

PROTECTION OF TRADE SECRETS - DOES INDIA NEED A SEPARATE
LEGISLATION?

DHEERESH KUMAR DWIVEDI*

Introduction

In this world of the free market, intellectual property¹ laws play a very vital role. They constitute the most important tool to survive in a rather competitive market. Intellectual property law ensures that rights of an owner of the intellectual property are not being infringed to his prejudice by a third party² so that he exclusively³ enjoys the rightful fruit of his labour, skill and judgement. Since these rights are the creation of statutes,⁴ which are limited in time and space,⁵ they are legitimized by the state and thus protected by it.

* IV year, B.ALLB (Hons), National Law Institute University, Bhopal.

¹ Intellectual property refers to creations of the mind, such as, inventions, literary and artistic works, symbols, names, images and designs, used in commerce. The property is not in those works but in the information or knowledge reflected in them, the right to which can be sold or licensed for use. Intellectual property is divided into two categories: industrial property, which includes inventions (patents), trademarks, industrial designs and geographic indications of source, know-how or trade secret and copyright, which includes literary and artistic works such as knowledge, poems and plays, films, musical works, drawings, paintings, photographs and sculptures and architectural designs. *See* Indian Farmers Fertilizer Co-operative Limited v. Commissioner of Central Excise, (2007) 7 VST 6 CESTAT New Delhi at ¶ 16-19 [hereinafter referred to as 'IFFCO'].

²*Ibid.* at ¶ 19.

³ "Exclusive" means "restricted to the person." *See* THE COMPACT OXFORD REFERENCE DICTIONARY, 284 (C. Soanes ed., Oxford University Press 2003).

All the Intellectual Property, except 'Trade Secret,' confers exclusive right on the owner. However, since existence of Trade Secrets depends on 'secrecy' of information, disclosure of same renders it unprotectable, giving whole world right to exploit the information. Hence, Trade Secrets are not themselves subject to fully exclusive rights of industrial property. *See WIPO Intellectual property Handbook: Policy, Law and Use, Patents, Introduction*, WORLD INTELLECTUAL PROPERTY ORGANIZATION, 150, (Nov. 30, 2015); *See also*, David D. Friedman, William M. Landes, & Richard A. Posner, *Some Economics of Trade Secret Law*. JEP, 61-72 (1991).

⁴ CORNISH W., LEWELYN D., & APLIN T., INTELLECTUAL PROPERTY: PATENT, COPYRIGHT, TRADEMARKS AND ALLIED RIGHTS, 9 (7th Ed., 2010).

⁵ All the intellectual property rights, except Trademark and Trade Secret, are limited in time. Similarly, except Trade Secret, all the rights are limited in space i.e. they are territorial in nature. However, Trade Secret varies according to jurisdiction. *See* Md Zafar Mahfooz Nomani &

The existing legal regime on the protection of intellectual property rights is ineffective in so far as the protection of Trade Secrets⁶ is concerned as these rights require registration with the government which entails a very expensive burden. Also, if a Trade Secret is to be registered either as copyright or as patent, it would automatically come into the public domain, rendering the secret public. Moreover, Copyright law also does not grant any protection whatsoever to Trade Secret as there can be no Copyright in an idea⁷ and makes an action for the breach of trust or confidence independent of the Act.⁸ Thus, it can be said that Trade secret is the creation of common law.⁹

Although, various international multilateral treaties to which India is a party provide for the protection of Trade Secrets,¹⁰ the parliament has, in ignorance of its constitutional obligation,¹¹ so far not enacted any piece of legislation for the protection of Trade Secretes.¹² Consequently, Trade Secrets in India are being

Faizanur Rahman, *Intellection of Trade Secrets and Innovation Laws in India*, 16(4) JIPR (2011). [hereinafter referred to as 'Zafar & Rahman'].

⁶ Trade secret is also a form of intellectual property right. See *Cattle Remedies v. Licensing Authority*, 2007 (2) AWC 1093; IFFCO, *supra* note 1 at ¶ 17.

⁷ *RG Anand v. Delux Films*, AIR 1978 SC 1613. However, Trade Secrets can be obtained over a fully developed idea or substance of it. Also, to get protection under Trade Secret law, an idea or information need not to be novel. See *Fraser v. Thames Television Ltd.*, [1984] QB 44.

⁸ COPYRIGHT ACT, §16 1957, provides that though no copyright can be granted otherwise than in accordance with the provisions of Copyright Act, 1957; unprotected works can still be protected for breach of trust or confidence.

⁹ MARGRETH MARGRETH BARRETT, *INTELLECTUAL PROPERTY*, 42 (2nd ed. 2001). [hereinafter referred to as 'Barrett'].

¹⁰ PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY, art. 10bis July 12, 1967, 21 U.S.T. 1583, 828 U.N.T.S. 305. and AGREEMENT ON TRADE RELATED ASPECT OF INTELLECTUAL PROPERTY, art. 39.2 Apr. 15, 1994, 1869 U.N.T.S. 299; 33 I.L.M. 1197 (1994). Though Paris Convention does not talk about trade secret as such, it accords protection against 'unfair competition' and thereby guarantees protection from dishonest practices in industrial or commercial matters.

¹¹ INDIAN CONST. art. 51(c) obliges the state to foster respect for international law and treaty obligations. Although Article 51 is merely one of the Directive Principles of State Policy, finding place under Part IV of the Constitution of India, nevertheless they are fundamental in governance of the Country and it is the duty of the state to apply these principles in law making. See INDIAN CONST. art. 37.

¹² An attempt was made to bring a law for protection of Trade Secretes in form of Draft National Innovation Act, 2008. However, this bill has not yet seen the shine of the day. Draft bill can be accessed at <http://www.dst.gov.in/sites/default/files/draftinnovationlaw.pdf>. (Dec. 4, 2015).

protected either under common law action of breach of confidence, which is in effect breach of contract¹³ or common law principle of equity¹⁴ or in certain cases, under Criminal law.¹⁵ This has resulted into the emergence of rather inconsistent and incoherent judge made law,¹⁶ often made in ignorance of requirement and development of the market. As a result, India is lagging behind developed legal systems of the world in the field of protection of Trade Secrets which could prove a major hurdle in country's '*Make in India*' mission.

The present paper analyses existing legal regime governing the protection of Trade Secret in India. In part I of the paper, the author has discussed the various dimensions of the definition of the Trade Secret in India as given by various jurists. Part II of the paper seeks to identify various fields of law under which trade secret is protected. It has been divided into three sub-parts dealing with the law of contract, law of equity and criminal law respectively. Part III of the paper deals with remedies available for infringement of trade secret in India. As a conclusion, the author has highlighted the lack of legal protection accorded to Trade Secret and loopholes in the present Draft National Innovation Act, 2008 and strives to provide a solution for the same.

Part I: Defining the undefined: Meaning of Trade Secret

In common parlance, Trade Secret is 'information of commercial value kept secret.'¹⁷ In the absence of any specific legislation governing Trade Secret in India, it has largely been defined by the courts. However, Draft National Innovation Act

¹³ INDIAN CONTRACT ACT § 27, 1872, provides that a person can be restrained from disclosing confidential information by way of contract. However, such contracts must be reasonable; otherwise they can be declared to be void under section 27 of the Act. *See* Superintendence Company of India Pvt. Ltd. v. Shri Krishna Murgai, AIR 1980 SC 1717 [hereinafter referred to as 'Shri Krishna Murgai'].

¹⁴ Fairfest Media Ltd v. Ite Group Plc & Ors., 2015(2) CHN (CAL) 704 [hereinafter referred to as 'Fairfest Media'].

¹⁵ IPC, 1860 provides for theft and criminal breach of trust applicability of which is limited due to intangible nature of trade secret. Similarly, Information Technology Act, 2000 also contains penal provision for breach of confidence and data theft.

¹⁶ Zafar & Rahman, *supra* note5 at P. 349.

¹⁷ Prof. Chandni Raina, *Trade Secret Protection in India: The Policy Debate*, (Dec. 02, 2015). <http://wtocentre.iift.ac.in/workingpaper/Trade%20Secret%20Protection%India20policy%20debate.pdf>,

2008,¹⁸ for the first time, has attempted to define trade secret or confidential information¹⁹ as information of economic value which is kept secret by the owner through reasonable means.²⁰ This definition is *almost identical* to the definition of ‘confidential information’ as given under Article 39.2 of Agreement on Trade-Related Aspects of Intellectual Property²¹ which defines Trade Secret as:

Article 39 (2) *Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices²² so long as such information:*

(a) 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 normally deal with the kind of information in question;

(b) has commercial value because it is secret; and

(c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

¹⁸ DRAFT NATIONAL INNOVATION ACT, §2(3) 2008. It read as follows:

Section 2(3) “Confidential Information” means information, including a formula, pattern, compilation, program device, method, technique, or process, that:

(a) is secret in that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the 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 reasonable steps under the circumstances by the person lawfully in control of the information, to keep it secret.

Hereinafter referred to as ‘Draft NI Act’

¹⁹ There is a debate whether ‘Trade Secret’ and ‘Confidential Information’ can be used interchangeably or not. However, in light of treatment given to these terms by both the Draft NI Act and the courts, the author has used them interchangeably throughout the paper. See DRAFT NATIONAL INNOVATION ACT, §2(7), 2008 and IFFCO, *supra* note 1 at ¶19.

²⁰ Definition of ‘Confidential Information’ as given under §(3) of the Draft NI Act, 2008 is very much similar to the definition of ‘Trade Secret’ as given under the UNIFORM TRADE SECRETS ACT, §2(4) 1985.

²¹ Hereinafter referred to as ‘TRIPs’.

²² For the purpose of this provision, “a manner contrary to honest commercial practices” shall mean at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition. See footnote 39.2 of TRIPs, art. 39.2.

