

COMPARATIVE ANALYSIS OF REGULATORY FRAMEWORK GOVERNING TRADE SECRETS IN UNITED STATES. UNITED KINGDOM AND INDIA

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ABSTRACT

Trade secrets refer to any business information which is protected, whether it is financial, technical or strategic which is not generally known and gives the business a competitive edge over its competitors. The importance of trade secrets for businesses in today's globalised world cannot be overemphasised. Start-ups, small and medium enterprises and innovative businesses use trade secrets throughout their business operations and treat them as a means to manage proprietary knowledge. Further with globalisation and the increase in collaborative businesses, technology transfer and increased interactions among various businesses, there is greater sharing of confidential information which takes place. Added to this is the increasing use of technology where almost all information which relates to business including trade secrets are stored on computers. In these scenario, adequate protection to trade secrets become increasingly important because lack of certainty in the legal protection which is given to trade secrets is problematic given today's highly competitive business environment, characterised by research and development which is globally dispersed, high employee mobility and increasing dependency on information and communication technology. Trade secrets are adequately protected in various jurisdictions such as United States and United Kingdom. However, India lacks mechanisms to protect trade secrets. They are currently protected under the contracts law or the law of misappropriation. This inadequacy of protection results in many innovations being at the risk of being misused. The present paper analyses the legal regulations related to trade secrets in United States, United Kingdom and India. It analyses the current legislations and highlights the lacunas in the legislation in all three nations.

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I. INTRODUCTION

Trade secrets refer to any business information which is protected, whether it is financial, technical or strategic which is not generally known and gives the business a competitive edge over its competitors. The importance of trade secrets for businesses in today's globalised world cannot be overemphasised. Start-ups, small and medium enterprises and innovative businesses use trade secrets throughout their business operations and treat them as a means to manage proprietary knowledge. Further with globalisation and the increase in collaborative businesses, technology transfer and increased interactions among various businesses, there is greater sharing of confidential information which takes place. Added to this is the increasing use of technology where almost all information which relates to business including trade secrets are stored on computers. In these scenarios, adequate protection to trade secrets become increasingly important because lack of certainty in the legal protection which is given to trade secrets is problematic given today's highly competitive business environment, characterised by research and development which is globally dispersed, high employee mobility and increasing dependency on information and communication technology.

Trade secrets are adequately protected in United States. Recently United States in its Special 301 Reports of 2018 has yet again placed India in its priority watch list due to lack of effective protection of trade secrets in India.¹ The concerns which are expressed in the Special 301 Report with respect to trade secrets are three pronged. First is that the existing legal regime is not effective enough to address issues of theft of trade secrets in the non-existence of contractual relations among parties; second relates to the difficulty which is associated with obtaining damages of trade secret theft and third concerns risk of exposure of trade secrets during litigation.²

Apart from the United States Special 301 report, India being a signatory to TRIPs is mandated to ensure adequate to undisclosed information.³ Thus in order to ensure competitiveness in the economy, economic growth India should ensure that it enacts a law protecting trade secrets. The present paper aims to discuss in detail the regulatory regime governing trade secrets in United States, United Kingdom and India. While critically analysing the legal regime in United States and United Kingdom, it advocates for a similar legislation in India.

¹ Special 301 Report, Office of the United States Trade Representative May 13, 2022 9.45 pm)

<https://ustr.gov/sites/default/files/files/Press/Reports/2018%20Special%20301.pdf>

² *Id.*

³ TRIPs Article 30 (1994)

II. DEFEND TRADE SECRETS ACT

The Defend Trade Secrets Act, 2016 (DTSA) has been one of the most noteworthy development in United States with respect to protection of trade secrets. Prior to the enactment of DTSA trade secrets were governed by their respect state laws. The UTSA was adopted by forty-seven states with amendments from state to state. The DTSA has amended the EEA to include private cause of action under it. It aims at bringing uniformity in the protection of trade secrets by providing a federal cause of action in case of misappropriation of trade secrets.

