



GOVERNMENT OF INDIA
LAW COMMISSION OF INDIA

TRADE SECRETS AND ECONOMIC ESPIONAGE

Report No. 289

March, 2024

The 22nd Law Commission was constituted by Gazette Notification for a period of three years vide Order No. F No. 45021/1/2018-Admn-III(LA) dated 21st February, 2020 issued by the Government of India, Ministry of Law and Justice, Department of Legal Affairs, New Delhi. The term of the 22nd Law Commission was extended vide Order No. FA No. 60011/225/2022-Admn.III(LA) dated 22nd February, 2023.

The Law Commission consists of a Chairperson, three full-time Members, Member Secretary, two *Ex-officio* Members and two Part-time Members.

Chairperson

Hon'ble Justice Ritu Raj Awasthi

Full-time Members

Hon'ble Justice K.T. Sankaran

Prof. (Dr.) Anand Paliwal

Prof. D.P. Verma

Member Secretary

Dr. Reeta Vasishtha

Ex-officio Member

Dr. Rajiv Mani, Secretary, Legislative Department and Secretary, Department of Legal Affairs (Additional Charge)

Part-time Members

Shri M. Karunanithi

Prof. (Dr.) Raka Arya

Law Officers

Smt. Varsha Chandra, Joint Secretary & Law Officer

Shri Atul Kumar Gupta, Deputy Law Officer

Legal Consultants

Shri Rishi Mishra

Ms. Deepika Chaudhary

Ms. Ritu Thomas

Shri Gaurav Yadav

Ms. Diksha Kalson

Dr. Taruna Solanki

Shri Shubhang Chaturvedi

Shri Govind Gupta

Ms. Swikriti Mahajan

Ms. Priya Rathi

Shri Kumar Abhishek

Shri Anubhav Dubey

Ms. Ruchika Yadav

Ms. Shanivi Singh

Shri Animesh Pareek

The Law Commission is located at:
2nd and 4th Floor, 'B' Wing
Lok Nayak Bhawan, Khan Market
New Delhi-110 003.

The text of this Report is available on the Website at:

www.lawcommissionofindia.nic.in

© Government of India

Law Commission of India

Justice Ritu Raj Awasthi
(Former Chief Justice of High Court of Karnataka)
Chairperson
22nd Law Commission of India



न्यायमूर्ति ऋतु राज अवस्थी
(सेवानिवृत्त मुख्य न्यायाधीश, कर्नाटक उच्च न्यायालय)
अध्यक्ष
भारत के 22^{वें} विधि आयोग

D.O. No. 6(3) 317/2017-LC(LS)

Date: 05th March, 2024

*Hon'ble Sri Arjun Ram Meghwalji,
Namastar!*

I am pleased to forward you **Report No. 289** of the Law Commission of India on "**Trade Secrets and Economic Espionage**". The reference to the Law Commission arose post deliberations within the government, wherein it was felt that there was a need for a legislation on the protection of Trade Secrets and also on Economic Espionage. Subsequently, the Department of Legal Affairs and the Legislative Department examined the issue of enacting Economic Espionage Act and Trade Secrets Protection Act and prepared a concept paper along with a draft cabinet note and a draft Bill. However, owing to the complexities inherent in the subject-matter and in order to ensure thorough evaluation, the Department of Legal Affairs and the Legislative Department forwarded the reference to the Law Commission of India *vide* letter dated 10th October, 2017, requesting it to examine the possibility of enacting Trade Secrets Protection Act and Economic Espionage Act. The Department of Legal Affairs and the Legislative Department also shared their concept paper along with draft cabinet note and draft Bill for the Commission's consideration.

The Commission held extensive deliberations on the subject-matter with domain experts across the spectrum, ranging from judiciary and academia to the Government and industry. Thereafter, the Commission undertook a comprehensive study of the law relating to trade secrets and economic espionage, examining at length, both the concepts. While doing so, the Commission has paid significant attention to the text of the TRIPS Agreement and India's obligations arising from the same. Further, the Commission has explored the genesis and development of the law relating to trade secrets and economic espionage in other jurisdictions, and also the present treatment of the same. The Commission has also addressed the exceptions that exist with regard to trade secrets and economic espionage.

Justice Ritu Raj Awasthi
(Former Chief Justice of High Court of Karnataka)
Chairperson
22nd Law Commission of India



सायमेव जयते



न्यायमूर्ति ऋतु राज अवस्थी
(सेवानिवृत्त मुख्य न्यायाधीश, कर्नाटक उच्च न्यायालय)
अध्यक्ष
भारत के 22^{वें} विधि आयोग

Consequently, the Commission is of the considered view that a *sui generis* legislation should be introduced to protect trade secrets with exceptions pertaining to whistleblower protection, compulsory licensing and government use, and public interest. Further, the Commission is of the opinion that in defining trade secrets, the law should avoid bestowing any proprietary conceptions to the same. A proposed draft of such a legislation, titled “**The Protection of Trade Secrets Bill, 2024**” is being appended to this Report as **Annexure-I**.

With regard to the issue of economic espionage, it is pertinent to note that it typically involves a foreign State as a party, whereas commercial espionage is between two commercial entities. Therefore, the Commission is of the considered opinion that the issue of economic espionage should be dealt with separately through a different legislation.

Accordingly, this report is being submitted for your kind perusal.

With warmest regards,

Yours sincerely,

(Justice Ritu Raj Awasthi)

Shri Arjun Ram Meghwal
Hon'ble Minister of State (Independent Charge)
Ministry of Law & Justice
Government of India
Shastri Bhawan
New Delhi -110001.

ACKNOWLEDGEMENT

Pursuant to the reference received by the Law Commission from the Department of Legal Affairs and Legislative Department, Ministry of Law & Justice *vide* letter dated 10th October, 2017, the Commission initiated widespread stakeholder deliberations by inviting judges, academicians, the Government and industry representatives to put forth their views and opinions on enacting a legislation on protecting trade secrets and preventing economic espionage. The Commission wishes to extend its gratitude to all those who have generously contributed to this Report on “Trade Secrets and Economic Espionage”.

The Commission is particularly grateful to the following individuals/organisations who took out their valuable time to furnish their comments and submissions on the instant subject:

1. Hon’ble Ms. Justice Prathiba M. Singh, Judge, High Court of Delhi
2. Department for Promotion of Industry and Internal Trade (DPIIT):
 - i. Ms. Himani Pande, Joint Secretary, DPIIT
 - ii. Shri Karan Thapar, Director, DPIIT
 - iii. Dr. G. R. Raghavendra, Senior Consultant, DPIIT, Former Registrar of Copyright and Former Joint Secretary, Ministry of Law & Justice
3. Prof. (Dr.) N. S. Gopalakrishnan, Former Director and Honorary Professor, Inter University Centre for IPR Studies, Cochin University of Science and Technology
4. Dr. Arul George Scaria, Associate Professor of Law, National Law School of India University, Bengaluru
5. Dr. Tania Sebastian, Assistant Professor, VIT School of Law, Chennai
6. Dr. Naveen Gopal, Guest Faculty in IPR, School of Engineering, Cochin University of Science and Technology (September 2023 – January 2024)
7. The Associated Chambers of Commerce & Industry of India (ASSOCHAM):
 - i. Shri Santosh Parashar, Director & Nodal Officer, Corporate Affairs, Legal & Regulatory Affairs, ASSOCHAM
 - ii. Shri Venkat Rao, Intygrat Law Offices and Member, National Council for Legal & Regulatory Affairs, ASSOCHAM
 - iii. Shri Dev Robinson, National Practice Head – IPR, Shardul Amarchand Mangaldas & Co.
 - iv. Ms. Gautami Seth, Member, National Council for Legal & Regulatory Affairs, ASSOCHAM
 - v. Shri Rajinder Kumar, Managing Partner, Kumar Law Associates & Co-Chair of National Council for Legal & Regulatory Affairs, ASSOCHAM

