



SHEATHING AMISS TRADE SECRETS IN DEVELOPING COUNTRIES: BLEMISH ON DESIDERATUM OF ENLIVENING INTELLECTUAL PROPERTY REGIMES

Shrut S. Brahmhatt

Shrut S. Brahmhatt, Ph.D. Student, S.P. University, Anand; & Assistant Professor of Law, Unitedworld School of Law, Karnavati University, Gandhinagar; shrut.005@gmail.com

Abstract

One of the most essential forms of intellectual property in the corporate sector, trade secrets, have been neglected and incompetently recognised by majority of developing countries. This doesn't however give leverage to developed nations for according best treatment as this arena of law couldn't really see the light of day in many such jurisdictions as well. Legally established Jurisdictions such as United States and European Union pioneered in enacting laws for protection of undisclosed information or knowhow, lead other jurisdictions too but the same can't really be considered to have achieved ultimate object of the very concept. Whilst the initial phase of protection of this unique form of Intellectual Property observed being betrayed from being considered a form of Property, the later stage could somehow see necessitated protections. This research paper attempts to represent the evolution, protection and strengthening of Trade Secrets in different jurisdictions and deliberates the need of recognising the same as form of Intellectual Property. It further deals with the varied contemporary forms of protections within domestic contract law or through principle of equity and the challenges or limitations witnessed by the trade secrets.

Key Words: Trade Secrets, Intellectual Property, Global Trend etc.

Introduction: Trade Secrets as its name suggests are the secrets connected with trade or business. It could be the secrets that have boosted business, the methods, practices, process, patterns or formulas of product manufacturing or any undisclosed information that makes the business, with which it is concerned, special and thereby grants competitive edge to it. Trade Secrets or undisclosed information could 'anything or everything' that is advantageous to trade.¹ The flexible approach towards trade secrets keeps its horizons wide and open for interpretations. While the development of trade secrets relies on multiple factors what majorly contributes to it is 'societal norms' and

'political shifts'.² Societal norms and Political shifts play vital role in the growth of any field, including law. Legal Protection to Trade Secrets completely relies on the evolving practices of business which are actually outcome of political wills that may be changes with its each shifts. Trade Secrets remain immensely valuable to its holder owing to its characteristics, but the glow possess potential of being ruined as the moment secret is revealed it turn out to be futile. This demands a stringent legal mechanism that can protect trade secrets aptly.

Global Evolution of Trade Secret Regime: The Principles on Trade Secret

¹ John C. Stedman, *Trade Secrets*, 23 Ohio. St. L. J. (1962), P. 4.

² David S. Almeling, *Seven Reasons Why Trade Secrets are Increasingly Important*, 27 Berkeley Technology Law Journal (2012), P. 1091.

laws were considered to be evolved through the attempt of articulation of wrongdoers under common law or equity courts.³ The early evidences of presence of a legal framework on trade secrets can be traced from the Roman law wherein the remedies to employers against their employees divulging trade secrets were available.⁴ The initial treatments to Trade Secrets were guaranteed through varied scattered principles until passing of United States' law called The Restatement (First) of Torts in 1939 which specified appropriate provisions under section 757. This remained a classic version of definition that became a base for contemporary legal framework on trade secrets. Uniform Trade Secrets Act of 1979 followed the same and enacted a law ensuring protection to trade secrets within the states codifying the law at their domestic level. This law provided liabilities and remedies for protection of trade secrets within U.S. for the first time.⁵ This law became the base for Trade Secret legislations not only across different countries but even in international agreements such as Trade Related Aspects of Intellectual Property Rights 1995.

³ Sharon K. Sandeen, *The Evolution of Trade Secret Law and Why Courts Commit Error when they do not follow the Uniform Trade Secrets Act*, 33 Hamline L. Rev. (2010), P. 495.

⁴ A. Arthur Schiller, *Trade Secrets and the Roman Law; The Actio Servi Corrupti*, 30 Columbia Law Rev. (1930), P. 838.

