms and conditions of the agreement regarding non-compete clauses and sharing of trade secrets has not been complied with by the respondent. Hence, this present case has been filed.

Analysis

The conduct of the respondent was indeed found to be in contravention of the confidentiality agreement as well as the non-compete clause. Furthermore, the respondent also defaulted in keeping with the post-termination terms and conditions initially agreed upon by both the parties. The applicant on their part, pleaded that since there has been severe breach of the confidentiality clause and non-compete clauses, therefore, it is requested that the Court pass an interim order to restrain the respondent from competing in the

company's business, as well as order the respondent to not divulge any trade secret of the company.¹ The respondent, on his part, argued that there has been no such violation, and that due to the company's economic capacity being weakened due to some adverse circumstances, such allegations are being thrown at him to stabilize the company financially. However, the Court also considered that Supreme Court judgments on this issue have opined that a blanket prohibition cannot be ordered due to the question of livelihood being impacted. However, adequate damages can be enforced along with measures to not undertake such steps in future. In the judgment of the Calcutta High Court in *Hi-Tech Systems and Service Limited v. Suprabhat Ray*², it has been held that if there is any case pertaining to breach of contractual obligation leading to speculation about the imminent financial damage to the company, then, trade in a *quia timet* action of this nature, the Court is required to find out if such apprehension is genuine and the plaintiff is able to make out a strong prima facie case. Based on the materials produced in court, the point of the respondent meeting the clientele of the applicant company has been proven. Since the applicant -company is entitled to protection for the safety and advancement of trade. The major ratio of this case is that “A Franchisee/agent can only be restrained from divulging trade secrets of the franchisor/principal post termination of the agreement and not from undertaking competitive trade.”³

Conclusion

The High Court of Madras has delivered the verdict bearing the national interests regarding trade and commerce in mind. The Court has delivered the right verdict, as it is important to safeguard the interests of international companies which have branches in India. This verdict helps in contribute to economic development, which results in the advancement of the country.

References:

1. LifeCell International Private Limited v. Vinay Katrela, AIR 2020 Mad 15343.
2. Hi-tech Systems and Service Limited v. Suprabhat Ray, AIR 2015 Cal 1192.
3. *Supra* note 1.