8. Confederation of Indian Industries (CII):
 - i. Ms. Sanjit Kaur Batra, Chair, Sub-Committee on IPR under CII National Committee on Legal Services and Group Vice President- Legal and Legal Head-India, Cummins India Limited
 - ii. Ms. Debolina Partap, Member, CII National Committee on Regulatory Affairs & Senior Vice President, Legal and Group General Counsel, Wockhardt
 - iii. Shri Akhilesh Kumar Rai, Senior Partner (Intellectual Property), AZB & Partners
 - iv. Shri Vikkas Mohan, Principal Advisor, CII
 - v. Ms. Chitra Mittal, Senior Director, CII
 - vi. Shri Varun Sharma, Associate Partner, LexOrbis
9. Federation of Indian Chambers of Commerce & Industry (FICCI):
 - i. Ms. Pragati Srivastava, Director, FICCI
 - ii. Ms. Purna Dani, Deputy Director, FICCI
 - iii. Shri Sanjay Notani, Senior Partner, Economic Laws Practice
 - iv. Shri Parthsarathi Jha, Partner, Economic Laws Practice
10. United States Patent and Trademark Office (USPTO):
 - i. Shri John Cabeza, U.S. Intellectual Property Counsellor for South Asia, U.S. Embassy, New Delhi
 - ii. Shri Mark Abumeri, Attorney Advisor, USPTO, Washington D.C.
 - iii. Shri Dinesh Sharma, Senior Intellectual Property Policy Advisor for India, U.S. Embassy, New Delhi.
 - iv. Ms. Shilpi Jha, Senior Intellectual Property Specialist, U.S. Embassy, New Delhi

The Commission also acknowledges the assiduous efforts of Shri Rishi Mishra, Shri Shubhang Chaturvedi, Ms. Priya Rathi, Ms. Ruchika Yadav, Shri Govind Gupta, Dr. Taruna Solanki and Shri Anubhav Dubey, who worked as Legal Consultants on this subject. We applaud their invaluable contribution towards the comprehensive research and drafting of this Report. We place on record our heartfelt admiration for the diligent and painstaking efforts they have expended towards the completion of this Report.

TABLE OF CONTENTS

1. INTRODUCTION	1
2. TRADE SECRETS <i>VIS-À-VIS</i> DIFFERENT THEORIES OF INTELLECTUAL PROPERTY RIGHTS	9
A. Natural Rights Theory	12
B. The Concept of Privacy	15
C. Other Concepts and Theories	18
3. INTERNATIONAL OBLIGATION: ARTICLE 39 OF THE TRIPS AGREEMENT	23
A. Article 39.1	24
B. Article 39.2	28
C. Article 39.3	34
4. APPROACHES TOWARDS PROTECTION OF TRADE SECRETS IN OTHER COUNTRIES	40
A. Australia	40
B. Canada	43
C. China.....	46
D. Germany	49
E. Indonesia.....	54
F. Israel	56
G. Italy.....	58
H. Japan.....	61
I. Netherlands.....	64
J. New Zealand.....	68

K.	Singapore.....	70
L.	South Korea.....	71
M.	Spain.....	74
N.	Sweden	78
O.	Taiwan.....	80
P.	United Arab Emirates (UAE).....	83
Q.	United Kingdom	85
R.	United States of America	88
	i. State Laws	89
	ii. Defend Trade Secrets Acts.....	90
	iii. Section 337 of the Tariff Act of 1930	91
	iv. Economic Espionage Act.....	92
	v. Considerations for Congress	93
S.	Yemen.....	94
T.	European Union.....	95
5.	TRADE SECRETS: PREVAILING LEGAL POSITION IN INDIA.....	98
	A. Applicable Laws.....	98
	B. Judicial Interpretation and Precedents	100
	i. Defining Trade Secrets and Confidential Information.....	100
	ii. Trade Secrets, Confidential Information & Contracts	101
	iii. Trade Secrets and Equitable Relief.....	106
	iv. Trade Secrets and Criminal Liability.....	114
	v. Trade Secrets and Freedom of Speech & Expression.....	115
	vi. Trade Secrets and RTI Act, 2005	117

C.	Previous Attempts at Policy and Legislation	120
i.	The National Innovation Bill, 2008	121
ii.	US Interventions.....	123
iii.	National Intellectual Property Rights Policy, 2016	124
iv.	Parliamentary Standing Committee Report	125
D.	Indian Position on Data Exclusivity.....	126
6.	ECONOMIC ESPIONAGE.....	129
7.	CONSULTATIONS HELD BY THE COMMISSION.....	140
A.	Judicial Perspective	140
B.	Academic Perspective	143
C.	Industry Perspective	156
D.	Government Perspective	168
E.	Other Stakeholders	171
8.	CONCLUDING ANALYSIS AND RECOMMENDATIONS.....	176
A.	Whether there is need for a specific legislation on the protection of trade secrets?	176
B.	Whether there should be a single law on trade secrets and economic espionage or should they be dealt separately?.....	177
C.	What should be the scope and shape of the proposed law?	178
i.	Treating trade secrets as “property” or under principles of unfair competition.....	178
ii.	Defining trade secrets.....	180
iii.	Defining misappropriation of trade secrets.....	181
iv.	Trade secrets, restrictive covenants and doctrine of inevitable disclosure	181

D.	What exceptions should be carved out in the Act?	182
i.	Whistle blower protection	182
ii.	Compulsory Licensing & Government Use.....	184
iii.	Freedom of Speech & Expression.....	187
iv.	Public interest.....	189
E.	Remedies	190
F.	Procedural Issues.....	190
i.	Limitation Period.....	191
ii.	Application of Commercial Courts Act, 2015	191
iii.	Trade Secret Board/Registry	191
iv.	Confidentiality Measures	192
G.	Data Exclusivity	194
	ANNEXURE-I	198

Handwritten signature in green ink.

1. INTRODUCTION

1.1. Trade Secrets have been in existence since perhaps trade and commerce itself. By no means can safeguarding trade secrets be termed as a modern phenomenon. From ancient Rome, where there were legal consequences for inducing another's slave to divulge secrets relating to his master's commercial affairs, to Medieval European guilds, trade secrecy has been a common feature throughout.¹ Even in India, restricted sharing of knowledge, such as relating to highly advanced weapons of mass destruction, has been an age-old practice. There have been Gurus and Rishis who have exercised utmost caution in passing on exalted forms of knowledge to only the most deserving of their disciples. Many communities in India have traditional knowledge/practices whose public dissemination has been restricted and it has remained only within the community/family, passed on from one generation to another. The objective of such a practice was to prevent misuse and preserve the knowledge within the community. Even today, the composition of various Ayurveda and Unani medicines is often protected as a secret by many industries.

1.2. While the existence of trade secrets is certain, the development of legal protection, especially as an action of breach of confidence, is obscure.² Modern trade secret law evolved in the early nineteenth century England.³ The law has Anglo-American background and has evolved out of a series

¹ Karl F. Jorda, "Trade Secrets and Trade-Secret Licensing" in Anatole Krattiger, Richard T. Mahoney et.al. (eds.), *Intellectual Property Management in Health and Agricultural Innovation: A Handbook of Best Practices* 1045 (MIHR and PIPRA, 2007).

² Tanya Aplin, Lionel Bently, et.al., *Gurry on Breach of Confidence* para 2.01 (Oxford University Press, 2nd edn., 2012).

³ Karl F. Jorda, "Trade Secrets and Trade-Secret Licensing" in Anatole Krattiger, Richard T. Mahoney et.al. (eds.), *Intellectual Property Management in Health and Agricultural Innovation: A Handbook of Best Practices* 1045 (MIHR and PIPRA, 2007).

of doctrines such as breach of confidence, breach of confidential relationship, common law misappropriation, unfair competition, unjust enrichment, and torts related to trespass or unauthorized access to a plaintiff's property.⁴ Be it in the context of unpublished works or employment relationships, courts have consistently demonstrated a willingness to pragmatically safeguard confidentiality using available means.⁵ While the English courts provided relief mostly in equity or breach of confidence, in the US, trade secrets came to be protected under tort of misappropriation based on the confidential relationship between the parties.⁶

1.3. The law on trade secrets was and, in many jurisdictions, still remains fragmented. However, the first concrete attempt in the modern times to introduce a legal remedy can be traced to the 1939 Restatement (First) of Torts adopted in the US which introduced liability for disclosure or use of another's trade secret.⁷ The next major development was the Uniform Trade Secrets Act, 1979 (UTSA) based on which several US States passed their state laws. The UTSA also substantially influenced Article 39 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)⁸ which is the first and major source of obligation to protect trade secrets under international law.⁹ Over the years, other jurisdictions such as Germany, EU, UK etc. have also introduced laws to harmonise the law on this subject. India, however, continues to protect trade secrets under common law, equity and contract.

⁴ M. A. Lemley, "The Surprising Virtues of Treating Trade Secrets as IP Rights" 61 *Stanford Law Review* 316 (2008).