⁵ Ivan Png, *Trade Secrets, Non-Competes, and Inventor Mobility: Empirical Evidence*, presented at DRUID 2012, accessed on July 06, 2021, available at - <https://law.stanford.edu/wp-content/uploads/sites/default/files/event/266391/media/slspublic/Ivan%20Png%20Trade%20Secrets,%20Non-Competes,%20and%20Inventor%20Mobility%20Empirical%20Evidence.pdf>

European Union had fragmented laws within its member states until EU directive of 2016 that emphasised need of its implementation at domestic level by all the member countries.⁶ This directive was being mandated to be implemented at domestic levels of the member countries by 2018. The full fledged law can be observed now across the EU.

Whilst the 'divergent approaches'⁷ for protections of Trade Secrets in U.S. and EU was witnessed other developing nations like India relied on their domestic contract laws and principles of equity to settle the disputes involving misappropriations of trade secrets within their jurisdictions.

Trade Secrets as a form of Intellectual Property: Trade Secrets are considered to be 'Curious Anomalies' under the Intellectual Property regime.⁸ Intellectual Property refers to the property rights created through varied types of 'ideas and insignia'⁹. The roots of any confidential information or trade secrets lie in the idea of its originator and the insignia maintained by the holder. The concept of Trade Secrets being a form of Intellectual Property has undergone rigorous debates and deliberations amongst the scholars of law. Property is being considered to have a characteristic of *right in rem*, the right that is available against the whole world

⁶ The Directive (EU) 2016/943 of European Parliament and of the Council is available at - <https://eur-lex.europa.eu/eli/dir/2016/943/oj>

⁷ Katarzyna A. Czapracka, *Antitrust and Trade Secrets: The U.S. and The EU Approach*, 24 Santa Clara Comp. & H. Tech. Law J. (2008), P. 207.

⁸ Michael Risch, *Why do we have Trade Secrets*, 11 Marq. Intell. Prop. L. Rev. (2007) P. 3.

⁹ William Fisher, *Theories of Intellectual Property*, Cambridge: Cambridge (2001).

whereas in case of Trade Secrets it is the *right in personam*, that means the right is available against the persons who misappropriated trade secrets. The difference of applicable legal principles raises concern on whether trade secrets shall be considered as property or not and in absence of it the possibility of it being part of Intellectual Property remains a million dollar question. The approach of Edwin Hettinger¹⁰ comes to a rescue as the traditional justifications of Property are all not applicable to Intellectual Property and that there remains problems in some of their applications.

The justification theories of Intellectual Property such as 'John Locke's Labour theory on Intellectual Property'¹¹ back up the notion of trade secrets as one form of Intellectual Property because ultimately trade secrets are the outputs of labour that its holder must have put forth from its possession to maintenance of confidentiality.

The very inception of any trade secrets is an outcome of one's intellect which is further protected by keeping secrecy. This clearly suggests that the trade secret is nothing but a form of Intellectual Property which possesses economic benefits to its holder by virtue of its special characteristics.

Contemporary Position: Trade Secrets have gained momentum in today's technology driven era where its

¹⁰ Lynn Sharp Paine, *Trade Secrets and the Justification of Intellectual Property: A Comment on Hettinger*, 20 *Philosophy & Public Affairs* (1991), pp. 247-263.

¹¹ Adam D. Moore, *A Lockean Theory of Intellectual Property Revisited*, 49 *San Diego L. Rev.* (2012), P. 1069.

misappropriation is possible with just one click. The conventional mechanisms of safeguarding knowhow have become futile with advanced artificial intelligence that promises to work beyond humans. The advancement of technology definitely has brought its own challenges whereby the likelihood of loosening confidential information has increased in last few decades, consequently this demanded efficient mechanism that can accord protection to trade secrets. Trade Secrets are safeguarded through provisions of contract laws, employment laws, principles of equity and common law actions despite being known a form of Intellectual Property.

International Instruments such as TRIPS Agreement, 1995¹² emphasises the need of protecting Undisclosed Information or Trade Secrets in its signatory countries to ensure protection against unfair competition in consonance with Article 10bis of the Paris Convention 1967.

