



An Alarming Need for Trade Secret Legislation in India

R Vigneshwaran

Tamil Nadu National Law University, Tiruchirappalli, Chennai, India

Abstract

Trade secret is defined as a contractual right which arises in favour of the person who claims it to be secret and thereby prevents others not to use it, it also prevent the disclosure of confidential information, so that it makes the IP owner to disclose the idea in pre-meditated agreement with other employees and secure the knowledge which the other side is not free to take without compensating the IP owner, because it has a commercial value. In such a case of breach of confidential information, the employers are given with the right to sue the employee based on negotiated contract alone, meaning thereby the employer can sue only for the breach- of-contract. In case of disclosure of confidential information, the employer can take the defence of 'Doctrine of Spring Board', which is nothing but an employer-employee loyalty. Therefore, in case of Trade Secret (here in after noted as "TS"), "where there is a loss of crucial information, which has been already disclosed in-person to the employee, but still the employee takes such information and commit any contrary act can be said to constitute, what can be termed as "School-boy-trick" (Ahuja V.K.,2017). All these problems arise because, there is nothing in India, there is no statute per se for governing/ regulating loss of Trade Secret, but whereas US do have a legislation in this regard. The recent news which motivated the author to take up this topic, is the case between Waymo and Uber on the confidential information leak on Google's idea of 'Self-driving Technology'. Therefore, this idea can be linked with the concept of 'Trade Secret' and a comparative study of US legislation and India's position with respect to this case is also analysed.

Keywords: Trade Secret, Spring-Board Doctrine, Confidentiality, Google's Trade secret, Innovation Policy

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Introduction

"When it comes to intellectual property rights, not everything that glitters is gold"

- Dr. Benjamin Mitra-kahn

Maintaining Confidentiality in business is one of the most controversial talks all over the world in the day to-day competitive business environment. Under this wide spread market regime, where competition is inevitable, and every corporation look forward to obtain and maintain confidential information. Therefore, corporation, traders, business people are very careful and impart complete due-diligence on their trade related information only to their peer members and others are not allowed to access their secret code.



With the prevalent market dominance in the business world, each business might want to know its rivals' privileged insights of progress, including any proprietary information of commercial value. These trade secrets are considered to be more important than any other form of Intellectual property (Verma.S.K.,2002) because all the sectors of commercial competitiveness have Trademark, Copyright, Patent, and Designs over their products but the secrecy makes it more individualistic compared to other rights. Secrecy in itself confers an essential element of commercial-success and provides adequate safeguard to the business activities.

With the question of law governing the area of Trade Secret, it is protected only by way of entering into contract and based on this contract terms, the confidentiality of the business as protected. Once there is breach in the terms of contract, it is not breach of TS whereas it is a breach of contract. So, there is an alarming need to bring in the Legislation for the area governing TS.

This article will highlight the meaning of trade secret and why there is a need for the legislation per se for trade secret and comparative of a recent issue in relation to US legislation on Trade Secret and India's position, to point out the need for the separate legislation.

Research Objective

1. To study and understand the concept of Trade Secret.
2. To compare the situation of Indian Trade Secret with that of US Trade Secret.

Research Questions

1. Whether there is a valid reason for bringing the case of "Waymo v Uber" under Trade Secret?
 - If yes, what is the reason and what are the possible arguments?
 - If no, what is the reason and what are the possible arguments?
2. Why there is no legislation in India for Trade Secret, but whereas US has legislation, what makes India not to have legislation?

Research Methodology

This view point is based upon on secondary sources like referring to case laws, books, articles published in various international and national journals and newspaper articles. These resources help to conclude the study the idea of 'Trade Secret' and its relevant theories, through "Doctrinal Research".

"The Ultimate Strategy to Increase Business" - Meaning Of Trade Secret

In a simple understanding, a TS denotes any kind of confidential information with respect to any commercial activity and which doesn't form part of public property or public knowledge (Saltman Engineering Co. Ltd. v. Campbell Engineering Co. Ltd, 1948). The term 'Trade Secret' is defined in various Agreements and legislations, mainly under North America Free Trade Agreement, TS contains three essentials (North America Free Trade Agreement, 1994):

The information of secret should not fall into public domain.



The information has actual or potential commercial value.



The information has taken reasonable steps to maintain secrecy.

According to the definition of the Uniform Trade Secrets Act, Trade secret is defined as "Any kind of subject-matter/information which does not form part of either public property or public

knowledge. That subject matter, should definitely possess some economic value and reasonable steps should be taken in order to sustain the confidentiality” (Uniform Trade Secrets Act, § 1(4), 1985).

Therefore, it can be ascertained that, unlike patent novelty is not at all the subject matter, what is essential is that, the subject matter should be remote and inaccessible in nature.