⁵ Tanya Aplin, Lionel Bently, *et al.*, *Gurry on Breach of Confidence* para 2.02 (Oxford University Press, 2nd edn., 2012).

⁶ *E.I. du Pont de Nemours Powder Co. v. Masland*, 244 U.S. 100, 102 (1917).

⁷ Amy Kapczynski, "The Public History of Trade Secrets" 55 *UC Davis Law Review* 1380 (2022).

⁸ UNCTAD-ICTSD, *Resource Book on TRIPS and Development* 521 (Cambridge University Press, 2005).

⁹ *Id.*, 522.

- 1.4. The term “trade secrets” does not have a concise or even settled meaning.¹⁰ It comprises a broad range of information that can be technical or even commercial in nature.¹¹ ‘Trade secrets’ encompass confidential business information that derives its value from being kept secret. However, unlike other forms of intellectual property (IP) which are limited in duration, trade secrets can be protected indefinitely. Businesses, irrespective of their size, value trade secrets as much as patents, copyrights and other forms of IP as using trade secrets protection, whether as a complement or as an alternative to traditional IP protection, they derive profits as well as further research, development and innovation.¹² Further, the subject-matter of trade secrets lies in the twilight zone before copyright¹³ and patents.¹⁴ Thus, the range of information that can be protected as trade secrets is much broader.¹⁵
- 1.5. Nonetheless, there is a thin demarcating line between the subject matter of different IP rights and sometimes there may be an overlap. For instance, copyright is concerned with expression and not ideas; patent is concerned with the novel inventions and not mere discoveries of scientific principles and abstract theories; trademark, and even passing off, seek to protect identity and/or goodwill of a business and usually do not cover marketing concepts.¹⁶ Thus, one can clearly see there is an exclusion of ideas in the

¹⁰ Tanya Aplin, Lionel Bently, *et al.*, *Gurry on Breach of Confidence* para 6.05 (Oxford University Press, 2nd edn., 2012).

¹¹ European Observatory on Infringements of Intellectual Property Rights, “Protecting Innovation through Trade Secrets and Patents: Determinants for European Union Firms” 13 (July, 2017), *available at*: https://euiipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/reports/Trade%20Secrets%20Report_en.pdf (last visited on February 24, 2024).

¹² *Id.*

¹³ *Narendra Mohan Singh & Anr. v. Ketan Mehta & Ors.*, (2015) 64 PTC 260.

¹⁴ European Observatory on Infringements of Intellectual Property Rights, “Protecting Innovation through Trade Secrets and Patents: Determinants for European Union Firms” 14 (July, 2017), *available at*: https://euiipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/reports/Trade%20Secrets%20Report_en.pdf (last visited on February 24, 2024).

¹⁵ *Id.*

¹⁶ Michael Spence, *Intellectual Property* chap. 6 (Oxford University Press, 2007).

general sense from the ambit of traditional forms of IPR. Nonetheless, information or ideas have been protected as an intangible asset and it is this aspect that falls within the domain of trade secrets or confidential information.¹⁷ The blurring that can happen between trade secrets and other forms of IP lends to difficulty in defining and protecting trade secrets as the very premise of traditional intellectual property rights, that is public disclosure, is absent in the case of trade secrets. Thus, trade secrets have to be protected with great caution so as not to undermine other forms of IP and the larger public interest which essentially lies at the root of any IP protection.

- 1.6. Trade secrets are a relatively new entrant in the realm of IPR. This does not mean trade secrets did not exist prior to traditional forms of IPRs such as patent and copyright, but that trade secrets have been brought under the larger ambit of IPRs recently by their inclusion as protected subject matter under the TRIPS Agreement, which came into force in 1995.
- 1.7. The problem with protecting trade secrets does not arise out of their late inclusion within the domain of IPRs but by their very nature itself. There is great difficulty in categorising trade secrets as “property” in the true sense. The incidents associated with traditional property are absent when it comes to trade secrets. For instance, it lacks permanence and stability in the sense that the protection evaporates as soon as the information enters public domain by disclosure, whether voluntary, accidental or by an act of misappropriation; or when discovered by a third party by reverse engineering or independently.¹⁸ Further, trade secrets also exhibit lack of

¹⁷ *Zee Telefilms Ltd. v. Sundial Communications Pvt. Ltd.*, (2003) 3 Mah LJ 695 : (2003) 5 Bom CR 404 : (2003) 105(3) Bom LR 678 : (2003) 27 PTC 457.

¹⁸ Tanya Aplin, “Confidential Information as Property?” 24 *King's Law Journal* 191 (2013).

excludability.¹⁹ The aspects of exchange and alienation are far more problematic, contorted and strained when it comes to trade secrets.²⁰ It is exactly this reason why some jurisdictions like the US treat it as property and others such as an overwhelming number of States in the European Union do not and provide protection under unfair competition law coupled with criminal sanctions.²¹

1.8. While the law on trade secrets is not as well established and standardised as other forms of IPRs, nonetheless, in today's era of knowledge economy and fourth industrial revolution, trade secrets have become all the more crucial for businesses to maintain their competitive edge. Even though trade secrets protection developed at the time of industrial revolution, it has gained growing importance in the recent decades as technology and innovation have become more fast paced and the major determinants of economic prowess. The common and traditional perception has been that trade secrets protection serves as a supplementary tool of protection in addition to main-stream intellectual property rights such as patents, industrial designs and copyright. However, empirical studies in the United States, United Kingdom, European Union and Canada indicate the primacy of trade secrets as a protective mechanism adopted by innovators.²² Thus, trade secrets are a key form of protection utilised in commerce to maintain competitive advantage.

1.9. Trade secrets offer a range of benefits such as an informal and relatively cheap form of protection, the threshold for protection is high, the

¹⁹ *Id.*, 193.

²⁰ *Id.*, 195.

²¹ Tanya Aplin, "Right to Property and Trade Secrets" in Christophe Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* 422 (Edward Elgar Publishing, 2015).

²² Tanya Aplin, Lionel Bently, *et.al.*, *Gurry on Breach of Confidence* para 1.09 (Oxford University Press, 2nd edn., 2012).

requirements for action are not that onerous, and there is a longer period of protection extending up to perpetuity.²³ However, these do not detract from the fact that trade secrets have certain limitations as well. Trade secrets provide for far weaker protection than under patents or copyright. In addition to independent innovation and reverse engineering being permissible, in an action of breach of confidence the claimant must prove derivation which can be quite difficult.²⁴ There is also the risk that opting for trade secrets carries in that secrecy and consequently the protection.

1.10. Intellectual property rights are territorial in nature and the same applies to trade secrets. Thus, trade secrets laws and regulations vary from one jurisdiction to another. The need for harmonisation and effective cross-border protection emphasised by developed countries in particular, led to the introduction of Article 39 in the TRIPS Agreement. However, the TRIPS Agreement only lays down minimum criteria and there is great flexibility leading to variation across different jurisdictions. This flexibility includes addressing protection of trade secrets by whatever means that may suit the member State, that is, either under existing laws or under a specific legislation.

1.11. India, being a signatory to the TRIPS Agreement, is obligated to protect undisclosed information. While the TRIPS Agreement does not necessitate the enactment of a separate statute to protect undisclosed information, there have been demands for such a framework. There is no specific legislation pertaining to protection of trade secrets in India. It is protected within the general law pertaining to contract, under common law principles of breach

²³ Lionel Bently, "Patents and Trade Secrets" in Neil Wilkof, Shamnad Basheer (eds.), *Overlapping Intellectual Property Rights* 61-63 (Oxford University Press, 2012).

²⁴ *Id.*, 63-65.

of confidence and equity²⁵ as well as under provisions of criminal law. All developments in the subject matter have been driven by case-laws which is also the reason for variation and inconsistency in law.²⁶

1.12. Trade secrets is the only “intellectual property” that remains unaddressed by a specific statute. Trade secrets first came to national limelight in 1977 when the Government asked Coca-Cola to hand over the formula for its cola drink that led to the company exiting India to re-enter only a decade later.²⁷ However, the focus on this subject matter has increased in the past decade on account of growing demands from the industry and even our trading partners. The National Intellectual Property Rights Policy, 2016 and the Parliamentary Standing Committee Report have brought back focus on the need for introducing a legislation on trade secrets in India. Apart from the industry, the concern for a comprehensive legislation dealing with trade secrets has also been echoed by the judiciary.