Developing Countries have ensured protection to Trade Secrets but through scattered laws. Indian Laws on Trade Secrets can be ascertained through the provisions of contract laws and the principles of equity. This raises issues wherein courts have to deal with claims demanding legal escape.¹³ Developed

¹² Agreement on The Trade-related Aspects of Intellectual Property Rights, 1995 is available here https://www.wto.org/english/docs_e/legal_e/27-trips.pdf

¹³ In the case of Homan India Pvt. Ltd. Vs. Mr. Ulfat Ali Khan, MANU/KA/1569/2012, claim for privity of contract was made by the defendant who employed employee of plaintiff to facilitate misappropriation of confidential information of the plaintiff; Karnatak High Court held that there cannot be an assumption of non-existence of

nations like Canada also has absence of specific federal law for trade secrets and the protections are ensured under common law or civil law, Principles enforced by courts in the matters claiming breach of contracts or confidences.¹⁴ The industrial boom of technology is a rising threat to trade secret protections across the globe and the same can be addressed by strengthened legal framework assuring appropriate protection to trade secrets. The Legal framework protecting trade secrets as a form of Intellectual Property is more desirable as the same can deal with not only protection part but can set provisions on liabilities, responsibilities, infringement that can help resolving the cases of misappropriation of trade secrets.

Way Forward: Trade Secrets serves essential purpose for any business to grow, it ensures economic stability and advantage not only to its holder but even the jurisdictions at large. Thus effective protection of Trade Secrets is pertinent to control trade and commerce of any nation. Current mechanisms adopted by different nations do serve the purpose of protection of trade secrets and regulates anticompetitive conducts of enterprises but the same is achieved majorly through employment agreements and the common law action. Distinct law of trade secrets as practiced in United States or European Union lately is desirable across the globe. Such legislations can assure protection of trade secrets not only as a form of intellectual property but also serves the

actionable right where contract and its actual breach is absent.

¹⁴ Elucidated by Canadian Intellectual Property Office, 'What is Trade Secret?', at <https://www.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/wr03987.html>

purpose of being subject specific law that may identify misappropriation, liabilities, and remedies against unauthorised encroachment of the trade secrets. The differences in the laws of various countries can create ambiguity in the contractual matters and may affect the global economy. Further defendants in the matters involving trade secret thefts have been claiming lack of extra-territoriality in the developed economy like U.S.¹⁵; such claims were not frivolous but displayed inefficiency of law wherein the damages for foreign jurisdictions had to be referred to the legal systems of such jurisdictions. In one of the matter involving theft of trade secrets the U.S. District Court for the Northern District of Illinois¹⁶ affirmed conviction orders of the defendant who intended to escape from the liability with the reason of attempt and absence of actual theft. All such occurrences can be avoided by implementing a strengthened law that can protect trade secrets in its real sense.

Conclusion: Trade Secrets have been given increasing attention these days due to its potentiality of augmenting economy of not only the associated trade but also of the concerned jurisdiction at large. Developing countries have understood its worth and are protecting the same through the principle of equity, common laws, contract laws or employment laws. However a mechanism through which this unique form of Intellectual Property can be addressed in its true form is needed. There

¹⁵ The US Northern District Court of Illinois Eastern Division had to deal with the claim of extra-territoriality of trade secret law in the case of Motorola Solutions, Inc. &Ors. Vs. Hytera Communications Corporation Ltd &Ors., 436 F. Supp. 3d 1150 (N.D. Ill. 2020).

¹⁶ USA Vs. Robert O'Rourke, 211 F.2d 609. (2019)

could be possibilities of registering trade secrets, if not in its real sense whereby it needs to be revealed, at least with its title alike Patents. This can ensure better mechanism for the appropriate enforcement of its protection as encroachment actions against unauthorised users can be taken easily. Further provisions enumerating the actions amounting to infringement, liabilities of associated persons in case of misuse, remedies for the holders may contribute better to safeguard trade secrets.

Presently the mechanisms adopted by majority of developing and developed nations is to consider the available provisions within domestic laws instead of creating a new legislation, this could serve the purpose of justice but doesn't really cater the need of stronger Intellectual Property Regime as trade secrets being one of its form is not really protected through a specific law. Countries across the globe, ever since the Internationalisation of IP moment, are trying to meet with the global standards set through bilateral conventions, agreements on one hand and on the other hand trade secrets have not been appropriately handled. This needs to be changed with constructive legislation that can protect trade secrets at domestic and international level through a specified legislation.