The DTSA does not pre-empt the state laws for trade secret protection.⁴ This means that the plaintiff can file a suit for trade secret protection at the federal courts and can initiate a suit on the same facts under the state law as well. The cause of action under DTSA is similar to one under the UTSA. A plaintiff can initiate a civil action in case of misappropriation of trade secrets.⁵ This remedy was not available under the EEA prior to the amendment.

The DTSA allows for injunctive relief to be granted in order to prevent threatened or actual misappropriation as long as the injunction does not affect the employment of a person.⁶ The injunctive relief provisions under the DTSA is identical to the one under the Uniform Trade Secrets Act, 1979 (UTSA) except for the limitations which are imposed by the UTSA which are absent in the DTSA. Under the UTSA injunctions are terminated in case the trade secret ceases to exist and would be extended only to exclude the commercial advantage which would have been derived from the alleged misappropriation.⁷ The DTSA on the other hand does not provide for any such limitations on the grant of injunction and rather permits injunctions to be granted on any such terms which the court considers to be reasonable.⁸ Despite the availability of a new law on the basis of which the federal courts can grant relief, the trend has been that the courts have relied on the traditional notions for the relief and on both DTSA and state laws to grant injunctions.⁹

⁴ 18 U.S.C. § 1838, (2016)

⁵ 18 U.S.C. § 1836(b)(1) (2016)

⁶ *Id.* at § 2(a)

⁷ Uniform Trade Secret Act § 2 (1985).

⁸ 18 U.S.C § 1836(b)(3)(A)(i), (2016)

⁹ Engility Corp. v. Daniels, No. 16-CV-2473-WJM-MEH, 2016 WL 7034976, at *10 (D. Colo. Dec. 2, 2016); Henry Schein, Inc. v. Cook, No. 16-CV-03166-JST, 2016 WL 3418537 (N.D. Cal. Jun. 22, 2016); Panera, LLC v. Nettles, No. 4:16-CV-1181-JAR, 2016 WL 4124114, at *4 (E.D. Mo. Aug. 3, 2016); Earthbound Corp. v. MiTek USA, Inc., C16-1150 RSM, 2016 WL 4418013, at *11 (W.D. Wash. Aug. 19, 2016),

Under the DTSA the monetary damages are granted for the actual loss which is caused by the misappropriation and also any unjust appropriation which is over and above the amount which is included in actual loss.¹⁰ It also permits the use of reasonable royalties.¹¹ In cases of malicious and willful misappropriation, the amount of exemplary or punitive damages would be up to two times the amount of unjust enrichment damages compensation.¹² The act also permits for granting of the attorneys fees.¹³

The most controversial provision in the DTSA related to ex-parte seizure.¹⁴ It permits the courts to grant an order of ex-parte seizure in “extraordinary circumstances” in cases where it is necessary in order to prevent dissemination and propagation of trade secrets.¹⁵ It allows the seizure of the trade secrets in dispute even before a notice is given to the defendant. The Act has limited the circumstances in which an order for ex-parte seizure can be granted by the court. The court would only grant an order of seizure of the harm done by denying the application would outweigh the harm which is caused to the legitimate interests of the persons against whom the order is made, and whether it in a substantial way outweighs the harm which is caused to a their party which may be harmed because of the seizure.¹⁶ In order to avail the relief the request made for seizure should not be publicized by the applicant.¹⁷ The courts have however been extremely cautious and hesitant in granting a seizure. The courts have held that a seizure will be granted only if the other forms of reliefs are inadequate.¹⁸ The courts have refused apply the DTSA’s provisions relating to seizure when the provisions of the Federal Rule of Civil Procedure 65 applied to issue ex party temporary restraining order which authorized seizure.¹⁹ The courts have issued a seizure order only after the defendant had defied the temporary restraining order.²⁰

¹⁰ 18 U.S.C § 1836(b)(3)(B)(i), (2016).

¹¹ *Id.* at § 1836(b)(3)(B)(ii).

¹² *Id.* at § 1836(b)(3)(C).

¹³ *Id.* at 1836(b)(3)(B)

¹⁴ *Id.* at § 1836(b)(2).