1.13. With the globalisation of businesses and rapid advancements in technology that often get transferred across borders, the demand for a special law to adequately address trade secrets protection and enforcement has become stronger. Various arguments have been advanced in support of protecting trade secrets such as they incentivise innovation and uphold commercial morality.²⁸ Thus, enacting a law on trade secrets, may prove to be a crucial step towards creating a conducive environment for innovation, fostering a knowledge-based economy, and protecting the intellectual property of

²⁵ *John Richard Brady v. Chemical Process Equipment*, AIR 1987 Del 372.

²⁶ Md Zafar Mahfooz Nomani and Faizanur Rahman, “Intellection of Trade Secret and Innovation Laws in India” 16 *Journal of Intellectual Property Rights* 349 (2011).

²⁷ Prashant Reddy T., “The ‘Other IP Right’: Is It Time to Codify the Indian Law on Protection of Confidential Information?” 5 *Journal of National Law University Delhi* 1 (2008).

²⁸ Jon Chally, “The Law of Trade Secrets: Toward a More Efficient Approach” 57 *Vanderbilt Law Review* 1271 (2004).

businesses across sectors. This will enable India to establish a forward-looking legal framework that aligns with global standards while addressing the specific needs of her diverse and emerging business landscape.

A. Reference to the Law Commission

- 1.14. In light of the deliberations within the Government, it was felt that there was a need for a legislation on the protection of Trade Secrets and also on Economic Espionage. Accordingly, the Department of Legal Affairs and Legislative Department examined the issue of enacting an Economic Espionage Act and a Trade Secrets Protection Act and prepared a concept paper along with a draft cabinet note and a draft Bill. However, owing to the complexities inherent in the subject matter and in order to ensure thorough evaluation, the Department of Legal Affairs and Legislative Department forwarded a reference to the Law Commission *vide* letter dated 10th October, 2017, requesting it to examine the possibility of enacting Trade Secrets Protection Act and Economic Espionage Act. The Department of Legal Affairs and Legislative Department also shared their concept paper along with the draft cabinet note and draft Bill for the Commission's consideration.



2. TRADE SECRETS *VIS-À-VIS* DIFFERENT THEORIES OF INTELLECTUAL PROPERTY RIGHTS

- 2.1. Intellectual Property Rights are the rights given to a person for inventions, literary and artistic works, designs, symbols, images used in commerce. They usually give the creator an exclusive right over the use of his creation for a certain period of time. IP is protected by law through patents, copyrights, trademarks, designs, etc., which enable creators to benefit financially from their creations. There is a basic understanding that protection of intellectual property incentivises innovation, creative endeavour and adds to the existing stock of knowledge in public domain. However, among the recognised forms of intellectual property, trade secrets are an outlier as they rely on secrecy rather than disclosure.
- 2.2. The protection of trade secrets draws its essence from common law, contract law, criminal law and tort doctrines which limit the use and dissemination of valuable proprietary information, thereby incentivising the creator for his/her creations of products, processes and technologies.²⁹ This law is useful in cases where an information is not patentable, or too expensive to patent, or more valuable, if kept secret than protected through the patent system.³⁰
- 2.3. The subject-matter of trade secrets include technical and commercial information that a business uses internally, which is maintained as

²⁹ David D. Friedman, William M. Landes, *et al.*, "Some Economics of Trade Secret Law" 5 *Journal of Economic Perspectives* 61-72 (1991).

³⁰ David D. Friedman, "Trade Secrets" in Peter Newman (ed.), *The New Palgrave Dictionary of Economics and the Law* 604-607 (Macmillan, London, 1998).

confidential.³¹ It has been defined by the Uniform Trade Secrets Act, which was the model law based on which several State laws were enacted in the US, to include:

“A formula, pattern, compilation, program device, method, technique or process that (i) derives independent economic value, actual or potential, from not being generally known to, and not readily ascertainable by proper means, by other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”³²

- 2.4. Trade secrets protection does not grant any legal monopoly to the creator of work or invention, rather it protects creators from the unauthorised disclosure or improper use or acquisition of confidential information.³³ Further, unlike copyright, patent or trademark, wherein the proprietary rights are limited to a fixed period of time only, trade secrets can be protected in perpetuity, as long as their secrecy is maintained.³⁴
- 2.5. As far as the desirability of trade secrets within the broad regime of IP protection is concerned, trade secrets protection prevents the spread and use of ideas and causes loss of economic rents.³⁵ Paradoxically, the argument that it incentivises innovation and knowledge sharing is also advanced at the same time.³⁶ Nonetheless, trade secrets are a vital

³¹ Jeffrey D. Dunn and Paul F. Seiler, “Trade Secrets and Non-Traditional Categories of Intellectual Property as Collateral” *UNCITRAL Second Colloquium on Secured Transactions: Security Interests in Intellectual Property Rights 2* (Vienna, Austria, 2007).

³² National Conference of Commissioners on Uniform State Laws, Uniform Trade Secrets Act with 1985 Amendments, sec. 1(4), available at: <https://www.uniformlaws.org/committees/community-home?communitykey=3a2538fb-e030-4e2d-a9e2-90373dc05792>.

³³ Carlos A. Primo Braga and Carsten Fink Claudia Paz Sepulveda, “Intellectual Property Rights and Economic Development” *World Bank Discussion Paper No. 412 6* (Washington DC: The World Bank, 2000).

³⁴ William L. Norton, VI *Norton Bankruptcy Law and Practice* chap. 177 14 (Clark Boardman Callaghan, New York, 3rd edn., 2024).

³⁵ Steven N.S. Cheung, “Property Rights in Trade Secrets” 20 *Economic Inquiry* 40-53 (1982).

³⁶ Jon Chally, “The Law of Trade Secrets: Toward a More Efficient Approach” 57 *Vanderbilt Law Review* 1271 (2004).

component of any economic structure founded on the principle of contractual freedom and private ownership.³⁷

- 2.6. Various theories and concepts support the protection of IP, each with its own philosophical and legal underpinnings. These theories provide the rationale for a legal framework and mechanism to reward the innovation and creativity while balancing the interests of creators, consumers and society in a comprehensive way.
- 2.7. While trade secrets can play a valuable role in protecting proprietary information and fostering competition, it is essential to recognize the unique challenges and considerations involved in their very treatment as intellectual property itself. Striking a balance between protecting confidential business information and promoting innovation and competition is crucial for maintaining a fair and dynamic marketplace. While various theories justify the existence and enforcement of IPRs, including patents, copyrights, and trademarks, the treatment of trade secrets as 'property' is not indisputable.
- 2.8. Some of the theories and concepts supporting the protection of intellectual property in general are the Natural Rights theory, the concept of Privacy, the Utilitarian theory, and the Personhood theory. While each theory offers distinct perspectives on the nature and purpose of intellectual property, they also converge in recognising the importance of rewarding innovation and promoting social welfare. In the context of trade secrets, these theories underscore the economic, moral and personal dimensions of protecting valuable information, thereby facilitating innovation, fostering

³⁷ Peter S. Menell, "Intellectual Property: General Theories", in Boudewijn Bouckaert and Gerrit De Geest (eds.), *Encyclopedia of Law and Economics* 151 (Edward Elgar, 2000).



fair competition and preserving the integrity of intellectual capital. Therefore, it is imperative to analyse the concept of trade secrets in light of some of the theories of IPR and other evolving concepts in order to seek a justification to provide for their protection. The applicability of various theories justifying protection of IPRs in general to the protection of trade secrets has been analysed below.