Therefore, three important ingredients to claim it as trade secret are:

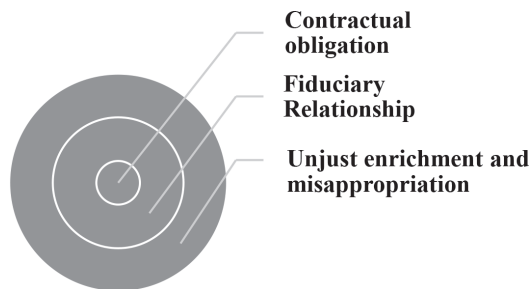


“A Rule of Equity” - Doctrine of Confidentiality

The doctrine of confidentiality of information is rooted in and developed in courts in India on the basis of equity jurisdiction. Law of confidentiality of information has its source in equity as the duty of keeping confidential information is centred on responsibility on the part of the recipient of the confidence (Ahuja V.K. 2017).

Usually, confidence stands as the cousin of trust (Coca v. Clarke, 1969). Usually based on the privity of the contract, the parties to the contract are only eligible to be sued, but however, what happens in case where one of the party to the contract disclosed the crucial information to the 3rd party, in such cases in order to sue the 3rd party who has received the information, this doctrine of equity can be taken as defendant on behalf of the holder of the information (Dhajjai Subhapholsiri, 1991).

The TS comes under the purview of public policy and Art. 39(1) of the TRIPS agreement requires contracting state and also in case of private individuals to protect their “Undisclosed information”. There are three main theories in order to justify such protection:



1. “The Written Contract speaks for Itself” - Contractual Obligation

The written contract usually speaks for itself, especially in cases where there is no proper statute to govern the fiduciary relationship, in such cases the agreement between the parties is the weapon to sue (employee) and to get sued (employer). It is one of the important grand norms for protecting the trade secret. This agreement determines the confidentiality part and it is enough to take defence against the persons who breach the agreement. The obligation that

vests on the employee may be explicit or implicit also i.e. duty of good faith.

2. “The Person Whose Integrity Is Correct And True, His Fiduciary Duty Is Also Correct” - Fiduciary Relationship

After determining the contractual terms, the element of fiduciary relationships that arise out of the contract are the sole for the TS protection, the idea of suing the employee for the loss of confidential information is because he failed to perceive, what is called “Duty of Fidelity”. Meaning thereby, the employee should take utmost genuity and due diligence to protect such information. (Ahuja V.K., 2017).

3. “Approach Success as your Duty, Responsibility as Priority”- Unjust Enrichment and Misappropriation

Theory of unjust enrichment and misappropriation is where there is a clear establishment of loss of crucial and essential part of the trade related activity, which enriches the competitors to place an equal rivalry with that loss of information. This will create an enrichment which is unjust in nature.

“The Old Text Book Concept” – Laws Governing Protection of Trade Secret

Due to the laxity of protection relating to this field of law, the only way to get it protected is by invoking Section 27 of the Indian Contract Act. Because this section mandates the employee not to unveil the information which is very vital for the commercial activity of the business and also bars a person to sell the goodwill of the company and also refrains him from carrying on similar business in future. But one of the flaw in this section is that, it did not impose any criminal remedy and which helps to conclude that in the Indian scenario, there is no provision of criminal remedy in case of breach of contract entered with respect to the Trade secrets.

Therefore, employees’ loyalty plays more crucial role behind every label they produce in respect to terms & conditions of employment.

Employee Loyalty in Trade Secrets: Springboard Doctrine

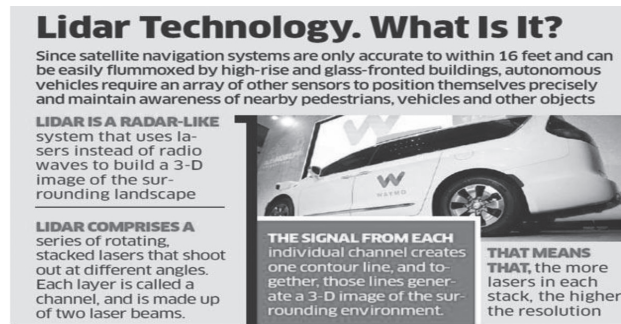
The idea of trade secret revolves around confidentiality as its sole crux. When this confidentiality is broken, TS is broken. Confidential information is a broad and developing subject (Coco v. Clarke, 1969). It applies independent of the legally binding contractual term between the parties (Talbot v. Gen. Telerisia, 1981). Further fiduciary relationship between the parties is not a necessary requirement for keeping trade secret any confidential information imparted by one party to another. When an information is imparted to the employee, the essential part of the commercial activity is bestowed with utmost good faith in the employee. Therefore, the employee should not perform like a springboard to make or break the business strategy in a commercial market.