The courts have also made several attempts to define Trade Secret. Thus, the Delhi High Court²³ defines trade secret as information or formulae, technical know-how or a peculiar mode or method of business adopted by an employer which is unknown to others²⁴ and which if disclosed to a competitor, would be liable to cause a real or significant harm to the owner of the secret.²⁵ Similarly, in *Indian Farmers Fertilizer Co-operative Limited v. Commissioner of Central Excise*,²⁶ 'Trade Secret' was defined as a formula, practice, process, design, instrument, pattern or compilation of information used by a business to obtain an advantage over competitors within the same industry or profession. However, refusing to provide an exhaustive list of information that can be considered a Trade Secret,²⁷ the Court observed that customer's lists and information concerning the proposed contents of a mail order catalogue,²⁸ designs, drawings,²⁹ manufacturing process,³⁰ architectural plans, business strategies, business plans³¹ are some of the examples of trade secret. However, 'every information of general knowledge of facts' or mere use of words like

²³ Burlington Home Shopping Pvt. Ltd. v. Rajnish Chibber, (1995) 61 DLT 6 [hereinafter referred to as 'Burlington Home'].

²⁴ Ambiance India Pvt. Ltd. v. Shri Naveen Jain, 122 (2005) D.L.T. 421, ¶ 6; *see also* American Express Bank, Ltd. v. Priya Puri, (2006) 3 L.L.N. 217.

²⁵ Coco v. A.N. Clark (Engineers) Ltd., (1969) R.P.C. 41 [hereinafter referred to as 'Coco v. Clarke']; Thomas Marshall, *supra* note 23.

²⁶ Indian Farmers Fertilizer Co-operative Limited v. Commissioner of Central Excise, (2007) 7 VST 6 CESTAT New Delhi at ¶ 19; *see also* Bombay Dyeing and Manufacturing v. Mehar Karan Singh, 2010 (112) BomLR 3759 at ¶ 39.

For dictionary meaning of the term, *see* BRYAN A GARNER, BLACK'S LAW DICTIONARY 1533 (8th Ed. 2004).

²⁷ Burlington Home, *supra* note 25; Mr. Diljeet Titus v. Mr. Alfred A. Adebare and Ors. 130 (2006) DLT 330 at ¶ 9 [hereinafter referred to as 'Diljit Titus']; *See also* MCCOMAS, W. R., DAVISON, M. R., & GONSKI, D. M., THE PROTECTION OF TRADE SECRETS: A GENERAL GUIDE 8 (6th Ed. Butterworths, Sydney 1981)[hereinafter referred to as 'McComas, Davison & Gonski'].

²⁸ Burlington Home, *supra* note 25.

²⁹ Saltman Engineering Coy. Ltd., Ferotec Ltd. and Monarch Engineering Coy. (Mitcham), LD. v. Campbell Engineering Coy., Ltd., 65 R.P.C. 203 [hereinafter referred to as 'Saltman v. Campbell'].

³⁰ Harvey Tiling Company (Pty.) Limited v. Rodomac (Pty.) Limited and Another, (1977) R.P.C. 399 (Supreme Court of South Africa).

³¹ Michael Michael Heath Nathan Johnson v. Subhash Chandra, 60 (1995) DLT 757 [hereinafter referred to as 'Michael Nathan']; *Trade Secrets Are Gold Nuggets: Protect Them*, WIPO Magazine (Apr. 2002)

http://www.wipo.int/export/sites/www/sme/en/documents/wipo_magazine/04_2002.pdf,

‘strategic or crucial policy decision’,³² ‘trivial tittle-tattle’,³³ immoral or scandalous material³⁴ or general concepts *per se*³⁵ cannot be labelled as Trade Secret. Further, information need not be in writing and even oral information is protected.³⁶ Hence, to claim breach of Trade Secret, one must establish that:

- i. Information is secret;
- ii. It has commercial value; and
- iii. All reasonable steps have been taken to protect its secrecy.

i. Threshold of ‘Secrecy’

Secrecy is the core of Trade Secret.³⁷ Information, formulae or a technical know-how to qualify to be trade secret, it must not be generally known³⁸ or accessible to the public.³⁹ However, the test of secrecy is ‘relative’ and not ‘absolute’.⁴⁰ Thus, if information is known to some other selected people other than its originator, it is still considered secret.⁴¹ Hence, information partially secret and partially public would be protected under the doctrine of ‘Springboard’.⁴² The doctrine, first propounded by Roxburgh J. in ***Terrapin v. Builders’ Supply Co.***,⁴³ ensures that a person who has obtained confidential information from the owner through improper means⁴⁴ does not use it without

³² Star India Private Limited v. Laxmiraj Seetharam Nayak & Anr, 2003 (3) BomCR 563 at ¶ 14.

³³ Coco v. Clarke, *supra* note 26 at 48; McNichol v. Sportsman’s Book Stores, (1928-30) Mac. C.C. 116.

³⁴ Stephens v. Avery, (1988) 2 All ER 477 [hereinafter referred to as ‘Stephens v. Avery’].

³⁵ Cybertek Computer Products, Inc. v. Whitfield, California Superior Court, 203 U.S.P.Q. 1020 (1977). However specific implementation involving a particular combination of general concepts may still amount to trade secret. *See* Winston Res. Co. v. Minnesota Mining & Manufacturing Co. 350 F.2d 134 (9th Circuit 1965); *see also* Barrett, *supra* note 9 at P. 40.

³⁶ Douglas v. Hello! Ltd. (No.2), (2005) 4 All E.R. 128 (Court of Appeal).

³⁷ Michael Nathan, *supra* note 33. The Court denied injunction on the ground, *inter alia*, of plaintiff not being able to establish the secrecy of information.

³⁸ Thomas Marshall, *supra* note 23; Saltman v. Campbell, *supra* note 31.

³⁹ IFFCO, *supra* note 1 at ¶ 12, 13, 14, 33.

⁴⁰ K2 Ski Co. v. Head Ski Co. Inc., 506 F 2d 471 (9th Cir. 1974); Vestrgaard Frandsen A/S v. Bestnet Europe Ltd., [2013] UKSC 31.

⁴¹ Stephens v. Avery, *supra* note 36, Michael Nathan, *supra* note 33.

⁴² Rivendell Forest Prods. Ltd. v. Georgia Pacific Corp., 28 F 3d 1042 at 1046 (10th Cir. 1994).

⁴³ Terrapin v. Builders’ Supply Co., (1960) R.P.C. 128.

⁴⁴ Though the Draft Act uses word ‘improper means’, it leaves it undefined. However, UNIFORM TRADE SECRET ACT, §1(1) 1985 gives inclusive definition of ‘improper means’. It reads as follow:

an authorization of the owner in his detriment⁴⁵ to get 'head-start' or edge over other competitors in the market.⁴⁶ However, the fact that the trade secret can be obtained through reverse engineering⁴⁷ does not negate the secrecy of the Trade Secret.⁴⁸

ii. Threshold of 'commercial value'

Information must have some commercial value i.e. it must provide some kind of economic or commercial advantage to its owner over his competitors who do not have it.⁴⁹ Thus, where a religious group had a trade secret regarding course of its religious practice and the information was obtained by another religious group through improper means who threatened to make it public, it was held that since trade secret cannot be based solely on spiritual advantage, unless it has some kind of commercial or economic advantage, it cannot be protected under the law.⁵⁰ However, if it can be established that the alleged trade secret had an economic advantage as well, it will be protectable by law.⁵¹ Similarly, considering the eligibility of 'customer's list' as the Trade Secret, the Court of Appeal of California⁵² held that where there are many potential customers in the market but only a few of them are actual purchaser, the customer list may be considered as the Trade Secret as its compilation requires investment of time and money. However, if the identity of customers is known

§ 1 (1) "Improper means" includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.

⁴⁵ *Urmi Juvekar Chiang v. Global Broadcast News Ltd. & Anr*, (2007) 109 (2) Bom LR 981.

⁴⁶ The principle was reiterated by the Delhi High court in *Michael Nathan*, *supra* note 33; *Seager v. Copydex Ltd.*, (1967) 2 All ER 415 [hereinafter referred to as '*Seager v. Copydex*'].

⁴⁷ "Reverse engineering" refers to a process of discovery by starting with the known product and working backward to find the method by which it was developed. The acquisition of the known product must, of course, also be by a fair and honest means, such as purchase of the item on the open market for reverse engineering to be lawful. *See* THE RESTATEMENT OF TORTS, §757, Comment (f) AMERICAN LAW INSTITUTE, 1939.

⁴⁸ *Barrett*, *supra* note 9 at P. 45.

⁴⁹ *Wade Cook Seminars, Inc. v. Mellon*, 1999 WL 211831 (Wash App Div 1 1999); *Barrett*, *supra* note 9 at P. 48.

⁵⁰ *Religious Technology centre v. Wollershiem*, 796 F. 2d 1076 (9th Cir. 1986).

⁵¹ *Religious Technology centre v. Scott*, 869 F. 2d 1306 at 1310 (9th Cir. 1989).