A. Natural Rights Theory

- 2.9. This theory, based on the ideas of theorists such as John Locke and Thomas Jefferson, argues that creators inherently or naturally possess the right to control and profit from their creations as the same is part of their autonomy and labour. This theory suggests that some rights are not granted by the state, but are intrinsic to human beings by virtue of their existence. IPRs are seen as a means of safeguarding these inherent rights, allowing creators to exercise control over the use, reproduction, and dissemination of their works. These rights are often seen as fundamental and inalienable, implying that they cannot be taken away or transferred.³⁸ When it comes to trade secrets, the connection to natural rights theory may not be immediately apparent. However, there are some salient aspects regarding the protection of trade secrets which fall within the framework of the natural rights theory.
- 2.10. This theory proposes that a person who labours upon resources which are held in common or not owned by anybody, has a natural right to his creation, and consequently, the state is obliged to protect that natural right. Just as a person has a right to possess and enjoy the fruits of his physical

³⁸ Thomas Jefferson, John Adams, et.al., *The Declaration of Independence* (US 1776), available at: <https://uscode.house.gov/download/annualhistoricalarchives/pdf/OrganicLaws2006/decind.pdf>.

labour, he also has a right to protect and control the product of his mindful and creative efforts. This theory gets applied to the field of IP, where the resources (such as facts, ideas and concepts) seem to be unowned or 'held in common' and labour has a significant contribution to the value of the final creation.³⁹ As John Locke argued:

*"...the 'labour' of his body and the 'work' of his hands, we may say, are properly his. Whatsoever, then, he removes out of the state that Nature hath provided and left it in, he hath mixed his labor with it and joined to it something that is his own and thereby makes it his property. It being by him removed from the common state Nature placed it in, it hath by this labour something annexed to it that excludes the common right of other men. For this 'labour' being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough and as good left in common for others."*⁴⁰

2.11. One of the central tenets of natural rights theory is the right to property. It can be argued that trade secrets are some form of property, belonging to the individuals or organizations that develop or possess them. Therefore, protecting trade secrets can be seen as upholding an individual's property rights. However, unlike physical property such as land or goods, trade secrets often involve intangible information or knowledge or asset. This intangibility makes it challenging to establish clear boundaries and ownership rights, as trade secrets can be easily shared, learned, or independently discovered by others. Further, the enforcement of property rights requires clear delineation of ownership and the ability to exclude others from using or accessing the property. In trade secrets, enforcing the ownership rights can be difficult, as it may be challenging to prove

³⁹ William Fisher, "Theories of Intellectual Property" in Stephen Munzer (ed.), *New Essays in the Legal and Political Theory of Property* 185 (Cambridge University Press, 2001).

⁴⁰ John P. Locke, *Two Treatises on Civil Government* (George Routledge and Sons, London, 1884).

misappropriation or unauthorized use, especially in those cases where the information is not easily identifiable or distinguishable.⁴¹

2.12. Natural rights theory emphasizes individual autonomy and the freedom to pursue one's interests. Protecting trade secrets can be viewed as enabling individuals and businesses to maintain autonomy over their intellectual creations and innovations, allowing them to benefit from their efforts and investments in creating commercial information and assets. Therefore, to some level, trade secrets indeed align with this component of the Natural Rights Theory.

2.13. Natural rights theory also emphasizes the importance of voluntary agreements and contracts between individuals. In the context of trade secrets, businesses often rely on contracts (such as non-disclosure agreements) to protect their confidential information. Upholding these contracts can be seen as respecting individual rights to enter into agreements and enforce the terms they have agreed upon.⁴² Further, enforcing such agreements also fits well with the legal principle embodied in the maxim *pacta sunt servanda*, meaning agreements must be kept. However, these agreements create legal obligations between parties regarding the use and protection of confidential information but do not necessarily establish individual property rights in the same way that ownership of tangible property is established.

2.14. Natural rights theory typically values economic freedom and the ability of individuals to engage in commerce and trade. Protecting trade secrets can

⁴¹ Adam Moore, "Intellectual Property", *Stanford Encyclopedia of Philosophy*, Aug. 18, 2022, available at: <https://plato.stanford.edu/entries/intellectual-property/> (last visited on Feb. 27, 2024).

⁴² Robert G. Bone, "A New Look at Trade Secret Law: Doctrine in Search of Justification" 86 *California Law Review* 250 (March 1998).

be seen as supporting this freedom by enabling businesses to compete in the marketplace on the basis of their innovations and unique knowledge, without having fear of unfair competition or exploitation. But if trade secrets are treated as an IP in strict sense, then it will be hard to balance the public interest as granting individual property rights to trade secrets could potentially hinder competition and innovation by allowing companies to monopolize certain knowledge or technologies in perpetuity.⁴³

2.15. It can be inferred that the connection between natural rights theory and trade secrets may not be direct, explicit or even strong. It is pertinent to state that trade secrets can neither be considered and nor work under the strict diaspora of physical property. However, it can also not be denied that it resembles certain jurisprudential essence of natural theory as well.

B. The Concept of Privacy

2.16. Privacy, as a concept, encompasses various dimensions, including informational privacy, bodily privacy, and privacy of personal communications. Within the realm of trade secrets, informational privacy takes centre stage. It refers to the ability of individuals or organizations to control access to and use of information about themselves or their activities. Businesses need assurance that their confidential information will be safeguarded to maintain competitiveness and innovation. However, this rationale may not directly apply to patents or trademarks, where disclosure or visibility is inherent to the protection granted by those intellectual property rights.⁴⁴

⁴³ Tait Graves and Alexander Macgillivray, "Combination Trade Secrets and the Logic of Intellectual Property" 20 *Santa Clara High Technology Law Journal* 291 (2004).

⁴⁴ Shantanu Mukherjee, *Patent Exhaustion and International Trade Regulation* 17 (Brill Nijhoff, Boston, 2023).

- 2.17. Both IP and privacy laws focus on controlling information. This means that ideas from one area can help us understand the other better. Both types of laws deal with the challenge of keeping information exclusive when it's naturally not. But they do this for different reasons. Privacy law is about respecting people's dignity and freedom. It gives individuals some control over their private information and lives. IP law, on the other hand, is more about promoting innovation and making knowledge accessible. It allows creators to have some control over their work to prevent others from using it freely.⁴⁵
- 2.18. Trade secrets serve as a mechanism for protecting sensitive commercial information assets critical to a business's competitive advantage. They enable companies to maintain control over valuable data, such as formulas, processes, customer lists, and market strategies, thereby safeguarding their economic interests. In this sense, trade secrets align with the broader goal of protecting informational privacy by allowing businesses to control the dissemination of sensitive commercial information.⁴⁶
- 2.19. It can be said that both trade secrets and the privacy argument have different focuses—protecting business interests versus safeguarding individual rights. However, they share common principles related to information control, confidentiality, trust, legal frameworks, economic interests, and security measures as have been discussed below.
- 2.20. The essence of trade secrets is essentially based in the argument of privacy. Both trade secrets and privacy argument involve the control of information.

⁴⁵ Irene Calboli and Maria Lilla Montagnani, *Handbook on Intellectual Property Research: Lenses, Methods and Perspectives* 131 (Oxford University Press, UK, 2021).

⁴⁶ Jerry Kang, "Information Privacy in Cyberspace Transactions" 50 *Stanford Law Review* 1193 (1998).



In the case of trade secrets, companies protect valuable information such as formulas, processes, or customer lists from being disclosed to competitors. Similarly, the privacy argument emphasizes individual's rights to control their personal information and restrict its access by unauthorized parties. As far as confidentiality is concerned, trade secrets rely on maintaining the confidentiality of certain information to retain its competitive advantage. Similarly, the privacy argument often focuses on the confidentiality of personal data, aiming to prevent unauthorized access or disclosure that could lead to harm or exploitation. Further, both concepts involve the idea of trust and consent. In trade secrets, employees or business partners may be required to sign non-disclosure agreements (NDA) to ensure they don't disclose sensitive information.⁴⁷ Similarly, the privacy argument emphasizes obtaining consent from individuals before collecting, using, or sharing their personal data, promoting trust between data subjects and data controllers. Both trade secrets and privacy theory balance economic interests with individual interests. Trade secrets protect the economic interests of businesses by safeguarding valuable information, while privacy theory seeks to protect individual's autonomy, dignity, and personal freedoms in the digital age. Both trade secrets and privacy require implementing security measures to prevent unauthorized access or disclosure. Companies with valuable trade secrets often invest in robust security systems and protocols to safeguard their confidential information. Similarly, organizations handling personal data are expected to implement appropriate security measures to protect individuals' privacy rights.

2.21. While trade secrets provide an effective means of protecting sensitive commercial information, they also present challenges in balancing privacy

⁴⁷ Pamela Samuelson, "Privacy as Intellectual Property" 52 *Stanford Law Review* 1149 (2000).



concerns with the promotion of innovation and knowledge sharing⁴⁸. Trade secret protection operates through secrecy, which contrasts with the disclosure requirements inherent in other forms of IP, such as patents. This tension between secrecy and disclosure raises questions about the optimal balance between protecting privacy and fostering innovation in society.

2.22. In the digital age, where information can be easily disseminated and accessed through digital platforms, protecting trade secrets and maintaining privacy poses new challenges. Issues such as data breaches, corporate espionage, and insider threats underscore the need for robust cybersecurity measures and legal safeguards to protect trade secrets and preserve informational privacy.