¹⁵ *Id.*

¹⁶ *Id.* at § 1836(b)(2)(A)(ii)(III).

¹⁷ *Id.* at § 1836(b)(2)(A)(ii)(VIII).

¹⁸ OOO Brunswick Rail Mgmt. v. Sultanov, No. 5:17-cv-00017, 2017 WL 67119, *2-3 (N.D. Cal., Jan. 6, 2017) in this case the court refused to issue a seizure order against the employee who was accused of trade secret misappropriation to seize the mobile and laptop issues by the company despite the fact that the plaintiff had satisfied the grounds which existed to issue a temporary restraining order.

¹⁹ Magnesita Refractories Co. v. Mishra, 2017 WL 365619 (N.D. Ind. Jan. 25, 2017)

²⁰ Mission Capital Advisors, LLC v. Romaka, No. 16-civ-5878 (S.D.N.Y. July 29, 2016) Romaka was an of a real estate company, had without authorisation downloaded contact lists from his employer and falsely stated to have deleted the data. In fact, he had only renamed the files and did not comply with the restraining order. Romaka simply changed the file names and failed to comply with the existing temporary restraining order. The

The limitation period for filing claims is three years.²¹ The provision under DTSA that state that an application for injunction would be granted only in case of threatened or actual misappropriation and that it must not affect anyone from entering into a relationship of employment²² seems to have rejected common law doctrine of inevitable disclosure doctrine.

Another new feature of the DTSA the whistle blower provision. This provision grants employee's immunity from criminal or civil liability in case of disclosure of trade secrets in court filings or to the government.²³ This is enacted to provide for the secure disclosure of trade secrets for the purpose of reporting of suspected violations of the law to the government or for the purposes of filing a case under seal.²⁴

The DTSA provides that in order for the employer to get damages in case of trade secret misappropriation, they must notify the employees about the whistle blowers immunity in the contracts which regulate confidential information.²⁵ In case the employers fail to do so, they would not have any relief against the uninformed employees.²⁶

1. Lacunae in the law

One of the major reasons why DTSA was enacted was to ensure uniformity in laws with respect to trade secrets. However, this has been opposed by both the opponents as well as the proponents on the grounds that the fact that DTSA does not preempt state laws would lead to undermining uniformity.²⁷ The DTSA has in effect added another protective layer over the already existing and patchy state laws. The difference between the state laws and DTSA would result in litigants engaging in forum shopping to sue the defendants. The trade secret owners will invariably select the law which is most beneficial to them. For example a plaintiff may select a state law in case the punitive damage

court thus granted an order to seize the contacts list only for the reason that contact lists had been described with details and not other confidential information for which order was denied.

²¹ 18 U.S.C § 1836(d), (2016)

²² *Id.* at § 1836(b)(3)(A)(i).

²³ *Id.* at § 1833(2),

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*

²⁷ David S. Almeling, Guest Post: Defend Trade Secrets Act—A Primer, an Endorsement, and a Criticism, PATENTLY-O (May 12, 2022, 3:30 pm) <http://patentlyo.com/patent/2014/05/secrets-endorsement-criticism.html>

prescribed in the state law is greater than that under DTSA.²⁸ This would increase the cost of litigation as well as the time which is consumed because it will allow the plaintiff to sue for the same cause of action under both state and federal laws.

The fact that DTSA does not preempt state laws results in it undermining state policies, which is similar to what has happened in trademark law. The Lanham Act is not preempted by state laws and thus both the state and federal laws operate concurrently.²⁹ This has been termed as “trademark law’s faux federalism” by Prof. Mark McKenna.³⁰ The state laws become relevant only if they grant greater protection than the federal laws and can achieve their policy of they expand themselves to increase protection than what is offered under the Lanham Act.³¹

The most common defendants when it comes to trade secret litigations are the employees. If the law which regulates trade secrets are uniform and certain, it promotes employee certainty and thus mobility because the employees can analyse the scope of liability under the law which exists. However, with the introduction of the federal as well as state laws, employee mobility may be affected as they have a larger set of laws to analyse in order to ascertain their liability.