⁵² *Electro Optical Industries, Inc. v. Stephen White*, 1999 WL 1986467 (Cal App 2 Dist 1999).

to everybody in the market, it cannot be said to have economic value and, therefore, cannot be protected under the law.⁵³

iii. Threshold of ‘reasonable protection’

To keep the Trade Secret as a Trade Secret in perpetuity,⁵⁴ a company must take ‘all reasonable steps’ to prevent it from being known to public as once it becomes public, though the company would have common law remedy of injunction, the trade secret would no longer be considered as a Trade Secret.⁵⁵ However, the obligation to take reasonable steps is not absolute⁵⁶ and is confined to ‘what is reasonable under the circumstances’.⁵⁷ To evaluate the reasonableness of measures being taken, *cost-benefit analysis* has been suggested as to whether the benefit from the protection of trade secret would outweigh cost involved in the security of Trade Secret.⁵⁸ Thus, where a company has marked ‘confidential’ on its pricing and strategic-plan data, it was held that company has exercised reasonable care to protect its confidential information and, therefore, is entitled to be protected under the law.⁵⁹ However, where a pharmaceutical company did not have any written agreement on confidentiality and Trade Secret with its employee nor any policy or procedure for protection of the same, protection of trade secret was held to be unavailable.⁶⁰ However, small companies are not required to take ‘rigorously’ reasonable steps to protect their Trade Secret and if a family-run cheese company limits access to its Trade Secrets to family members only, reasonable steps are said to have been taken.⁶¹

⁵³ ABBA Rubber Co. v. Seaquist (1991) 235 Cal.App.3d 1, 18-19, 286 Cal.Rptr. 518; American Paper & Packaging Products, Inc. v. Kirgan (1986) 183 Cal.App.3d 1318, 1326, 228 Cal. Reporter. 713).

⁵⁴ Unlike patent, copyright or trade mark, the attribute of protection of confidential information in the know-how or trade secret gives perpetual monopoly in such secret information which does not expire over a period of time as is usual for the protection in form of validity period granted to patents and copyrights. See IFFCO, *supra* note 1 at ¶ 20.

⁵⁵ IFFCO, *supra* note 1 at ¶ 20.

⁵⁶ Pioneer HiBred International v. Holden Found Seeds, 35 F 3d 1226, 1235 (8th Cir. 1994) ; Gates Rubber Co. v. Bando Chem. Indus. Ltd., 9 F 3d 823, 848-49 (10th Cir. 1993).

⁵⁷ E. I. duPont deNemours & Co., Inc. v. Christopher, 431 F. 2d 1012 (5th Cir. 1970).

⁵⁸ Barrett, *supra* note 9 at P. 45.

⁵⁹ LeTeune v. Coin Acceptors, Inc., 849 A.2d 451 (Md. 2004).

⁶⁰ Delcath Systems, Inc. v. Foltz, 2007 Ct. Sup. 804 (Conn. Super. Ct. 2007).

⁶¹ Elm City Cheese Co. v. Federico, 251 Conn. 59, 78-86 (Conn. 1999).

Part II: Protection of trade secret in India

In the absence of any specific or general law dealing with Trade Secret, it is continued to be governed and protected by common law principle of equity and the private contract between the parties. Also, in some cases, protection of Trade Secret can be sought under provisions of Indian Penal Code and Information Technology Act. The justification of protection of Trade Secret or confidential information is rooted in agreement,⁶² trust,⁶³ equity,⁶⁴ confidence, property⁶⁵ and bailment;⁶⁶ that the principle of equity demands that '*he who has received information in confidence shall not take unfair advantage of it.*' Thus, in a vast majority of Trade Secret cases the duty of confidence arises either out of the contractual relationship between parties, either expressly or impliedly⁶⁷ or independently in equity.⁶⁸ However, more recently, the contract has lost its monopoly in the protection of Trade Secret⁶⁹ and courts have recognized much wider equitable jurisdiction based on, not so much on 'contract' or 'property', but rather on 'good faith'.⁷⁰

⁶² Vokes v. Heather, (1945) 62 R.P.C. 135, CA; British Celanese v. Moncrieff, (1948) 65 R.P.C. 165 at 167, CA.

⁶³ Coco v. Clarke, *supra* note 26 at 46.

⁶⁴ Robb v. Green, (1895) 2 Q.B. 315, CA.

⁶⁵ Shree Gopal Paper Mills v. SKG Malhotra, AIR 1962 Cal 61 [hereinafter referred to as 'Gopal Paper Mills'].

⁶⁶ Prince Albert v. Strange, (1849) 2 De G. & Sm. 652; Morison v. Moat, (1851) 9 Hare 241.

⁶⁷ Gurry on his treatises on 'Breach Of Confidence' observes that the contractual jurisdiction must be considered an important Fairfest Media quoting with basis of the action for breach of confidence. See TANYA APLIN , LIONEL BENTLY , PHILLIP JOHNSON , SIMON MALYNICZ & GURRY ON BREACH OF CONFIDENCE: THE PROTECTION OF CONFIDENTIAL INFORMATION 35 (OUP, 1984). [Hereinafter referred to as 'Gurry on Breach of Confidence'].

⁶⁸ Seager v. Copydex, *supra* note 48; affirmed by Lord Goff in Attorney General v. Guardian Newspapers Ltd. [1988] 3 All ER 545 [hereinafter referred to as 'Spycatcher case'].

⁶⁹ CORNISH, WILLIAM RODOLPH & LLEWELYN, DAVID, INTELLECTUAL PROPERTY, 304 (5th Ed. 2003) [hereinafter referred to as 'Cornish & Llewelyn'].

⁷⁰ Saltman v. Campbell, *supra* note 31. Taking one step forward, despite the presence of contract, equity was held to be separate and independent ground of jurisdiction. See Peter Pan v. Corsets Silhouette, (1963) R.P.C. 45; Cranleigh Precision v. Bryant, (1966) R.P.C. 81. However, Ungood-Thomas J. gave an alternative interpretation by saying that it is 'the policy of the law' to enforce confidences created by the communication of confidential information which is the basis of the courts' jurisdiction. Once this policy is brought to mind, it is possible to regard the jurisdictional sources on which the courts rely as merely secondary mechanisms which provide the means by which the courts can enforce a confidence. See Argyll v. Argyll [1967] 1 Ch. 302.

In India, Trade Secret has been accorded protection under both, common law principle of breach of confidence and principle of equity.⁷¹ In Gurry's treatise on 'Breach of Confidence',⁷² the jurisdiction of courts for protection of Trade Secret or confidential information has been discussed in following words:

"Equity has two distinct roles in the breach of confidence action. The first of these is auxiliary to the legal jurisdiction which the courts have in the contract. ... Where an injunction is granted in aid of a legal right the court is still, by history, exercising an equitable jurisdiction. Thus, where an obligation of confidence is founded in contract and the court grants an injunction to restrain the confidant from misusing confidential information in breach of that obligation, the injunction is granted upon an exercise of the equitable jurisdiction. This auxiliary jurisdiction in equity has been frequently used by the courts in cases involving a breach of confidence and, in appropriate circumstances, an injunction will be granted to enforce either an express or an implied contractual obligation of confidence.

The second role of equity is to provide a jurisdiction by which the courts will restrain a breach of confidence independently of any right at law."

Hence, in case of infringement of trade secret, remedy can be sought under:

- i. Law of contract,
- ii. Principle of equity, and
- iii. Criminal law

i. Protection of trade secret under law of contract

When confidential information is transferred by an owner to a recipient, it can be either expressly or by implication.⁷³ The express obligation of confidence is

⁷¹ The maintenance of secrecy which plays such an important part in securing to the owner of an invention uninterrupted proprietorship of marketable know-how, which thus remains at least a form of property, is enforceable at law. That statement may now be examined in the light of established rules making up the law of trade secrets. These rules may, according to the circumstances in any given case, either rest 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. See John Richard Brady and Others v. Chemical Process Equipments P. Ltd. and Anr., A.I.R. 1987 Delhi 372 at ¶ 24 [hereinafter referred to as 'John Richard Brady'].

⁷² 'Gurry on Breach of Confidence' *supra* note 69 at P.36.

⁷³ Even in the absence of an express agreement, it is an implied term of an employment contract that an employee will not divulge a trade secret learned by virtue of his employment to a

often created by contract between the parties under which parties can clearly define nature of information to be kept confidential and extent of liability for its potential breach.⁷⁴ However, such contracts are subject to common law doctrine of ‘restraint of trade’⁷⁵ and have to pass the test of ‘reasonableness’.⁷⁶ This doctrine is based on ‘public policy’⁷⁷ which opposes any kind of restriction on individual’s right of being employed.⁷⁸

competitor of his former employer. *See* American Buildings Co. v. Pascoe Building Sys, 260 Ga. 346, 392 S.E.2d 860 (1990) at 350.

⁷⁴ Contracts in India are governed by INDIAN CONTRACT ACT, §2 (h) 1872 of the Act defines ‘contract’ as an agreement enforceable by law. However, §10 of the Act provides that “all agreements are contracts if they are made by the free consent of parties competent to contract, *for a lawful consideration and with a lawful object, and are not hereby expressly declared to be void.*” Hence, an agreement of confidentiality to be enforceable by law, it must not contain terms which are opposed to public policy of India. Further, it must also not be expressly declared void by the Act.

⁷⁵ The word ‘restraint from exercising lawful profession, trade or business’ do not mean an absolute restriction, and are intended to apply to a partial restriction, a restriction limited to some particular place, otherwise the first exception would have been unnecessary. *See* ABICHANDANI, R.K., POLLOCK & MULLA, INDIAN CONTRACT AND SPECIFIC RELIEF ACTS, 416, 419(11th Ed., Vol. I, N.M. Tripathi Limited, 1994) [hereinafter referred to as ‘Pollock & Mulla’].

⁷⁶ *Niranjan Shankar Golikari v. Century Spinning & Manufacturing Co.*, (1967) 2 S.C.R. 367 [hereinafter referred to as ‘Niranjan Shankar Golikari’]; *Vancouver Malt & Sake Brewing Cp. Ltd.*, (1934) A.C. 181, 189-90; *Peters American Delicacy Co. Ltd. v. Patricias Chocolates of Candies Pty. Ltd.*, (1947) 77 C.L.R. 574, 598. Reasonableness of restriction has to be seen in reference to interest of parties concerned and interest of the public. In determining this nature and extent of the business to be protected are material elements. *See* *Nordenfelt v. Maxim-Nordenfelt Co.*, (1894) A.C. 535, 565 [hereinafter referred to as ‘Nordenfelt v. Nordenfelt’].

⁷⁷ Pollock & Mulla, *supra* note 77 at P. 416.