Therefore, employee can “Make or Break” the business strategy of a corporation, in spite of having entered into contract, yet the employees’ loyalty remains one of the biggest challenges for the enterprise to protect their trade secret.

“Alphabet’s-v/s Uber” – Law suit for the loss of Trade Secret

One of the recent cases which dealt with the concept of breach of confidential information, was the case between Waymo v. Uber Technologies & Otto Motto. ‘This case is one of the giants of stealing critical autonomous information regarding driving technology, of Google’s Self-Driving Car Project’.

Waymo was very successful in developing the self-driving technology which has an abundant potential to transform into million, trillion dollars project. Unfortunately, the genuine and one of the founding members of the concept of self-driving technology engaged in theft activity who went on to start a new start-up and later uber acquired the employee along with all information. Waymo is the only company which came with the concept LiDAR sensors a 360 field of vision, which is the base for the self-driving technology. The important part of the loss of confidential trade secret was the 14,000 important LiDAR circuit (United States District Court, Waymo LLC v. Uber Technologies Inc., OttoMotto LLC & Otto Trucking LLC, 2018).



Therefore, with the idea of above facts, the idea as to loss of confidential information and the breach of such contract by the Waymo employee is valid in the eyes of law since there is a wide distinction between Indian TS and U.S. TS, in the jurisdiction of US, the former manager of Waymo can be sued for the alleged theft of 14,000 files and for the breach of contract, where as in the Indian Scenario, it is only for the breach of contract the former waymo manager will be held liable. The process of “Know-how” is lost now and therefore it is a clear cut loss of confidential information. The role of the employee is found to be inconsonance with the ‘Doctrine of Springboard’.

“A Single Lie Destroys A Whole Reputation of Integrity” - Springboard Doctrine

The breach of confidentiality may arise solely on the ground of a person without having any right to do so, intrudes into the confidential knowledge and information exclusively in the possession of another (Hubbard v. Vosper, Lancashire Fires v. S.A. Lyons). ‘A person who has obtained information in confidence shall not use it as springboard for activities detrimental to the person who imparted this information. The springboard remains even when all the features have been published or can be ascertained by actual inspection by any member of the public’. (Precision Engineers v. Delhi Jal Board, 2003, Michael Heath Nathan Johnson v. Subhash Chandra And Ors, 1995, Ratna Sagar Pvt. Ltd. v. Trisea Publications, 1997).

‘No person coming into knowledge of a trade secret can use it as a springboard to usurp/ misappropriate such trade secret for his personal advantage, contrary to terms which he came into the knowledge of such trade secrets’ (Micheal Health v. Subhas Chandra, 1955). In the case of Waymo, the Manager who was in the field of the LiDAR development, subsequently while resigning his position stole nearly about 14,000 files and left the waymo. These files were considered to be in the nature of confidential information on the part of Waymo, since it contained the idea of trade secret of making LiDAR with the functioning of automatic self-driving without the steering wheel. Now, the idea as to the infusion of spring board doctrine is that, this Manager of Waymo was entrusted with the idea in the field of making LiDAR production, now this

information of confidence was used by the Manager of Waymo as a springboard to determent the person who with good faith imparted such information to this manager.

In order to stop the activity of the manager without frolicking like a springboard, the terms of contract entered into by the employee with the employer at the time of disclosing the confidential information plays a crucial role in protecting the employer to sue the employee for the disclosure of trade secret. Usually, an employee owes a high level of confidentiality to the employer. The contracts and the clauses in contracts gives the legal protection to keep the confidential matter of the business enterprise and this contract is used as an primary evidence in cases of breach of contract in the litigation side with respect to trade secret. Basically, there are two important clauses in the employment that an employer enters with the employee to protect his confidential matter. Overall, Employees' Loyalty remains the crux of Springboard Doctrine (Faccenda Chicken v Fowler, 1986).

SUBJECT-MATTER OF THE CLAUSE IN THE AGREEMENT	IMPORTANT CLAUSES IN THE TERMS OF AGREEMENT TO PROTECT TRADE SECRET OF THE ENTERPRISE (Talhiya Sheikh, 2015)
1. Non-disclosure clauses	1. According to this clause, both the parties have agreed not to disclose the essential and the crucial part of the commercial activity of the business to the competitors in any circumstances during the term of employment.
2. Non-compete clause	2. This clause restricts the employee from carrying out similar or dame kind of business of the employer and also not to join its rivalry business without exhausting the cooling period.