C. Other Concepts and Theories

2.23. The theory of Utilitarianism recognises the importance of balancing the incentives for innovation with the need for information dissemination and competition. While trade secrets protection allows businesses to maintain secrecy over valuable information, it prohibits the society from benefiting from the same. This acts as deterrence for the application of this theory, therefore, barring trade secrets from being considered an intellectual property under this theory.

2.24. Unlike patents and copyrights, which involve a trade-off between granting exclusivity in exchange for public disclosure, trade secrets provide no or limited public benefit through disclosure. This lack of disclosure can hinder innovation and the spread of knowledge, as valuable information

⁴⁸ Lynn Sharp Paine, "Trade Secrets and the Justification of Intellectual Property: A Comment on Hettinger" 20 *Philosophy & Public Affairs* 247 (1991).



remains hidden from the public domain. While patents and copyrights have limited terms of protection, trade secrets can potentially be protected indefinitely as long as the information remains secret. This perpetual protection can stifle competition and innovation by preventing others from building upon or improving existing knowledge.

2.25. The reliance on secrecy can incentivize unethical behaviour, such as industrial espionage or employee theft, as businesses seek to gain access to valuable trade secrets held by competitors. This can lead to legal disputes and undermine trust within the business community. Unlike other forms of IP, which are often registered and publicly documented, trade secrets can be difficult to identify and enforce. This can create challenges in legal proceedings, as businesses may struggle to prove ownership or misappropriation of confidential information.

2.26. However, there may be some limitations and exceptions to ensure sharing of benefits of innovation. For instance, trade secrets laws may include provisions for fair competition and employee mobility, allowing individuals to use their skills and knowledge gained from previous employment while still protecting legitimate trade secrets. Further, the exception of independent discovery and reverse engineering by a third party also balance the competing interests of the individual and the public at large.

2.27. The Personhood theory addresses questions such as individual autonomy, rights, and responsibilities within legal and moral frameworks. It deals with the rights and moral status of persons, typically human beings, but sometimes also extending to entities like corporations or animals. However, the notion of personhood in this context generally does not

extend to abstract entities⁴⁹ like trade secrets, which lack the consciousness, autonomy, and moral agency typically associated with persons.⁵⁰

- 2.28. The concept of trade secrets is majorly based on the notion of economic value derived from secrecy rather than public disclosure, as opposed to patents, trademarks, or copyrights. The reason trade secrets cannot be associated with personhood theory is primarily because trade secrets are tied to the entity that owns them, typically a business or organization, rather than an individual person. Personhood theory, on the other hand, often concerns itself with the legal rights and interests of individuals rather than entities.
- 2.29. Economists approach the topic of IPR protection, much like other issues, by attempting to align it with a standard framework for making public policy decisions.⁵¹ In simplified terms, the overarching policy goal is to optimize the surplus of social benefits derived from new information assets, surpassing the social costs associated with their production, and essentially, maximizing social benefits. Additionally, there is an aim to steer the allocation of both public and private resources towards equalizing the social net rate of return on investments in knowledge and other types of productive assets.
- 2.30. The primary rationale often cited to justify government interventions in enforcing patents, copyrights, and trade secrecy is the presence of “market

⁴⁹ Francisco J. Morales, “The Property Matrix: An Analytical Tool to Answer the Question, “Is This Property?” 161 *University of Pennsylvania Law Review* 1125-1164 (2013).

⁵⁰ Robert G. Bone, “A New Look at Trade Secret Law: Doctrine in Search of Justification” 86 *California Law Review* 289 (March 1998).

⁵¹ Stanley M. Besen and Leo J. Raskind, “An Introduction to the Law and Economics of Intellectual Property” 5 *The Journal of Economic Perspectives* 3 (1991).

failure". According to this argument, without governmental safeguards for private property rights, competitive markets would fail to provide individuals and organizations with adequate incentives to stimulate the optimal level of investment in public goods, particularly in the realm of new scientific and technological knowledge. However, it's not necessarily implied that the most effective solution to address market failure is to establish valuable private rights in intellectual property.

- 2.31. The decision on what remains confidential and what is revealed to the public is influenced less by the inherent characteristics of the information and more by the anticipated costs and benefits associated with each choice for the involved parties.⁵²
- 2.32. Property encompasses society's granting of exclusive rights to private creators of new knowledge, establishing the framework for IP markets and allowing creators to charge fees for other's use of their work. The specific legal mechanisms of patents, copyrights, and, to a somewhat lesser extent, trade secrets, fall under the umbrella of property rights.⁵³
- 2.33. Advancements in technology and recent legal battles have aligned the trade secrets more closely with patents and copyrights in terms of its structure (as a law safeguarding valuable rights in information) and its apparent societal purpose. However, considering trade secrets as merely another category of IP poses some challenges. Confidential information, while capable of generating income and possessing value, shares certain

⁵² Partha Dasgupta and Paul A. David, "The New Economics of Science" 23 *Research Policy* 487 (1994).

⁵³ Paul A. David, "Intellectual Property Institutions and the Panda's Thumb: Patents, Copyrights, and Trade Secrets in Economic Theory and History", in Mitchel B. Wallerstein, Mary Ellen Mogee, et.al. (eds.), *Global Dimensions of Intellectual Property Rights in Science and Technology* 29 (National Academy Press, 1993).



attributes with both tangible and intangible assets, which economists typically associate with other forms of property.⁵⁴

2.34. How can society acknowledge and uphold an individual's assertion of ownership in something that is highly specific yet must remain partially undisclosed and hidden from public view? Another issue arises in the realm of property law, both in real and personal property, as well as in the domain of IP law concerning patents and copyrights. Labelling something as "property" typically implies that the possessor holds exclusive rights to use or enjoy the item, or to transfer those rights to others for their exclusive use or enjoyment.⁵⁵ However, this specific definition does not quite apply to trade secrets. Even when the possessor has taken precautions to maintain secrecy, the law offers no recourse if the information is inadvertently disclosed or uncovered through deliberate, socially acceptable actions by others.

2.35. In conclusion, the exploration of trade secrets and their relationship with various theories provides valuable insights into the multifaceted nature of IPRs. Natural rights theory supports the argument that trade secrets are inherently linked to human ingenuity and the right to control one's creations, aligning with the notion that individuals have an inherent right to the fruits of their labour. However, no single theory seems to completely support the protection of trade secrets and the overall examination of these theories reveals the complex interplay between trade secrets and broader societal values, including innovation, economic prosperity, privacy, and individual autonomy.

⁵⁴ Steven N.S. Cheung, "Property Rights in Trade Secrets" 20 *Economic Inquiry* 40 (1982).

⁵⁵ David D. Friedman, William M. Landes, et.al., "Some Economics of Trade Secrets Law" 5 *The Journal of Economic Perspectives* 61 (1991).

3. INTERNATIONAL OBLIGATION: ARTICLE 39 OF THE TRIPS AGREEMENT

3.1. The term “trade secrets” *per se* has not been mentioned in the TRIPS Agreement.⁵⁶ Under Article 39 paragraph 1,⁵⁷ however, the member states are *inter alia* obligated to protect “undisclosed information”. “Undisclosed Information” is a neutral term and is broad enough to include within its ambit a trade secret, general confidential business information, commercial and technical information.⁵⁸ Paragraph 1 lays down the general principle applicable to protection of undisclosed information and paragraph 2 elaborates upon the qualifications that the information has to meet and what acts are to be protected against. Similarly, paragraph 1 also mandates protection of “data submitted to governments or governmental agencies” in accordance with paragraph 3. Thus, paragraph 1 lays the broad principle based on which undisclosed information and data submitted to governments or governmental agencies has to be protected in accordance with paragraph 2 and 3 respectively.

3.2. Article 39 of the TRIPS Agreement reads:

“Article 39. 1. In the course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention (1967), Members shall protect undisclosed information in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3.”

2. Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to,

⁵⁶ Agreement on Trade-Related Aspects of Intellectual Property Rights, April 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1c, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter, “TRIPS”].

⁵⁷ TRIPS, art. 39.

⁵⁸ Markus Peter and Martin Michaelis, “Section 7: Protection of Undisclosed Information” in Peter-Tobias Stoll, Jan Busche *et al.* (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights* 637 (Martinus Nijhoff Publishers, 2009).

acquired by, or used by others without their consent in a manner contrary to honest commercial practices¹⁰ 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.