⁷⁸ *Niranjan Shankar Golikari supra* note 78; HALSBURY’S LAWS OF ENGLAND, 15, Vol. 38, (3rd Ed); *ESSO Petroleum Ltd. v. Harpers Garage Ltd.*, (1967) 1 All E.R. 699 at 707 [hereinafter referred to as ‘ESSO Petroleum’].

Right to work has also been recognized as one of the fundamental right under INDIAN CONST. art. 19 (1) (g), which can be subjected to ‘reasonable restriction under INDIAN CONST. art.19 (6).

Article 19 (1) (g) and Article 19(6) of the Constitution of India reads as follow:

Article 19(1) All citizens shall have the right

.....

(g) to practise any profession, or to carry on any occupation, trade or business.

(6) Nothing in sub clause (g) of the said clause shall affect the operation of any existing law in so far as it imposes, or prevent the State from making any law imposing, in the interests of the general public, reasonable restrictions on the exercise of the right conferred by the said sub clause, and, in particular, nothing in the said sub clause shall affect the operation of any existing law in so far as it relates to, or prevent the State from making any law relating to,

An agreement in restraint of trade has been defined as “one in which a party agrees with any other party to restrict his liberty in the future to carry on trade with other persons who are not parties to the contract in such a manner as he chooses.”⁷⁹ This doctrine finds statutory recognition under Section 27 of Indian Contract Act, 1872⁸⁰ which declares all agreements in restraint of trade void *protanto*,⁸¹ except in the case specified in the exception.⁸² Hence, ‘restraint of any kind’ is void under Indian law,⁸³ irrespective of the fact whether it is absolute or partial.⁸⁴ However, the doctrine does not apply to contracts regulating trade during their existence provided that such restrictions are towards the absorption of the parties’ service and not their sterilisation⁸⁵ and a covenant intended to protect the trade secret is not void merely because it would hamper competition in the market.⁸⁶ Further, the doctrine protects employee only against restrictions beyond the term of the contract and not during the continuance of the contract.⁸⁷

-
- (i) the professional or technical qualifications necessary for practising any profession or carrying on any occupation, trade or business, or
- (ii) the carrying on by the State, or by a corporation owned or controlled by the State, of any trade, business, industry or service, whether to the exclusion, complete or partial, of citizens or otherwise

⁷⁹ *Petrofina (Great Britain) v. Martin*, (1966) Ch. 146 [hereinafter referred to as ‘Petrofina’]

⁸⁰ INDIAN CONTRACT ACT §27, 1872 reads as follow:

§ 27- Agreement in restraint of trade, void- Every agreement by which any one is restrained from exercising a lawful profession, trade or business of any kind, is to that extent void.

Exception 1.—Saving of agreement not to carry on business of which goodwill is sold.—One who sells the goodwill of a business may agree with the buyer to refrain from carrying on a similar business, within specified local limits, so long as the buyer, or any person deriving title to the goodwill from him, carries on a like business therein, provided that such limits appear to the Court reasonable, regard being had to the nature of the business.

⁸¹ But such contracts are not ‘illegal’. See *Haribhai Maneklal v. Sharafali Isabji*, (1897) 22 Bom. 861 at 866.

⁸² *Shri Krishnan Murgai*, *supra* note 13; *Percept D’ Mark (India) Pvt. Ltd. v. Zaheer Khan and Anr.*, AIR 2006. SC 3426 [hereinafter referred to as ‘Zaheer Khan’]. See also *Pollock & Mulla*, *supra* note 77 at P. 418.

⁸³ *Madhub Chandrer Poramanick v. Rakcoomar Doss & Ors.*, (1975) 14 BLR 76.

⁸⁴ *Zaheer Khan*, *supra* note 84.

⁸⁵ *ESSO Petroleum*, *supra* note 80 at 707 [per Lord Reid].

⁸⁶ *Schroeder (A) Music Publishing Co. Ltd. v. Macaulay*, (1974) 3 All. E.R.616; *Forster & Sons Ltd. v. Suggett* (1918) 35 T. L. R. 87.

⁸⁷ *Zaheer Khan*, *supra* note 84.

Therefore, the doctrine is to be applied to factual situations with a broad and flexible rule of reason.⁸⁸

a) TEST OF REASONABLENESS

A contract on restraint of trade to be enforceable, it must be reasonable, so drafted as to ensure protection to the party restrained and at the same time not injurious to public interest.⁸⁹ Such contracts must prevail unless the breach of public policy is clearly established.⁹⁰ However, the burden of proof is on employers to show that restraint is necessary to protect their interest⁹¹ against the servant who has acquired not merely knowledge of customers but influence over them⁹² and once this onus is discharged, employee has to prove that contract is injurious to the public.⁹³ The reasonability of agreement depends upon nature of the agreement, the service to be rendered, and place of employment and availability of service of same nature.⁹⁴ Hence in India, such restrictions are put through private contracts between parties under private contracts of different character *viz.*, non-disclosure agreement, non-competition clause and agreement of non-solicitation of employee and employer where under employee is restrained from divulging the trade secret or know-how obtained during the course of employment. Thus, these agreements seek to bind current employee in lawful employment of the employer throughout the duration

⁸⁸ ESSO Petroleum *supra* note 80; Petrofina, *supra* note 81 at 180; Re Ravenseft Properties Ltd.'s Application, (1978) Q.B.52, 67.

⁸⁹ "The public have an interest in every person's carrying on his trade freely: so has the individual. All interference with individual liberty of action in trading, and all restraints of trade of themselves, if there is nothing more, are contrary to public policy, and therefore void. That is the general rule. But there are exceptions: restraints of trade and interference with individual liberty of action may be justified by the special circumstances of a particular case. It is a sufficient justification, and indeed it is the only justification, if the restriction is reasonable – reasonable, that is, in reference to the interests of the parties concerned and reasonable in reference to the interests of the public, so framed and so guarded as to afford adequate protection to the party in whose favour it is imposed, while at the same time it is in no way injurious to the public." Lord Macnaghten in Nordenfelt v. Nordenfelt, *supra* note 78, quoted with affirmation in Niranjan Shankar Golikari *supra* note 78.

⁹⁰ Underwood & Son Ltd. v. Barker, (1899) 1 Ch. 300, 305.

⁹¹ Niranjan Shankar Golikari *supra* note 78.

⁹² Herbert Morris Ltd. v. Saxelby, (1916) 1 A.C. 688; Niranjan Shankar Golikari *supra* note 78.

⁹³ Niranjan Shankar Golikari *supra* note 78.

⁹⁴ Sunilchand v. Aryodaya Spinning & Weaving Mills, (1963) GLR 795; V.N. Deshpande v. Arvind Mills Co. Ltd., (1946) 48 BomLR 90 [hereinafter referred to as 'Arvind Mills'].

of the contract⁹⁵ and unless terms of such contracts are harsh and unconscionable, are enforceable by the court of law.⁹⁶

b) PROTECTING TRADE SECRET THROUGH ‘NON-DISCLOSURE AGREEMENT’

Through these contracts, an employee is restricted from disclosing the confidential information or trade secret obtained from employer during the course of employment to any other person, unless mandated under any law in force. The effect of such clause being to prohibit the employee from disclosing the trade secret of the employer, such contracts are not restraint of trade and, therefore, valid.⁹⁷ In the case of *Niranjan Shankar Golikari v. Century Spinning & Manufacturing Co.*,⁹⁸ the defendant was employed under a contract containing a negative covenant that he shall not disclose any information or trade secret of company obtained during the course of employment. Upon leaving the service, plaintiff sought to enforce the negative covenant under the apprehension that he might divulge plaintiff's trade secret. Granting injunction, Hon'ble Supreme Court held that *since the employer has proprietary rights in Trade Secret, negative covenant prescribing particular time frame, nature of employment and area are not restraint of trade and can be enforced by the court of law to protect the rights of the employer.*

Similarly, in *Escorts Const. Equipment Ltd v. Action Const. Equipment P. Ltd.*,⁹⁹ where despite there being a non-disclosure agreement between plaintiff and defendant that defendant shall not disclose any Trade Secret or know-how to anyone, defendant left employment and started his own production of Pick-N-Carry Mobile Cranes based on trade secret and know-how of plaintiff. The injunction was granted and the defendant was restrained from manufacturing and selling Pick-N-Carry Mobile Cranes based on drawings and designs of the plaintiff. Also, where an employee was appointed under the express condition that he shall not disclose the trade secret of the

⁹⁵ Shri Krishnan Murgai, *supra* note 13.

⁹⁶ Niranjan Shankar Golikari *supra* note 78.

⁹⁷ Vfs Global Services Private v. Mr. Suprit Roy, 2008 (2) BomCR 446.

⁹⁸ Niranjan Shankar Golikari v. Century Spinning & Manufacturing Co. (1967) 2 S.C.R. 367.

⁹⁹ Escorts Const. Equipment Ltd v. Action Const. Equipment P. Ltd AIR 1999 Delhi 73.

company to other parties but later left the job, the injunction was granted restraining him from divulging the secret information.¹⁰⁰

Also, in *Burlington Home Shopping Pvt. Ltd. v. Rajnish Chibber*,¹⁰¹ the defendant was an employee of plaintiff who was engaged in service of mail order and had developed a list of clientele/customers database by investing a considerable amount of money and time. Upon leaving employment, defendant took away with him the database and started using same for the purpose of his newly established business of mail order service. He was restrained from using it and the injunction was granted.

c) PROTECTING TRADE SECRET THROUGH 'NON-COMPETE CLAUSE'

Through these agreements, an employee is prohibited from taking up a business in competition, direct or indirect, of his employer during the term of his service. The object of such an agreement is to disable the employee from using the confidential information or know-how obtained during his course of employment with his ex-employer against his interest and unless their terms are unconscionable or excessively harsh and one-sided¹⁰² such covenants cannot be regarded as a restraint of trade.¹⁰³ However, covenant restricting the party from competing with another party beyond the period of contract is void.¹⁰⁴ Thus where defendant was employed to exclusively work for plaintiff for period of three years as weaving master but left service in one year and joined another company in breach of negative covenant, granting injunction the court held that since the prohibition was confined to profession of weaving master during the existence of negative contract, it is reasonable and, therefore, valid.¹⁰⁵ Similarly, where an assistant engineer was restrained from leaving his employer or joining

¹⁰⁰ Shri Krishna Murgai, *supra* note 13.