Another important area of concern is whether the DTSA would be applicable in cases of misappropriation which began before the enforcement of DTSA and continued even after that.³² The Act does not expressly address the disuse, but it seems to apply prospectively because it states that it applies “to any misappropriation of a trade secret . . . for which any act occurs on or after the date of the enactment of this Act.”³³ The courts have held that the of whether a conduct prior to the DTSA actionable is dependent on the “plaintiffs theory of liability”. Since DTSA makes disclosure and acquisition actionable³⁴, as per the acquisition theory, liability arises under DTSA only if the acquisition is after the effective date of the DTSA. However, as per the “disclosure/use

²⁸ For example, Ohio law (Ohio Rev. Code. Ann. § 1333.63 (LexisNexis 2016) prescribes punitive damages up to three times the amount of compensatory damage as opposed to two times as prescribed under DTSA, thus being for favourable to the plaintiff.

²⁹ Mark P. McKenna, Trademark Law’s Faux Federalism, in *Intellectual Property And The Common Law* 288, 288 (2013).

³⁰ *Id.* at 302

³¹ *Id.* at 305

³² 18 U.S.C § 1836(2)(e) (2016).

³³ Sleekez, LLC v. Horton, No. CV 16-09-BLG-SPW-TJC, 2017 WL 1906957, at *5

³⁴ Defend Trade Secrets Act § 1839(5) (2016).

theory of liability” a claim under DTSA is actionable when the use or disclosure continued post the effective date³⁵.

Another equally controversial aspect of the DTSA is the provision which relates to ex-parte seizures. It has been stated that this provision acts as a “double edged sword”.³⁶ On the one hand it acts as a boon to the existing employers in case of claims where the employee has misappropriated trade secrets, on the other hand the new employer would have to be cautious as he may have his property seized without notice if the employee has committed trade secret misappropriation. This provision can also be misused as an exploitative tactic by bringing claims of misappropriation based on anticompetitive tactics and hence there is a need for the federal courts to grant greater clarity by laying down clear principles of when can the provision be applied. It may also lead to situations where trade secrets are in fact seized by competitors who should not have right to access to them.³⁷

Another major concern highlighted is that the seizure provisions might lead to what is known as trade secret trolls. Trade secret troll will result from the broad trade secret laws which would enable entities to extract money by falsely threatening litigation to unsuspecting defendants.³⁸ It is argued that DTSA would enable this by undermining the settled law of trade secrets.³⁹ The ex parte seizure provision would further empower the trade secret trolls to victimize legitimate trade secret owners.⁴⁰

The whistle blower immunity is also seen as an area of concern as there may be cases where the employees may use it as a defense post misappropriation of trade secrets.⁴¹ Employees may misappropriate trade secrets and then disclose the information about trade secrets to the

³⁵ Kent Anderson & Rosaria A. Suriano , The Defend Trade Secrets Act: Will It Replace the Diminishing Restrictive Covenant? Corporate Council Business Journal (May 12, 2022 at 4.00 pm) <https://ccbjournal.com/articles/defend-trade-secrets-act-will-it-replace-diminishing-restrictive-covenant>

³⁶ Robert W. Small, President Obama Signs Defense of Trade Secrets Act: New Benefits for Owners of Trade Secrets, New Concerns for Employers (May 12, 2022 at 4.30 pm) <http://www.pabar.org/public/LabEmpLawSectionENewsletter/PresObamaSigns.pdf>

³⁷ *Id.*

³⁸ David S. Levine & Sharon K. Sandeen, Here Come the Trade Secret Trolls, 71 Wash. & Lee L. Rev. Online 230 (2015).

³⁹ *Id.* at 234

⁴⁰ *Id.*

⁴¹ Understanding the Defend Trade Secrets Act, Financier Worldwide Magazine, https://www.financierworldwide.com/understanding-the-defend-trade-secrets-act#.XM2_HuszZPs

government or lawyer only to claim immunity under the whistle blower provision.⁴²

The DTSA despite having elaborate procedure to provide adequate protection to trade secrets has been met by various criticisms. The Act is still yet to be tested by the judiciary to ascertain whether these criticisms hold good or not.