3. Members, when requiring, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilize new chemical entities, the submission of undisclosed test or other data, the origination of which involves a considerable effort, shall protect such data against unfair commercial use. In addition, Members shall protect such data against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.

(footnote original) 10 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."

(emphasis added)

3.3. Certain peculiarities and nuances of how this provision has been crafted must be appreciated in order to understand its true import. These have been analysed in detail in the paragraphs that follow.

A. Article 39.1

3.4. Firstly, it is important to pay regard to the structure of the TRIPS Agreement itself. The Agreement is divided into seven different parts, each dealing with a particular aspect. Part II sets forth the standards concerning

the availability, scope and use of IPRs. Thus, all types of IP, whether we consider the term in its strict sense or loosely,⁵⁹ regards which obligations have been set forth in the agreement have been specified under this part. Specific provisions pertaining to the other seven subject matters of the chapter namely, Patents, Trademarks, Copyright, Geographical Indications, Layout-Designs (Topographies) of Integrated Circuits, Control of Anti-Competitive Practices in Contractual Licences can be found, albeit in a different wording, in previous international instruments such as the Paris Convention,⁶⁰ the Berne Convention,⁶¹ the Rome Convention,⁶² Lisbon Agreement⁶³ etc. However, the same does not hold true for undisclosed information. Confidential Information or Trade Secret or Undisclosed Information, by whatever name it may be called, though of great value to all trades and businesses, found no mention in earlier international instruments. It was an entirely new addition that came out of the negotiation on the TRIPS Agreement.⁶⁴ The same goes for undisclosed test or other data that the beneficiary is obligated to share in order to get regulatory approvals.

3.5. Secondly, while in respect of other IP such as Copyright or Patent, wherein by explicit references to and incorporation of previous agreements such as the Berne Convention and the Paris Convention respectively, considerable

⁵⁹ It is worth noting that while undisclosed information has been included within the framework of the TRIPS Agreement, many members, including India, were opposed to its inclusion as they did not and some even continue not to recognize undisclosed information as "property" and provide for enforcement of rights regards the same premised on equity, confidence, common law etc. See, Tanya Aplin, "Right to Property and Trade Secrets" in Christophe Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property* 421 (Edward Elgar Publishing, 2015).

⁶⁰ Paris Convention for the Protection of Industrial Property, March 20, 1883, 828 U.N.T.S. 307 [hereinafter "Paris Convention"].

⁶¹ Berne Convention for the Protection of Literary and Artistic Works, September 9, 1886, last revised at Stockholm, July 14, 1967, 828 U.N.T.S. 22.

⁶² International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, Oct. 26, 1961, 496 U.N.T.S. 43.

⁶³ Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, October 31, 1958, 923 U.N.T.S. 205.

⁶⁴ UNCTAD-ICTSD, *Resource Book on TRIPS and Development* 522 (Cambridge University Press, 2005).

obligations have been imposed on the member States as to the level of protection that has to be provided, no such elaborate scheme has been presented in case of undisclosed information. A minimal obligation of simply protecting undisclosed information and undisclosed test and other data that meets specified criteria in paragraph 2 and 3 respectively has been imposed by Article 39.1. This is reflective of the contentious nature of negotiations pertaining to inclusion of “undisclosed information” wherein there was a very vehement opposition by the developing nations,⁶⁵ in particular India.⁶⁶ The provision does not indicate in what manner the State has to protect undisclosed information and undisclosed test and other data. It is simply left up to States to decide their particular modalities in alignment with their domestic laws. Thus, there is absolutely no obligation whatsoever to enact a specific legislation pertaining to protection of undisclosed information or test data such as that present in the case of Geographical Indications⁶⁷ or Layout-Design (Topographies) of Integrated Circuits⁶⁸ which lead to the enactment of the Geographical Indications of Goods (Registration and Protection) Act, 1999⁶⁹ and the Semiconductor Integrated Circuits Layout-Design Act, 2000⁷⁰ respectively, in India. Thus, member states are free to adopt a specialised law or even no law at all and provide only equitable remedies. Thus, the current position in India wherein remedies against misappropriation of trade secrets can be claimed under common law, equity⁷¹ or applicable provision of the Indian Penal

⁶⁵ Graham Dutfield and Uma Suthersanen, *Global Intellectual Property Law* 130 (Edward Elgar, 2008).

⁶⁶ UNCTAD-ICTSD, *Resource Book on TRIPS and Development* 523 (Cambridge University Press, 2005).

⁶⁷ TRIPS, art. 22.2.

⁶⁸ Article 4 of Treaty on Intellectual Property in Respect of Integrated Circuits, 1989, incorporated by Article 35 of TRIPS.

⁶⁹ The Geographical Indications of Goods (Registration and Protection) Act, 1999, Act No. 48 of 1999.

⁷⁰ The Semiconductor Integrated Circuits Layout-Design Act, 2000, Act No. 37 of 2000.

⁷¹ *John Richard Brady & Ors. v. Chemical Process Equipment P Ltd & Anr.* AIR 1987 Del 372; *Fairfest Media Ltd. v. ITE Group PLC & Ors.* (2015) 3 ICC 75 ; (2015) 2 CHN 704; *Dr. Sudipta Banerjee v. L.S. Davar & Company* 2022 SCC OnLine Cal 4479

Code, 1860⁷² (“IPC”) or the Bharatiya Nyaya Sanhita, 2023⁷³ or even Section 27 of the Indian Contract Act, 1872⁷⁴ meets the minimum criteria prescribed under the TRIPS Agreement. For protection of undisclosed test and other data, the specific Acts imposing obligation to submit such data and rules made thereunder would govern protection of the same. For instance, the Drugs and Cosmetics Act, 1940⁷⁵ read with the Drugs and Cosmetics Rules, 1945.⁷⁶

3.6. Thirdly, the Article itself expounds the rationale behind protecting undisclosed information i.e., ensuring effective protection against unfair competition as provided under Article 10bis of the Paris Convention.⁷⁷ While Article 1.2 of the TRIPS Agreement terms undisclosed information as an IP, the wording of Article 39.1 itself indicates that property-like exclusive rights have not been imagined to be devolved upon the holders of undisclosed information.⁷⁸ Unlike other intellectual properties covered under Chapter III, the protection of undisclosed information and test data is premised on the rationale of preventing unfair competition. The aspect of preventing unfair competition derives its origin from the Article 10bis of the Paris Convention which was introduced in the year 1900 when the convention was revised.⁷⁹ Unlike traditional forms of IP wherein private

⁷² Act No. 45 of 1860.

⁷³ Act No. 45 of 2023.

⁷⁴ The Indian Contract Act, 1872, Act No. 9 of 1872.

⁷⁵ Act No. 23 of 1940.

⁷⁶ Notification: No. F. 28-10/45-H (1) (December 21, 1975).

⁷⁷ Christian Riffel, *Protection Against Unfair Competition in the WTO TRIPS Agreement: The Scope and Prospects of Article 10bis of the Paris Convention for the Protection of Industrial Property* 20 (Brill Nijhoff, Leiden, 2016); UNCTAD-ICTSD, *Resource Book on TRIPS and Development* 521, 527 (Cambridge University Press, 2005).

⁷⁸ Markus Peter and Martin Michaelis, “Section 7: Protection of Undisclosed Information” in Peter-Tobias Stoll, Jan Busche *et al.* (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights* 636 (Martinus Nijhoff Publishers, 2009).

⁷⁹ Martin Senftleben, “Article 10bis of the Paris Convention as the Common Denominator for Protection Against Unfair Competition in National and Regional Contexts” 19 *Journal of Intellectual Property Law & Practice*, 81 (2024), available at: <https://doi.org/10.1093/jiplp/jpad122> (last visited on January 28, 2024); Markus Peter and Martin Michaelis, “Section 7: Protection of Undisclosed Information” in Peter-Tobias Stoll, Jan Busche *et al.* (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights* 633 (Martinus Nijhoff Publishers, 2009).

rights in the form exclusive economic privileges are bestowed upon on the owner of the IP, no such rights are available in case of undisclosed information. Being premised on doctrine of unfair competition, it is only specific behaviour qualifying as anti-competitive that is to be prevented in order to uphold honesty in competition.⁸⁰ What is fair or honest may vary in time or space, depending upon a range of factors.⁸¹ Paragraph 2 of Article 10bis of the Paris Convention itself describes unfair competition as “any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition”. Further, the list of acts that constitute unfair competition have been propounded in paragraph 3 of Article 10bis. This list is not exhaustive as is evident from the words “in particular” employed in paragraph 3 of Article 10bis.⁸²

B. Article 39.2

- 3.7. The scope and ambit of protection of undisclosed information has been delineated in Article 39.2 itself which deals with undisclosed information in particular. This paragraph clarifies that both natural and legal persons can be legitimate holders of undisclosed information. Further, the obligation cast on member States is to ensure that such holders of undisclosed information have some determinate means to prevent unauthorised disclosure, acquisition or use of such information within their legitimate control by any third-party contrary to honest commercial practices. The member States are free to adopt any determinate means within their national legal system be it a *sui generis* law or under principles of common law, the TRIPS Agreement is flexible in this regard. There is

⁸⁰ Christian Riffel, *Protection Against Unfair Competition in the WTO TRIPS Agreement: The Scope and Prospects of Article 10bis of the Paris Convention for the Protection of Industrial Property* 24 (Brill Nijhoff, Leiden, 2016).