¹⁰¹ *Burlington Home Shopping Pvt. Ltd. v. Rajnish Chibber*, (1995) 61 DLT 6.

¹⁰² Niranjan Shankar Golikari *supra* note 78; Gopal Paper Mills, *supra* note 67.

¹⁰³ *Gaumount Corporation v. Alexander*, (1936) 2 All E.R. 1686; *Warner Bros. v. Nelson*, (1937) 1 K.B. 209.

¹⁰⁴ *Gujarat Bottling Co. Ltd. v. Coca Cola Co.*, (1995) 5 SCC 545 [hereinafter referred to as 'Gujarat Bottling?].

¹⁰⁵ *Arvind Mills*, *supra* note 96.

any other firm in India or elsewhere during the term of the contract, the contract was held to be valid.¹⁰⁶

Further, in ***GEA Energy System India Ltd. v. Germanischer Lloyd Aktiengesellschaft***,¹⁰⁷ where restrictive clause only stated that '*defendant may not carry on a business which is prejudicial to the Plaintiff company*' and as such did not restrict the defendant in absolute terms from carrying on any business, the Madras High Court observed that the terms of the agreement were not one-sided and did not betray the weakness of any one party. Also, if an employee takes voluntary retirement or resigns the job, he is unilaterally repudiating the service contract and, therefore, negative covenant imposing restriction on competing the plaintiff particularly is enforceable.¹⁰⁸ Further, in the case of ***Jet Airways v. Jan Peter Ravi Karnik***,¹⁰⁹ Bombay High Court held that negative covenant restricting employee from competing employer for the unserved contractual period would be enforceable only if it is for the protection of certain proprietary interest of the employer.

However, where an employee was restrained from competing his employer for the period of five years after termination of his service, it was held that such restriction on the right of the employee is unreasonable and, therefore, void.¹¹⁰ Moreover, as the doctrine of restraint of trade is not confined only to contracts of employment but is applicable to all kind of contracts,¹¹¹ a commercial or collaboration contract containing negative covenant will also have to pass the test of reasonableness. Thus where plaintiff was engaged in business of sale and manufacturing of B.R.C. and purchased the business of defendant, who sold but did not make 'loop' reinforcement, under a contract that defendant would not compete plaintiff in '*any business*' of sale or manufacturing road

¹⁰⁶ Lalbhai Dalpatbhai v. Pandya, (1965) 2 Lab. L.J. 284.

¹⁰⁷ GEA Energy System India Ltd. v. Germanischer Lloyd Aktiengesellschaft [2009]149CompCas689(Mad).

¹⁰⁸ V.V. Sivaram and others v. FOSECO India Limited, 2006 (1) KarLJ 386.

¹⁰⁹ Jet Airways v. Jan Peter Ravi Karnik, (2000) 4 Bom CR 487.

¹¹⁰ Bramhaputra Tea Co. v. E. Scarth, (1885) 11 Cal. 545.

¹¹¹ Zaheer Khan, *supra* note 84; Gujarat Bottling, *supra* note 106.

reinforcement for a specified period, the contract was held to be too wide in scope and, therefore, void.¹¹²

d) PROTECTION OF TRADE SECRET UNDER 'NON-SOLICITATION AGREEMENT'

A non-solicitation agreement is an agreement between employer and employee where under employee is prevented, during and after his employment, from soliciting clients and other employees of his employer or ex-employer for his own benefit.¹¹³ Since a list of customers, clients etc. is considered as a Trade Secret,¹¹⁴ non-solicitation agreements are designed to protect the interest of the employer from abuse of Trade Secret. Further, such contracts are intended to prevent the tortious act of inducement of breach of contract¹¹⁵ and, therefore, are not hit by Section 27 of the Indian Contract Act.¹¹⁶ To be valid, terms of these covenants must be reasonable in distance, time, protection and non-usage of Trade Secrets and goodwill imposed on former employees.¹¹⁷ Thus, in *Embee Software Pvt. Ltd. v. Samir Kumar Shaw*,¹¹⁸ where three ex-employees of plaintiff left their employment and incorporated a separate company of their own, plaintiff sought an injunction against them under apprehension that since defendants are in possession of trade secret of plaintiff, they may misuse it and may solicit customers and clients of their ex-employer to break contractual relationship with plaintiff. It was held that though defendant cannot be prevented from practising trade or business of their choice, they cannot use the Trade Secret of the plaintiff to his prejudice and cannot induce customer and clients of the plaintiff to break the contract with plaintiff.

¹¹² British Reinforcement Concrete Engineering Co. Ltd. v. Schelff, (1921) 2 Ch. 563.

¹¹³ NISHITH DESAI ASSOCIATES, *Employment Contracts in India: Enforceability of Restrictive Covenants*, (Dec. 2015)http://www.nishithdesai.com/Research/Papers/Employment_Contracts_in_India.pdf, 06,

¹¹⁴ Burlington Home, *supra* note 25.

¹¹⁵ Embee Software Private Ltd. Vs. Samir Kumar Shaw & Ors., AIR 2012 Cal 141.

¹¹⁶ WIPRO Ltd. v. Beckman Coulter International S.A., 2006 (3) ARBLR 118 (Del.).

¹¹⁷ M/s. F L Smidth Pvt.Ltd. v M/s. Secan Invescast (India) Pvt. Ltd., (2013) 1 CTC 886.

¹¹⁸ Embee Software Pvt. Ltd. v. Samir Kumar Shaw, AIR 2012 Cal 141.

Similarly, in *Wipro Ltd. v. Beckman Coulter International SA*,¹¹⁹ plaintiff was working as a sole distributor of the defendant who later decided to undertake a direct operation in India and for which issued advertisement for employment, preferably to those who have had experience of working in the same field. Plaintiff alleged that the defendant, in breach of non-solicitation agreement, is soliciting its employees to leave plaintiff's employment. Holding that since employment contracts are different from commercial contracts, they have to be read liberally as, unlike former, later are a result of equal bargaining between two companies; the court observed that since instant contract was designed to restrict the employer i.e. plaintiff and defendant and not the employees, provisions of Section 27 would not get attracted. Hence, the court restrained the defendant from further soliciting plaintiff's employees for the period stipulated in the contract.

Further, in *Desiccant Rotors International Pvt Ltd v. Bappaditya Sarkar & Anr.*,¹²⁰ where the defendant, in breach of non- compete and non-solicitation agreement with plaintiff, joined plaintiff's competitor as marketing manager and started contacting plaintiff's customers, he was restrained from soliciting plaintiff's employees, customers and suppliers.

ii. Protection of trade secret under equity

Being a common law country, India does recognize common law principle of equity¹²¹ that '*one who receives information shall not take unfair advantage of it*'.¹²² This basis in equity constitutes an obligation of conscience arising from circumstances of communication, only breached by an abuse or 'unconscientious use' of the protected information.¹²³ This equitable

¹¹⁹ *Wipro Ltd. v. Beckman Coulter International SA*, 2006 (3) ARBLR 118 (Del.).

¹²⁰ *Desiccant Rotors International Pvt Ltd v. Bappaditya Sarkar & Anr.*, IA No. 5455, 5454 and 5454/2008 in CS(OS) No. 337/2008 (Delhi High Court).

¹²¹ Courts in India are courts of both law and equity. *See* *Modi Entertainment Network & Anr. v. W.S.G. Cricket Pvt. Ltd.*, (2003) 4 SCC 347 at ¶ 10.

¹²² *Seager v. Copydex*, *supra* note 48; *John Richard Brady*, *supra* note 73.

¹²³ *R v. Department of Health, ex parte Source Informatics Ltd.*, [2001] QB 423 [hereinafter referred to as 'Source Informatics'].

jurisdiction is founded on ‘goodfaith’¹²⁴ and ‘conscienceofconfident’.¹²⁵ Here, ‘information’ carries its general meaning¹²⁶ and includes Trade Secrets.¹²⁷ Law of confidentiality of information has its origin in the principle of equity¹²⁸ and is the cousin of trust.¹²⁹ The House of Lords in *Spycatcher’s case*¹³⁰ observed that ‘a duty of confidence arises when a confidential information comes to the knowledge of a person in circumstances when he has noticed, or is held to have agreed, that the information is confidential with the effect that it would be just in all circumstances that he should be precluded from disclosing or using the information.’ Hence, it is clear that the duty of confidentiality is independent of any contractual¹³¹ or fiduciary¹³² relationship between parties and ‘nature of information’ is the relevant factor for establishing confidential obligation.¹³³

a) ACTION FOR BREACH OF CONFIDENTIALITY

Where the relationship between parties imposes an obligation of confidence and where it is unconscionable to the recipient to reveal the information imparted under the said relationship, equity would protect such information from disclosure.¹³⁴ To prove breach of confidence, it has to be shown the

¹²⁴ Seager v. Copydex, *supra* note 48; Zee Telefilms Ltd. and Film and Shot & Anr. v. Sundial Communications Pvt. Ltd. & Ors., 2003 (27) PTC 457 (Bom) at ¶ 10 [hereinafter referred to as ‘Zee Telefilms’]; COLSTON, CATHERIN & MIDDLETON, KIRSTY, MODERN INTELLECTUAL PROPERTY LAW, 205 (2nd Ed., Cavendish Publishing Ltd, 2005) [hereinafter referred to as ‘Catherin & Middleton’]; NORTH P., *Breach of Confidence: Is there a new Tort?*, [1972] JSPTL 149.