III. EUROPEAN UNION TRADE SECRET DIRECTIVE

The Trade Secret Directive (Directive) has been adopted by the European Union (EU) members to overcome the negative consequences which resulted from the diverse protection given to trade secrets under existing national legislation, and was more particularly aimed at two pertinent problems:⁴³

- The first problem relates to the sub-optimal incentives which were available for cross-border innovative activities because of the differing protection available to trade secrets among member nations, particularly the greater risk which was posed by nations which had extremely low levels of protection.⁴⁴
- The second problem related to the reduced business competitiveness because of the trade secrets being misappropriated.⁴⁵

The Directive aims to set a minimum standard which all EU Member states have to comply with in order to standardise the law relating to trade secrets in the EU. The Members have an option to provide greater protection than what is prescribed under the Directive provided that it is in compliance with the specified obligations as well as the Treaty on the Functioning of the European Union (TFEU).⁴⁶

The rights given to trade secrets under the Directive are similar to the rights given to intellectual property, yet they are not considered as IP

⁴² Id.

⁴³ Commission Staff Working Document Impact Assessment SWD(2013) 471 final, issued on November 28, 2013 (Impact Assessment), pp.28–38 for a detailed statement of these problems and consequences

⁴⁴ EU trade Secret Directive, recitals 3 and 7 (2016)

⁴⁵Id. recitals 2 and 7; Prof. Tanya Aplin, [A Critical Evaluation of the Proposed EU Trade Secrets Directive](#), Intellectual Property Quarterly Issue 4 (2014)

⁴⁶ EU Trade Secrets Directive Article 1(1), (2016)

because of the fact that the legislators in EU did not wish to trigger the EU laws relating to IPR.⁴⁷

The definition of trade secrets implemented by the Directive is the one given under Article 39 of TRIPS.⁴⁸ The Directive excludes trivial information and the skills and experience gained by the employees in the employment from the ambit of trade secrets.⁴⁹ The definition of trade secret holder emphasises on the lawful control by a legal or natural person.⁵⁰

The definition of infringing goods has been proposed by the Directive as those good which benefit from the trade secrets which are acquired, disclosed or used unlawfully.⁵¹

The Directive retains the common law rules of independent discovery and reverse engineering as being legitimate grounds for acquisition of trade secrets.⁵² It further provides that acquisition of trade secrets in the exercise of workers right as per national or union laws for consultation or information purposes as well as under circumstances which confirm to “honest commercial practices”⁵³

The protection under the Directive is available only in case of unlawful acquisition, disclosure or use of the trade secret.⁵⁴ An acquisition is unlawful if it involves copying, appropriation of any document or material or which is considered to be against the honest commercial practices.⁵⁵

In order to make an assessment of the possibility of misappropriation under Article 4, the following factors should be considered:⁵⁶

- The relationship which exists between the parties and the nature of the information;

⁴⁷ Rembert Niebel, Lorenzo de Martinis & Birgit Clark, The EU Trade Secrets Directive: all change for trade secret protection, Europe Journal of Intellectual Property Law & Practice, Vol. 0, No. 0 (2018)

⁴⁸ EU Trade Secrets Directive Article 2(1), (2016) and TRIPS Article 39 (1994)

⁴⁹ EU Trade Secrets Directive Article 1(3)(b) and Recital 14

⁵⁰ *Id.* at Article 2(2)

⁵¹ *Id.* at Article 2(1)(4)

⁵² *Id.* at Article 3

⁵³ *Id.*

⁵⁴ *Id.* at Article 4

⁵⁵ *Id.* at Article 4(2)

⁵⁶ Rembert Niebel, Lorenzo de Martinis & Birgit Clark, The EU Trade Secrets Directive: all change for trade secret protection, Europe Journal of Intellectual Property Law & Practice, Vol. 0, No. 0 (2018)

- The circumstances in which the disclosure of the information was made and/or whether there exists a contractual obligation between the parties.
- The difficulty or ease which was required to duplicate or acquire the information.
- The type of the product which is distributed or manufactured by the defendant.