In case of Roger Bullivant v Ellis, the similar facts of Waymo case is highlighted here, the court in this case issues Springboard Injunction against the ex-employee and thus restricting him not to use the information that belongs to the ex-employer's domain (Aquate Internet Services Pvt. v Star India Pvt. Ltd, 2013)

If the above case is to be dealt in the Indian scenario it wouldn't have taken much complication, because under Indian regime there is no legislation per se for Trade Secret, all that the court rely is on the Section 27 of the Indian Contract Act, where breach of contract should not be there, simple as that, but in US there is a Uniform Trade Secret, what makes that difference and why India still does not have legislation for the Trade secret, is the biggest question that hung above the head for all the business competitors to sue the employee in case of breach of trade secret.

Mere Know-How v/s Confidential Piece of Information

The problem that the Indian Judiciary stumbles as to the question of how to determine whether there is a breach of confidential information in case of employee developing his skill and talent in the course of employment, whether in such cases when that employee resigns from job, and goes on to start a new company/ firm or join the competitors, whether the former employer restricts the new employee from expressing any of the details he learnt during the course of employment.

The answer is No, here arises a big distinction between mere know-how and confidential piece of information. The court in the case of Stevenson Jordan and Harrison Ltd. v MacDonald and Evans, drew a dividing line between the information acquired by employee personally and confidential information of the employer. It was laid down by the court that 'if the information which had developed was the result of the employee's skill and experience, he would be free to use it for his own benefits'. That is if an employee gains any skill and idea over the course of employment, by his own he can very well disclose to others and it will not be considered as a breach of confidential information.

Therefore, the line of demarcation between a mere know-how and a piece of confidential information. What employees may learn as part of their business experience and learning how to apply, in a way, principles which are generally common to the relevant profession cannot be aptly called confidential. It is what is popularly called 'Know-how'. It is indicated the way in which a skilled man does a job, and is an expression of his individual skill and experience an essentially different matter from secret and confidential information. (Stevenson Jordan and Harrison Ltd. v MacDonald and Evans, 1952).

“Failing to idea is to failing to fail” – Need for Novation

It cannot be said that, India never tried to had a legislation for TS, yes a legislation for trade secret, Indian parliament made “National Innovation Act, 2008”, under that chapter VI of the Act, deals with the confidential information. This is one of the beautifully drafted legislation, Section 10, Section 11 are the key examples to this legislation.

In recent times, United States Trade Representatives, published Special 301 report (The Special 301 report, Office of the United States Trade Representative, 2017), and in 2016 one of the biggest problems and want that was put-forth was the absence of a legislative framework for the protection of TS in India (Lexology, 2016). Since the laws in India are currently based on the equity principle and contractual terms and because of the laxity of the law governing this area, the investors from abroad are reluctant to share the know-how with the Indian subsidiary companies or any franchise also.

All these difficulties taken into account and the bill of 2008 was passed but did not become a law, yet another chance is the recent National IPR Policy in 2016, under this policy, under the head of Legal and Administrative Framework, the idea as to “A policy for the protection of Trade Secret”, was highlighted and it’s been two years since meeting and no initiative steps are taken so far.

However, under the US Trade Secret, it was way long identified by the legislative that, trade secret law should be there for the protection of the trade against unauthorised use. (Kewanee Oil Company v. Bicron Corporation, 1990) The policy basis for trade secret protection under the US regime is desired to encourage the secret process of the business by providing protection to the creator of business information and also to maintain proper standards of business ethics.

“Are we given with any choice?” - Concluding Opinion & Suggestion

Trade Secret protection is very crucial for the primary reason it encourages innovations and technologies, promotes commercial ethics and improves the standard of IP regime but inventing more creates a competition in the field of IP.

The situation that is existing in India is very difficult that without the legislation per se for Trade Secret, the idea as to Protection of trade secret cannot be achieved properly. The trade secret position in India is still at an embryonic stage and the laws regulating the trade secret are also not very stringent, the application of common laws approach by the judiciary is found to be not in consonance and consistent in practise. Manifold ideas of approaches are applied and different cases with same facts are yielding different result. Therefore, only a statutory law is in the need of utmost regularising the unfair competition and regulating the situation.

It is not pleaded to the legislatures all together to bring in a new legislation, it is requested that to bring back the drafted bill into picture, so that the Foreign companies investments and trade

will be widened and the area of Intellectual Property Law will develop, this is what India needs and also the National IPR Policy, 2016 targeted on this only.

After the TRIPS phase, India has drastically changed its IPR laws, yet Indian Patents Act, Section 3(d), remains one of the unique sections, like wise it is also requested to bring back the 2008 drafted legislation for the Trade Secrets protection.

“WE WANT TO CHANGE, WE WANT TO SEE, WE CAN”

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Authors' Profile

R Vigneshwaran, is an under graduate law student currently pursuing 4th year integrated B.A.LL.B (Hons.) course at Tamil Nadu National Law University, Tamil Nadu, India. His main interest include blogging, Writing Law Journals, Preparing case analysis, presenting paper at various events. His research interest are Intellectual Property Rights and Constitutional Law.