¹²⁵ Source Informatics, *supra* note 125.

¹²⁶ Catherin & Middleton, *supra* note 126 at 208.

¹²⁷ Source Informatics, *supra* note 125.

¹²⁸ TARAPOREVALA, V.J., LAW OF INTELLECTUAL PROPERTY, 635 (2nd Ed., Thomson Reuters, 2013) [hereinafter referred to as ‘Taraporevala’].

¹²⁹ Coco v Clarke, *supra* note 26; Taraporevala, *supra* note 130 at 636.

¹³⁰ Spycatcher case, *supra* note 70.

¹³¹ It was held that even though the contract is silent on matter of confidence, law will imply to treat such confidential matter in confidential way as one of the implied terms of contract but such obligation is not limited to cases where parties are in confidential relationship. Saltman v. Campbell, *supra* note 31.

¹³² Lac Minerals v. International Corona Resources, (1989) 26 C.P.R. (3d) 97 (S.C.C.) [hereinafter referred to as ‘Lac Minerals’].

¹³³ Venables and Thompson v. News Group Newspapers Ltd., [2001] 1 All ER 908.

¹³⁴ Stephen v. Avely, 1988 Ch. 449, 456.

information relied upon is confidential & identifiable, was handed over in the circumstance of confidence and has been used without the license.¹³⁵

The test of cause of action for breach of confidential information was developed by Megarry J in *Coco v. AN Clarke*¹³⁶ wherein it was observed that to make an action for breach of confidentiality it is necessary that the information itself is confidential, was imparted to confidant under obligation of secrecy and such information was disclosed by confidant without authority.¹³⁷

Hence, to prove breach of confidentiality, it has to be established that:

1. Information is confidential,
2. There is an obligation of confidentiality, and
3. Breach of obligation to the detriment of confider.
 - Confidentiality of information¹³⁸

Confidential information is any information, written or oral, having, at least, some attractiveness to an end user and is capable of being realized.¹³⁹ However, in cases of trade secret, information has to be of qualitative standard¹⁴⁰ and not in public domain.¹⁴¹ The information will be considered confidential not only to the original recipient of information but to another party as well where such party has knowledge that information imparted to him is confidential.¹⁴²

Hence, in the case of *Anil Gupta v. Kamal Das Gupta*,¹⁴³ where the plaintiff has developed an idea of 'Swayamvar', a television programme and communicated it to the defendant, it was held that idea being novel was capable of being protected as confidential information and defendant was held liable

¹³⁵ Zee Telefilms, *supra* note 126, quoting with affirmation to CMI Centres for Medical Innovation GmbH & Anr. v. Phytopharm Plc (1999) FSR 235.

¹³⁶ *Coco v. AN Clarke*, [1969] RPC 41.

¹³⁷ The test has been adopted by Indian courts as well. *See* Emergent Genetics India Pvt. Ltd. v. Shailendra Shivam and Ors., (2011) 125 D.R.J. 173, ¶ 33; Zee Telefilms, *supra* note 126 at ¶ 13.

¹³⁸ For further detail, *see* *Supra* Part I (a).

¹³⁹ *De Maudsley v. Palumbo*, [1996] FSR 447.

¹⁴⁰ *Catherin & Middleton*, *supra* note 126 at 212.

¹⁴¹ Information had necessary quality of confidence where it was not something which is public property and public knowledge. *See* *Spycatcher case*, *supra* note 70.

¹⁴² Zee Telefilms, *supra* note 126 at ¶ 10; *Interfirm Corp. v. Law Society NSW*, 1977 RPC 137 at 141 [hereinafter referred to as 'Interfirm Corp.'].]

¹⁴³ *Anil Gupta v. Kamal Das Gupta*, 2002 (25) PTC 1.

for breach of confidence. However, in the case of *Dunford and Elliot v. Johnson and Firth Brown*,¹⁴⁴ where plaintiff disclosed its shareholders certain confidential information which was communicated to the defendant for business purpose by shareholders without informing plaintiff, it was held that *'widespread dissemination of information drives a hole into the blanket of confidence and it is not reasonable to stipulate for confidentiality of information.'*¹⁴⁵

With regard to the liability of the third party, it is necessary that such third party must be aware of the confidential character of information. Thus in *Morrison v. Moat*,¹⁴⁶ where plaintiff and father of defendant were partners and plaintiff had given certain confidential information to defendant's father who before his death passed it to defendant, it was held that since defendant knew that the information was confidential, he is under obligation to not to disclose same and injunction was given restraining defendant from disclosing confidential information.

(1) *Obligation of confidentiality*

To bring an action for breach of confidence against confident, it is necessary that confident was under an obligation of confidence.¹⁴⁷ In *Coco v. Clarke*,¹⁴⁸ it was held that information must have been communicated in circumstances importing confidence and there can be no binding obligation of confidence unless circumstances in which information was imparted are such that a reasonable man would reasonably believe that information was confidential. Such an obligation may be imparted directly¹⁴⁹ or indirectly, inferred from circumstances and to negate the existence of obligation of confidence, the burden of proof lies on the recipient of information.¹⁵⁰

¹⁴⁴ *Dunford and Elliot v. Johnson and Firth Brown*, [1977] 1 Lloyd's Rep. 505.

¹⁴⁵ Hence, Lord Denning MR added fourth condition to Megarry J's three in *Coco v. AN Clarke*, that the stipulation for confidence must be reasonable.

¹⁴⁶ *Morrison v. Moat*, (1851) 9 Hare 492.

¹⁴⁷ *Catherin & Middleton*, *supra* note 126 at 221.

¹⁴⁸ *Coco v. Clarke*, (1969) R.P.C. 41.

¹⁴⁹ Express obligations of confidence are often created by contract. *See supra* Part II A.

¹⁵⁰ *Coco v Clarke*, *supra* note 26 (per Megarry, J.) at p. 48; *La Forest J in Lac Minerals*, *supra* note 134 at p. 107-8.

Implied obligation of confidence can be created by circumstances under which information was communicated,¹⁵¹ based on the test of reasonable man.¹⁵² Emphasising on the importance of circumstances in which negotiation takes place, Megarry J observed that where a commercial or industrial information is given with some avowed common object in mind, the obligation of confidence gets created and burden of proof to hold contrary lies on confidant.¹⁵³ Thus, in case of *Sales v. Stromsberg*,¹⁵⁴ where plaintiff disclosed his design ideas to defendant only after receiving a letter from defendant thinking that defendant is interested in evaluating his designs, it was held that circumstances of the case are such as to create an implied obligation of confidentiality on part of defendant and unlicensed use of same by defendant would amount to breach of confidence.

(2) *Breach of obligation*

To establish the breach of confidence, it is necessary that obligation of confidence has been breached to the detriment of confider.¹⁵⁵ Here, potential loss as a result of defendant's use of information is sufficient to prove the detriment of confider.¹⁵⁶ Further, it must be shown that defendant's information has directly come from confider and not from any other independent source.¹⁵⁷ However, unlike Copyright and Patent, breach of

¹⁵¹ It is both circumstances of communication and relationship of confider and confidant which must be taken into account in determining the existence of an implied obligation of confidence, so that mere knowledge of information's secrecy is insufficient. *See Mars UK Ltd. v. Teknowledge Ltd.*, [2000] SFR 138.

¹⁵² Test of reasonable man was propounded by Megarry J in *Coco v Clarke*, *supra* note 26.

Test of reasonable man is of two kind, objective test and subjective test. In case of objective test, obligation of confidence is based on knowledge of relevant circumstances. However, if the action of breach of confidence is based on good faith, a subjective test of acceptance of obligation might have been expected. *See Catherin & Middleton*, *supra* note 126 at 223.

¹⁵³ *Coco v. Clarke*, *supra* note 26; *see also Saltman v. Campbell* *supra* note 31.

¹⁵⁴ *Sales v. Stromsberg*, 2006 FSR 89 at ¶ 68.

¹⁵⁵ *Coco v. Clarke*, *supra* note 26.

¹⁵⁶ NORMAN, HELEN E., *INTELLECTUAL PROPERTY LAW*, 69 (2nd Ed., Oxford, 2014).

¹⁵⁷ *Catherin & Middleton*, *supra* note 126 at 235.

confidence may consist in any disclosure or use which contravenes the limited purpose of disclosure.¹⁵⁸

Further, to constitute the breach of confidence, *mensrea* of the defendant is irrelevant and he cannot take the defence of well-meaning motive¹⁵⁹ or that he could not appreciate the confidentiality of information in question¹⁶⁰ or that he has forgotten the source of information and thinks he has thought of it himself.¹⁶¹ Thus, in the case of *Lac Minerals v. International Corona*,¹⁶² where plaintiff and defendant were negotiating for joint-venture agreement and during the course of that negotiation, plaintiff informed the defendant about certain adjacent property bearing minerals. Using that information, the defendant successfully put a bid for that property. It was held that the information supplied by plaintiff being confidential information given under circumstances creating the obligation of confidence, the defendant cannot use same to the detriment of plaintiff.

iii. Protection of trade secret under criminal law

Though there are no express provisions under Indian Penal Code, 1860¹⁶³ for the protection of Trade Secret, it is often sought to be protected under Section 378 and Section 408 of the Code. Another statute providing for the penal protection of Trade Secrets is Information Technology Act, 2000.¹⁶⁴

Protection from 'theft'

Under provisions of IPC, Trade Secret is protected against theft. Section 378 of the Code defines theft as *dishonestly taking of a movable property* from the possession of any person without that person's consent.¹⁶⁵ However, the

¹⁵⁸ However, if the question is one of misuse, it does not matter that the use will not disclose the information to further recipients. *See* *ocular Sciences v. Aspect Vision Care*, (1997) RPC 289.