The Directive makes a subsequent disclosure or use unlawful where it is made by the person who himself unlawfully acquired the trade secret.⁵⁷ In case a third party who acted in good faith comes to know about the infringement post acquiring the trade secret then an injunction would cause harm which is disproportionate⁵⁸ and thus the preferred remedy would be damages.⁵⁹ The acquisition of trade secrets by a person who ought to have known or knew that the trade secrets had been obtained either directly or indirectly by a third party who was disclosing or using the trade secret unlawfully.⁶⁰ The Directive also deals with situations where the infringing goods are imported or manufactured by a person unlawfully.⁶¹

Exceptions include safe harbour provision, whistle blower immunity and protection of the press.⁶² Further, it is ensured that the Directive does not restrict employee mobility but this is not incorporated as a defence.⁶³ The Directive includes civil remedies, corrective measures and injunctions⁶⁴, alternative measures and safe guards⁶⁵ and damages.⁶⁶ Member States are required to provide mechanisms to the judicial authorities in order to maintain confidentiality of the trade secrets which are disclosed for purposes of legal proceedings.⁶⁷ These include as a minimum measure to restrict the access to the documents which are submitted by parties; restricted access to hearings; ordering parties to prepare versions of trade secrets which are non-confidential.⁶⁸ A “limited number of persons” which might comprise of a “at least one natural person and one attorney from each party” would have the access to secret

⁵⁷ EU Trade Secrets Directive Article 4(3), (2016)

⁵⁸ *Id.* at Recital 29

⁵⁹ *Id.* at Article 14

⁶⁰ *Id.* at Article 4(4)

⁶¹ *Id.* at Article 4(5)

⁶² *Id.* at Article 5

⁶³ *Id.* at Article 1(3)

⁶⁴ *Id.* at Article 12

⁶⁵ *Id.* at Article 13

⁶⁶ *Id.* at Article 14

⁶⁷ *Id.* at Article 9

⁶⁸ *Id.*

hearings and confidential documents.⁶⁹ The limitation period stipulated in the Directive is a maximum of six years.⁷⁰

1. Lacunae in the law

The Directive will have a major impact on most Member States. It lays down a clear definition of what trade secrets are and hence Member States which did not lay down the requirements of secrecy, commercial value or reasonable steps to maintain secrecy will have to update their laws and there may be cases where information which has been protected as trade secrets may not rise up to the level of trade secrets as provided in the Directive.

Though the Directive aims to bring in some uniformity, the law with respect to trade secret protection in EU, this might not be achieved in totality. Members may incorporate the standards in the directive which might be more than what is laid down thus again bringing in differences in the protection. For example, the directive provides that six years is the maximum period of limitation, Members might provide for a lesser period of limitation thus causing differences as to when can an action be initiated in a Member State or providing greater damages than what is stipulated in the Directive and thus bringing in differences.

The emphasis on control for being a trade secret holder implies that even an exclusive licensee could defend a trade secret apart from the original owner. The fact that the Directive uses the word trade secret holder instead of trade secret owner reflects that the Directive does not aim to confer property rights over trade secrets to its holder.

The definition of infringing good as given in the Directive is vague because of the lack in clarity over what “quality” and “significant” mean as these could have very subjective interpretations. Though the Directive states that acquiring trade secrets as per honest commercial practices would not be an unlawful acquisition of trade secrets it has not clarified as to what would amount to such honest commercial practices. The courts may either resort to their own interpretation of the term or rely on the interpretation of honest commercial practices as discussed under TRIPS⁷¹

⁶⁹ *Id.* at Article 9(2)

⁷⁰ *Id.* at Article 8

⁷¹ Rembert Niebel, Lorenzo de Martinis & Birgit Clark, [The EU Trade Secrets Directive: all change for trade secret protection in Europe?](#), *Journal of Intellectual Property Law & Practice*, Vol. 0, No. 0 (2018)

Article 4(4) might be interpreted by the courts to include secondary liability, where the receiver had knowledge that the trade secret has been acquired unlawfully for instance in an employer and employee association, liability can be imposed employer for the wrongful acts of the employee.⁷²

There have been lots of debate around the whistle blower immunity which has been provided in the Directive. It is contended that if a whistle-blower acquires the information from a worker who, is bound contractually to maintain confidentiality, any consequent disclosure might pose considerable troubles for the whistle-blower.⁷³ Despite the exception that whistle-blower may disclose information in the public interest it is upon him to prove that he did so in public interest and the judge to decide whether it really was the case.