¹⁵⁹ *Nichrotherm v. Percy*, (1956) RPC 272 at P.281.

¹⁶⁰ *National Broach v. Churchill Gear*, (1965) RPC 61.

¹⁶¹ *Seager v. Copydex*, *supra* note 48 at 418.

¹⁶² *Lac Minerals v. International Corona* 1990 FSR 441 (Canadian Supreme Court).

¹⁶³ Hereinafter referred to as 'Code' or 'IPC'.

¹⁶⁴ Hereinafter referred to as 'IT Act'.

¹⁶⁵ 378. Theft.—Whoever, intending to take dishonestly any moveable property out of the possession of any person without that person's consent, moves that property in order to such taking, is said to commit theft.

difficulty with the invocation of Section 378 in a case of infringement of trade secret is that unless it is tied with some tangible object, it cannot be stolen as only 'movable property'¹⁶⁶ can be stolen.¹⁶⁷ Hence in *Pyarelal Bhargava v. State of Rajasthan*,¹⁶⁸ where a government servant in secretariat has removed certain files from office to show someone else, it was held that taking files from the possession of government with dishonest intention amounts to theft.

The question of theft of 'confidential information' was more recently examined by the Calcutta High Court in detail in *Adventz Investments and Holdings Limited and Ors. v. Birla Corporation Limited and Ors.*,¹⁶⁹ where some of the employees of respondent were accused of stealing certain confidential documents from the premises of the company. It was alleged that they had stolen certain documents from the lawful possession of the company and also have copied certain other documents. Examining the nature of offence and more specifically answering the question whether stealing of documents and information can amount theft under the Code, the court held that as far as documents¹⁷⁰ are concerned, being a movable property under Section 22 of the Code, they can be subject matter of theft under Section 378 of the Code¹⁷¹ and since accused have copied said documents by temporarily removing the

Explanation 5.—The consent mentioned in the definition may be express or implied, and may be given either by the person in possession, or by any person having for that purpose authority either express or implied.

¹⁶⁶ §22 of the Code defines movable property as under:

Section 22. "Movable property".—The words "movable property" are intended to include corporeal property of every description, except land and things attached to the earth or permanently fastened to anything which is attached to the earth.

¹⁶⁷ *Avatar Singh v. State of Punjab*, 1965 SCR (1) 103 wherein Hon'ble Supreme Court held that to constitute theft under § 378 of the Code, stolen property must be a movable tangible property as defined under § 22 of the Code and since electricity is an intangible or incorporeal object it cannot be stolen.

¹⁶⁸ *Pyarelal Bhargava v. State of Rajasthan*, AIR 1963 SC 1094.

¹⁶⁹ *Adventz Investments and Holdings Limited and Ors. v. Birla Corporation Limited and Ors.*, 2015 CriLJ 3369.

¹⁷⁰ 'Document' has been defined under §29 of the Code. § 29 of the Code reads as follow:

§ 29. "Document".- The word "document" denotes any matter expressed or described upon any substance by means of letters, figures, or marks, or by more than one of those means, intended to be used, or which may be used, as evidence of that matter.

¹⁷¹ Court relied upon the decision of the Supreme Court in *Pyarelal Bhargava v. State of Rajasthan*, AIR 1963 SC 1094.

documents from lawful possession of the company,¹⁷² same amounts to theft for purpose of the Code. However, so far as information is concerned, the court held that it cannot be the subject matter of theft as it does not qualify the definition of ‘movable property’ as given in the Code, an essential ingredient of theft. Hence, it is clear from above two decisions that unless trade secret or confidential information is attached to some movable object, offence of theft cannot take place

a) PROTECTION FROM ‘CRIMINAL BREACH OF TRUST’

An action of criminal breach of trust¹⁷³ can be brought against a person who has been entrusted with trade secret by the owner. As Section 405 and 408 uses word ‘property’ and not ‘movable property’, it can be argued that even trade secret or confidential information can be subject matter criminal breach of trust.¹⁷⁴ Hence, if an employee of a company who is entrusted with Trade Secret of the company misuses it or misappropriates it, as per provisions of Section 405/408, he can be made liable for criminal breach of trust.

However, so far there is no case law to support the above proposition and when the same argument was made before the court in *Pramod, Son of Laxmikant Sisamkar v. Garware Plastics and Polyester*,¹⁷⁵ the court did not decide the question. Here the petitioners were engineering graduates who were working with the defendants for a period of three years and had later left the company to join

¹⁷² Even temporarily depriving someone from lawful possession of his property amounts to theft. See *Ram Ratan v. State of Bihar & Anr.*, AIR 1965 SC 926.

¹⁷³ § 405. Criminal breach of trust.—Whoever, being in any manner entrusted with property, or with any dominion over property, dishonestly misappropriates or converts to his own use that property, or dishonestly uses or disposes of that property in violation of any direction of law prescribing the mode in which such trust is to be discharged, or of any legal contract, express or implied, which he has made touching the discharge of such trust, or wilfully suffers any other person so to do, commits “criminal breach of trust”.

§ 408. Criminal breach of trust by clerk or servant.—Whoever, being a clerk or servant or employed as a clerk or servant, and being in any manner entrusted in such capacity with property, or with any dominion over property, commits criminal breach of trust in respect of that property, shall be punished with imprisonment of either description for a term which may extend to seven years, and shall also be liable to fine.

¹⁷⁴ Trade secret or confidential information has for long been regarded as property, capable of being sold. See *Evans Medical Supplies Ltd. v. Morearty*, [1957] 1 WLR 288.

¹⁷⁵ *Pramod, Son of Laxmikant Sisamkar v. Garware Plastics and Polyester*, 1986(3) BomCR 411.

some other organization. The contention of the defendants was that they had not handed over the documents in their custody and that the special technical knowledge that the petitioners had gained while in the service of the defendants would be used by them in the new organization. Dismissing the petition, the court observed that *“it is well settled that criminal prosecution is a serious matter and would amount to harassment of the accused and also to the abuse of the process of the court if without sufficient grounds it is allowed to proceed”*. It went on to state that the remedies should not be used to harass or seek personal vendetta or be used with an ulterior motive to pressurize the accused. Hence, it is still not clear whether an action can be brought under Section 405 or 408 of the Code for the protection of Trade Secret or not.

b) UNDER IT ACT, 2000

The growing use of information technology in communication and in the storage of proprietary information had prompted the parliament to enact the IT Act, 2000 and further amend it in 2008, providing for civil and criminal remedies against information theft through the electronic route and against its misuse. The law provides for strong enforcement measures and imposition of stiff statutory damages, penalties and imprisonment for, *interalia*, theft of confidential information such as unauthorized use of data/information obtained from computer systems, tampering of source code or its theft and unauthorised download of database or information in removal storage medium. Section 43¹⁷⁶ of the IT Act provides for payment of compensation for various offences given in

¹⁷⁶ § 43- Penalty and compensation] for damage to computer, computer system, etc. -If any person without permission of the owner or any other person who is incharge of a computer, computer system or computer network,-

.....

(b) downloads, copies or extracts any data, computer data base or information from such computer, computer system or computer network including information or data held or stored in any removable storage medium;

.....

(j) steal, conceals, destroys or alters or causes any person to steal, conceal, destroy or alter any computer source code used for a computer resource with an intention to cause damage; he shall be liable to pay damages by way of compensation to the person so affected.

the Act. In addition Section 66¹⁷⁷ of the Act provides for imprisonment for a period of up to three years or a fine of up to Rs. 5 lakhs or both for the commission of any of the act referred in Section 43. Further, Section 72¹⁷⁸ of the Act prescribes penal provisions for disclosure of confidential information without the consent or authority of the owner.

In a recent judgment in the *Arhan Technologies v. Endo Kogyo Co. Ltd.*,¹⁷⁹ where respondents were accused of stealing secret data and confidential information of appellant by unauthorized access to the computers system/network of the appellant, the adjudicating officer found them guilty under Section 43, 66B & 66C of the Act and imposed penalty of Rs. 60 for the misappropriation of confidential business information.

Part III. Remedies for infringement of Trade Secret

A right to sue for breach of confidence belongs only to the owner of confidential information¹⁸⁰ against those who have received information in confidence¹⁸¹ or subsequently learnt that it was confidential information.¹⁸² Further, the owner is entitled to claim equitable remedy¹⁸³ of injunction and damages. Thus, if there is

¹⁷⁷ § 66- Computer related offences. -If any person, dishonestly or fraudulently, does any act referred to in §43, he shall be punishable with imprisonment for a term which may extend to three years or with fine which may extend to five lakh rupees or with both.

Explanation. -For the purposes of this section,-

(a) the word "dishonestly" shall have the meaning assigned to it in § 24 of the IPC, 1860;

(b) the word "fraudulently" shall have the meaning assigned to it in § 25 of the IPC, 1860

¹⁷⁸ § 72. Penalty for breach of confidentiality and privacy.-Save as otherwise provided in this Act or any other law for the time being in force, if any person who, in pursuance of any of the powers conferred under this Act, rules or regulations made thereunder, has secured access to any electronic record, book, register, correspondence, information, document or other material without the consent of the person concerned discloses such electronic record, book, register, correspondence, information, document or other material to any other person shall be punished with imprisonment for a term which may extend to two years, or with fine which may extend to one lakh rupees, or with both.

¹⁷⁹ *Complaint no. 2 of 2013 dated Jan 28, 2013*, SECRETARY, INFORMATION TECHNOLOGY, MANTRALAYA, GOVT. OF MAHARASHTRA (Jun 18, 2013), http://www.naavi.org/cl_editorial_13/arhantech2.pdf

¹⁸⁰ Taraporevala, *supra* note 130 at 667.

¹⁸¹ Interfirm Corp., *supra* note 144 at 141.