The Directive had to be adopted by the Member States by June 9, 2018 and the actual effect can only be seen once it is properly adopted and implemented in all member states.

IV. INDIAN POSITION

India does not have a law which protects trade secrets and the courts have relied on common law remedies of equity and applied Section 27 of the Indian Contracts Act, 1872 and interpreted the negative covenants in the employment contract in a manner to protect trade secrets. The Courts have upheld non-compete and confidentiality covenants keeping in that that such restrictive covenants are reasonable.⁷⁴ It has been held that negative covenants not to engage in business or trade or be self employed are not a restraint of trade unless excessively harsh, unconscionable, one sided or unreasonable.⁷⁵ Restrain which is imposed on employees should not greater than what is necessary in order to protect the employer or be unduly oppressive or harsh to the employee.⁷⁶ The Courts have issued

⁷² *Id.*

⁷³ James McQuade, Kayvan Ghaffari and Andrea Nicole Greenwald, Can You Keep A Secret? The European Union's New Directive on Trade Secrets and its Impacts on Whistleblowers, Trade Secrets Watch, (May 13, 2022 6.00 pm)

<https://blogs.orrick.com/trade-secrets-watch/2016/05/27/can-you-keep-a-secret-the-european-unions-new-directive-on-trade-secrets-and-its-impacts-on-whistleblowers/>

⁷⁴ Chandni Raina Trade Secret Protection in India: The Policy Debate, Centre for WTO Studies, Indian Institute of Foreign Trade New Delhi, Working Paper CWS/WP/200/22 (2015)

⁷⁵ Niranjana Shankar Golikari Vs Century Spinning and Mfg Co. Ltd 1967 AIR 1098 (1967)

⁷⁶ Superintendence Company Murgai of India (P) Ltd Vs Sh Krishan SCR (3)1278 (1980)

injunctions against employees in case they acquire confidential information during the employment and then breach the contract of confidentiality by which they were bound.⁷⁷ In cases where there exists no underlying contract between the employer and employee, the courts have issued injunctions and applied costs on parties on the basis of rules of breach of confidence and equity for the misappropriation of confidential information.⁷⁸ Relief has also been granted in the form of injunctions where trade secrets were misappropriated by the employees on instigation or were appropriated by third parties.⁷⁹

The Supreme Court has protected trade secrets from inevitable disclosure during litigation. It has held that public trial has to be regulated to ensure that true justice is done to the parties, and non-disclosure of trade secrets during court proceedings is not a violation of Article 19.⁸⁰

1. Draft National Innovation Act, 2008

The Department of Science and Technology had proposed the draft National Innovation Act in 2008 with the aim of encouraging innovation through private, public or public-private partnership.⁸¹ It provides for trade secret protection under Chapter IV titled “Confidentiality And Confidential Information And Remedies And Offences” Section 8-14.⁸² The draft Act uses the terms confidential information and its definition is based on Article 39 of the TRIPS.⁸³

The Act provides liberty to the parties to contractually agree to the terms and conditions which would govern the rights and obligations of the parties with respect to maintaining confidentiality and preventing the misappropriation of confidential information.⁸⁴ Obligations to maintain

⁷⁷ Hi-tech systems and Services Ltd Vs Suprabhat Roy & ors G.A.No. 1738 of 2014 & C.S.No. 192 of 2014 ; M/s Gujarat Bottling Co. Ltd (GBC) and others Vs Coca Cola and Others, 995 AIR 2372

⁷⁸ John Richard Brady Vs Chemical Process Equipments 81 (1999)DLT 122 (1999) ; Escorts Construction Equipment Ltd v. Action Construction Equipment P. Ltd Suit Appeal Number 533 of 1998