¹⁸² Zee Telefilms, *supra* note 126 at ¶ 10.

¹⁸³ Catherin & Middleton, *supra* note 126 at 243.

disclosure of Trade Secret in breach of contract between parties, there is no difficulty in awarding damages¹⁸⁴ whereas if the action is based on purely equitable ground, damages can be awarded in lieu of, or in addition to, an injunction.¹⁸⁵

Injunction

The injunction¹⁸⁶ is the most common remedy for infringement of Trade Secret in India. The Code of Civil Procedure, 1908 empowers a civil court to grant temporary injunction¹⁸⁷ whereby defendant is prevented from disclosing the trade secret.¹⁸⁸ Injunction being a discretionary remedy, it cannot be claimed as a matter of right¹⁸⁹ and plaintiff has to establish *prima facie* case, irreparable injury and balance of convenience in his favour.¹⁹⁰

Thus, in the case of *Zee Telefilms Ltd. & Film v. Sundial Communications Pvt. Ltd.*,¹⁹¹ plaintiff had developed an idea of a television show 'Kanhaiya', and communicated it to the defendants with clear understanding that it was confidential and will not be used or exploited in any manner other than through the plaintiffs. However, in breach of their obligation, defendants started developing another television show based on plaintiff's idea. It was held that *though there was no non-disclosure agreement, circumstances of communication were such as to make information confidentiality and breach of same would entail liability*. Granting injunction, the

¹⁸⁴ Indata Equipment v. ACL, (1998) FSR 248, CA.

¹⁸⁵ Saltman v. Campbell, *supra* note 31; Catherin & Middleton, *supra* note 126 at 245.

¹⁸⁶ Injunction has been defined as a judicial process whereby a party is required to do or to refrain from doing any particular act. *See* State of Orissa v. Madan Gopal Rungta, 1952 SCR 28.

Injunction is of two types, temporary injunction and perpetual injunction. Temporary injunction is granted under Order XXXIX of the Code of Civil Procedure, 1908 whereas perpetual injunction is granted under §52 of the Specific Relief Act, 1963.

¹⁸⁷ Order XXXIX of the Code of Civil Procedure, 1908.

Interim injunction has been defined under the Specific Relief Act, §37 (1) 1963. It reads as follow: Section 37. Temporary and perpetual injunctions.—

(1) Temporary injunctions are such as are to continue until a specified time, or until the further order of the court, and they may be granted at any stage of a suit, and are regulated by the Code of Civil Procedure, 1908 (5 of 1908).

.....

¹⁸⁸ Purpose of temporary injunction being maintenance *status quo*, it prevents defendant from disclosing trade secret and thus maintain the status quo. *See* Shiv Kumar Chadha Etc. v. Municipal Corporation Of Delhi, 1993 SCC (3) 161 [hereinafter referred to as 'Shiv Kumar Chadha'].

¹⁸⁹ Shiv Kumar Chadha, *supra* note 190.

¹⁹⁰ Gujarat Bottling, *supra* note 106.

¹⁹¹ Zee Telefilms Ltd. & Film v. Sundial Communications Pvt. Ltd., 2003 (5) BomCR 404.

court observed that the plaintiffs' business prospect and their goodwill would seriously suffer if the confidential information of this kind was allowed to be used as it is not merely a matter of compensation in pounds, shillings or pence.

Similarly, in the case of *Burlington Home Shopping Pvt. Ltd.v. Rajnish Chibber*,¹⁹² it was held that if the defendant is allowed to use plaintiff's Trade Secret, it would cause irreparable injury to plaintiff which cannot be compensated in terms of money and, therefore, it is necessary to restrain defendant from using plaintiff's Trade Secret till the pendency of the suit. Also, in the case of *Fairfest Media Ltd v. Ite Group Plc & Ors.*,¹⁹³ where the plaintiff passed on certain confidential information and Trade Secret of its business to the defendant under a non-disclosure agreement, defendant was restrained from disclosing the Trade Secret of the plaintiff to the third party. Further, in the case of *Sunilchand v. Aryodaya Spinning & Weaving Mills*,¹⁹⁴ where defendant entered into an employment contract with plaintiff under the condition that he would not leave the service of the plaintiff for five years and would not disclose the Trade Secret of the plaintiff but left plaintiff's employment in one year, he was restrained from divulging plaintiff's Trade Secret. The court also observed that if an employment contract is not hit by Section 27 of the Indian Contract Act, 1872 and is valid, the court has the power to prevent the breach of such contract to protect the legitimate interest of the employer.

i. Damages

The object of awarding damages for infringement of Trade Secret or confidential information is to put the claimant in the position that he would have been in had there been no breach of confidence.¹⁹⁵ In certain cases, damages¹⁹⁶ can be awarded

¹⁹² *Burlington Home Shopping Pvt. Ltd.v. Rajnish Chibber*, 61 (1995) DLT 6.

¹⁹³ *Fairfest Media Ltd v. Ite Group Plc & Ors*, 2015(2) CHN (CAL) 704.

¹⁹⁴ *Sunilchand v. Aryodaya Spinning & Weaving Mills*, (1963) GLR 795.

¹⁹⁵ *Catherin & Middleton*, *supra* note 126 at 245; *Cornish & Llewelyn*, *supra* note 71 at P. 331.

¹⁹⁶ Damages can include both actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss. *See* SREENIVASULU N.S, LAW RELATING TO INTELLECTUAL PROPERTY, 202 (1st Ed., Penguin Partridge 2013). *See also* § 45 of TRIPs.

in lieu of injunction for future injury.¹⁹⁷ The test to assess the quantum of future damages was evolved by Lord Denning MR in *Seager v. Copydex* wherein it was held that if information is such as can be obtained with the help of a consultant, the fee of such consultant would be sufficient.¹⁹⁸ However, if the information is such that it is novel, inventive and not available else-where, is a *TradeSecret*, the quantum of damages would be much higher, equivalent to the price payable by a willing buyer to willing seller, and will have to be calculated as notional royalty.¹⁹⁹ As a result, he went on to observe, the defendant would become the owner of the Trade Secret as thought it had been paid for.²⁰⁰

Part IV: Conclusion-A Case for Codification

Law relating to the protection of trade secret is still at a nascent stage in India since having no specific legislation directly dealing with the subject. In the era of globalization and information technology where intellectual property of a firm, especially Trade Secrets, form the core of its business activities,²⁰¹ such an important subject cannot be left at the mercy of common law and private contract. Further, India being a signatory to multiple international conventions protecting Trade Secret,²⁰² it is under constitutional obligation to bring its legal regime relating to the protection of Trade Secret in consonance with its international obligation.

¹⁹⁷ *Seager v. Copydex*, *supra* note 48.

¹⁹⁸ However, in such cases, information must be available for sale. *See Dowson & Mason v. Potter*, (1986) 2 All ER 418, CA.

¹⁹⁹ *See also Interfirm Corp.*, *supra* note 144 at 158.

²⁰⁰ However, it has been observed that the case does not lay down any general law. *See Talbot v. General Television*, [1981] RPC 1.

²⁰¹ The importance of protection of intellectual property can be imagined from the fact that in 2002 up to 75% of the value of the Fortune 500 companies is attributable to their intangible assets including intellectual property (IP) and trade secrets. *See* Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, '*A Single Market for Intellectual Property Rights: Boosting creativity and innovation to provide economic growth, high quality jobs and first class products and services in Europe*,' at 4 (2011) (Dec. 03, 2015) <http://ec.europa.eu/transparency/regdoc/rep/1/2011/EN/1-2011-287-EN-F1-1.Pdf>.

²⁰² PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY, July 12, 1967, 21 UST 1583, 828 UNTS 305. And AGREEMENT ON TRADE RELATED ASPECT OF INTELLECTUAL PROPERTY, Apr. 15, 1994, 1869 UNTS 299; 33 ILM 1197 (1994).

Though in pursuance of the same, a bill named 'Draft National Innovation Act, 2008' has been drafted, but it is yet to see the light of the day. Further, the protection accorded to Trade Secret under the Act is not satisfactory and has many loopholes *viz.*, a) provisions for penalty on complainant in case the action of breach of confidentiality obligation fails²⁰³ without carving out any exception for *bonafide* complainant²⁰⁴ and b) providing for payment of reasonable royalty for misappropriation of trade secret in exceptional circumstances²⁰⁵ till a period of time for which use could have been prohibited²⁰⁶ goes against the very object of the Act as it would be tantamount to allowing the misappropriator to perpetually take unfair advantage of the trade secret of complainant by paying royalty for a limited time period.

Thus, India needs to bring a comprehensive Act in tune with the best established international practice for protection of trade secret. Therefore, it is suggested that the existing anomalies of Draft National Innovation Act, 2008 be corrected. Further, as recommended by the Law Commission in its 13th report,²⁰⁷ Section 27 of the Indian Contract Act, 1872 also needs to be suitably amended so as to allow contracts reasonably restraining right of another party to carry on trade if such contracts are designed to advance protection of Trade Secret and are not against public policy of India. Moreover, it is also suggested that Indian Penal Code, 1860 too should be suitably amended to tackle the problem of theft and criminal misappropriation of intangible property like trade secret which is not possible under the current regime as the definition of property as given under the Code does not include intangible property.

²⁰³*Supra* note. 18, § 12(3).

²⁰⁴ Though § 14 of the Act grants exemption for any act done by any person under the Act, it is not clear whether it includes bona fide complainant.

²⁰⁵ Unlike UNIFORM TRADE SECRET ACT 1985, said provision does not define 'exceptional circumstances'.

²⁰⁶*Supra* note 18 § 12(4) .

²⁰⁷ Law Commission has recommended that words "is to that extent void" should be substituted with words "is to that extent void, *except in so far as the restraint is reasonable having regard to the interest of the parties and to the agreement and to the public.*" See 13th Report Law Commission of India on Contract, 78, (1958).