⁷⁹ Base International Holdings v. Pallava Hotels Corporation Limited, C.S. No. 802 of 1996, Original Application Nos. 653 and 654 of 1996 and 104 of 1997 and Application No. 1464 of 1997 (1998)

⁸⁰ Naresh Shridhar Mirajkar And Ors v. State Of Maharashtra And Anr. 1966 SCR (3) 744 , (1966)

⁸¹ Preamble to the Draft National Innovation Act, 2008

⁸² Draft National Innovation Act, 2008

⁸³ Draft National Innovation Act, Section 2(3), (2008)

⁸⁴ *Id.* at Section 8.

confidentiality which arise out of equitable considerations and not contractual ones are also protected.⁸⁵

The remedies include grant of mandatory injunctions⁸⁶, in-camera proceedings, sealing of confidential information, ordering any person to disclose the confidential information.⁸⁷ Trade secrets are not considered to be misappropriated if it is available in public domain or is independently discovered or its disclosure is considered by the court to be in public interest.⁸⁸ The Act also prescribes for immunity for acts which are done in good faith.⁸⁹

2. Critical analysis of the Draft National Innovation Act, 2008

The draft act does not help to codify the law relating to trade secrets in India, rather seems to be a law on innovation which in the passing includes a few provisions on protection of confidential information. The Act states that the rights and obligations of the parties will be governed by such terms which shall be prescribed by the appropriate government⁹⁰ thus causing confusion by bringing in government intervention into contractual agreements between parties. The act does not provide any additional protection than what already existed in India i.e. by means of contractual relations or on the basis of rules of equity.

The remedies provided under the Act are already being awarded by the courts and thus there is no new addition that the Act does. It does not introduce criminal liability for trade secret misappropriation and civil remedies are prescribed. The Act states that disclosure of trade secret in public interest is permitted and would not be considered to be misappropriation however, the Act does not define what public interest is and thus making the exception vague.⁹¹ Further, the Act provides that injunctions may provide for conditions for payment of royalties for future use which implies that it introduced the compulsory licensing into

⁸⁵ *Id.* at Section 9

⁸⁶ *Id.* at Section 12 and 13

⁸⁷ *Id.* at Section 10

⁸⁸ *Id.* at Section 11

⁸⁹ *Id.* at Section 14

⁹⁰ *Id.* at Section 8(2)

⁹¹ Peter Ollier, [Managing Intellectual Property \(May 13, 2022 3:30 pm\)https://www.managingip.com/Article/2023296/India-trade-secrets-law-dubbed-absurd.html?ArticleId=2023296](https://www.managingip.com/Article/2023296/India-trade-secrets-law-dubbed-absurd)

trade secret law.⁹² The provision for immunity for acts done in good faith may result in misuse of the provision for the fact that it grants very broad basis of immunity without defining what good faith amounts to.

Thus, the draft Act falls short of providing adequate protection to trade secrets in India and there is a need for codification of a law which protects trade secrets.

V. CONCLUSION

The law relating to protection of trade secrets in United States has existed for long. The enactment of DTSA with its stringent provisions and wide range of remedies for the protection of interests of the trade secrets holder reflects that trade secrets are considered to be of immense importance in the country and constant efforts are made to overhaul the law in order to protect trade secrets with the needs of the industry. EU had diverse laws in its member states and has taken steps in the form of EU Trade secret directive to ensure uniformity of law in the member states. Though the directive has been adopted by all member states its impact on the industry can only be analysed once it becomes fully functional.

India on the other hand is still lacking in granting adequate protection to the rights which are conferred on trade secret holders. The common law remedies and remedies under contract law are not adequate to protect the rights which accrue to the holders of trade secrets and hence the legislature must take steps to ensure protection to the holders of trade secrets.

⁹²Faizanur Rahman, Trade Secret Law and Innovation Policy in India, Manupatra, (May 13, 2022 3.30 pm http://docs.manupatra.in/newsline/articles/Upload/E8134C85-E745-414C-91AA-3E05D6B95581.1-H__civil.pdf)