⁸¹ *Id.*, 23.

⁸² *Id.*, 24.

no monopoly or absolute right created by this provision and that suitable remedies will have to be provided in the national laws of member states to address cases where such dishonest practices have occurred.⁸³

- 3.8. Further, availability of any such remedy would be contingent on the existence of a dishonest commercial practice in the process of disclosure to, acquisition by or use by others.⁸⁴ Absence of consent of the legitimate holder of the information does not *ipso facto* entitle the holder to avail protection unless there is some dishonest commercial practice involved. Thus, there may be practices that lead to disclosure to, acquisition by or use by third parties that may not give rise to any remedy. Hence, there is no absolute protection.⁸⁵ This ties in with the fact that no monopoly rights are created in respect of such undisclosed information. It is precisely why practices such as reverse engineering or independent creation/discovery do not amount to dishonest commercial practice and misappropriation.⁸⁶ In fact, reverse engineering is an important means of promoting competition and encouraging innovation.⁸⁷ Thus, no ownership rights or property-based conception of protection⁸⁸ has been envisaged to be created by the operation of this provision.

⁸³ UNCTAD-ICTSD, *Resource Book on TRIPS and Development* 521 (Cambridge University Press, 2005).

⁸⁴ Christian Riffel, *Protection Against Unfair Competition in the WTO TRIPS Agreement: The Scope and Prospects of Article 10bis of the Paris Convention for the Protection of Industrial Property* 20 (Brill Nijhoff, Leiden, 2016).

⁸⁵ UNCTAD-ICTSD, *Resource Book on TRIPS and Development* 527, 528 (Cambridge University Press, 2005).

⁸⁶ Christopher R. Leslie, *Antitrust Law and Intellectual Property Rights: Cases and Materials* 18 (Oxford University Press, 2011); Christian Riffel, *Protection Against Unfair Competition in the WTO TRIPS Agreement: The Scope and Prospects of Article 10bis of the Paris Convention for the Protection of Industrial Property* 25 (Brill Nijhoff, Leiden, 2016); Katarzyna Czapracka, *Intellectual Property and the Limits of Antitrust: A Comparative Study of US and EU Approaches* 43 (Edward Elgar, 2009).

⁸⁷ Tanya Aplin, "Reverse Engineering and Commercial Secrets" 66 *Current Legal Problems* 341 (2013).

⁸⁸ Markus Peter and Martin Michaelis, "Section 7: Protection of Undisclosed Information" in Peter-Tobias Stoll, Jan Busche *et al.* (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights* 636 (Martinus Nijhoff Publishers, 2009).

3.9. It must also be noted that the word “owner” has not been employed in this Article in contradistinction with its use in respect of other categories of intellectual properties such as in Article 16 for trademark, Article 26 for industrial design and Article 28 for patent. Herein the terminology used is “information lawfully within their control”. Hence a mandatory qualification as to the beneficiary is also provided within the Article itself.⁸⁹ Control can lie with any person, natural or legal, who has the ability to determine the use and further disclosure of the information. Thus, even licensees have control and it is not necessary that only the person creating the information may have control. It is however required that this control must be “legitimate”. What follows is that a person having access to information by illegitimate means cannot seek protection as he is not in “lawful” control. What would constitute lawful means and what would be illegitimate is again dependent on the national legal system of the member states.

3.10. The next aspect that needs to be paid regard to is footnote 10 of Article 39.2 which conveys what the words “in a manner contrary to honest commercial practices” purport. The same has been defined inclusively as is indicated by the words “shall mean at least practices such as...”. The kind of activities that would be contrary to honest commercial practices include breach of contract, breach of confidence and inducement to breach, acquisition of such information by third parties who knew or were grossly negligent in failing to know that such practices were employed in the acquisition of such information. Since the concept of what is honest is relative to time and the society being considered, defining it conclusively is a challenge.⁹⁰ In that regard foot note 10 indicates practices of what

⁸⁹ *Id.*, 639.

⁹⁰ UNCTAD-ICTSD, *Resource Book on TRIPS and Development* 528 (Cambridge University Press, 2005).

nature will amount to not being honest thus providing both the necessary flexibility and reducing the scope of divergence in interpretation⁹¹ by providing a binding interpretive note.⁹²

- 3.11. While the term “undisclosed information” has been used in the Article, the same has not been defined. The Article, however, lays down certain qualifications that must be met in order for the information to be protected. Thus, the information can be a trade secret, a know-how or by whatever name it may be called, so long as it meets three requirements set out in Article 39.2 (a) to (c), viz. secrecy, commercial value and reasonable steps to maintain secrecy, such information will be protected within the ambit of this provision. Further, it is to be noted that sub-clause (a) establishes an objective⁹³ and relative⁹⁴ standard of secrecy. Accordingly, the information must not be generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question. So, secrecy would be adjudged based on a sector-specific analysis⁹⁵ and whether most of the competitors⁹⁶ knew of the same. If another competitor has knowledge of the information but is maintaining confidentiality over it, it will still not be considered generally known or readily accessible. The term “readily accessible” is usually understood to mean that disclosure of the information would require time, effort and is subject to difficulties. Further, it is absolutely immaterial whether the information is generally

⁹¹ *Id.*

⁹² Markus Peter and Martin Michaelis, “Section 7: Protection of Undisclosed Information” in Peter-Tobias Stoll, Jan Busche *et al.* (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights* 636 (Martinus Nijhoff Publishers, 2009).

⁹³ UNCTAD-ICTSD, *Resource Book on TRIPS and Development* 529 (Cambridge University Press, 2005).

⁹⁴ Markus Peter and Martin Michaelis, “Section 7: Protection of Undisclosed Information” in Peter-Tobias Stoll, Jan Busche *et al.* (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights* 639 (Martinus Nijhoff Publishers, 2009).

⁹⁵ *Id.*

⁹⁶ UNCTAD-ICTSD, *Resource Book on TRIPS and Development* 529 (Cambridge University Press, 2005).

known as a consequence of deliberate disclosure or by accident.⁹⁷ Once the information is out in the open, secrecy is lost irrespective of the consequences surrounding such disclosure. Further, information is not just protected as a body but even as a precise configuration or assembly of components wherein the individual parts may be known but the beneficial combination is not known or readily accessible to others in the industry.⁹⁸ Further sub-paragraph (b) requires the existence of a causal relationship between secrecy and commercial value of the information meaning thereby that the information must have actual commercial value for the holder by virtue of secrecy being maintained over it.⁹⁹ Commercial value would generally imply that the information being kept secret gives a competitive advantage to the holder over other competitors not having access to the secret and such competitive edge would be lost if the information ceases to be a secret.¹⁰⁰ Lastly, sub-paragraph (c) requires that the person in lawful control of the information must have taken reasonable steps to keep the information a secret. While the provision does not imply any specific type of measures that ought to be taken by the person in control of the information,¹⁰¹ it does require some actual measures to be put in place and not passive reliance on random non-disclosure¹⁰². Such steps or measures

⁹⁷ Christian Riffel, *Protection Against Unfair Competition in the WTO TRIPS Agreement: The Scope and Prospects of Article 10bis of the Paris Convention for the Protection of Industrial Property* 24 (Brill Nijhoff, Leiden, 2016).

⁹⁸ UNCTAD-ICTSD, *Resource Book on TRIPS and Development* 529 (Cambridge University Press, 2005); Markus Peter and Martin Michaelis, "Section 7: Protection of Undisclosed Information" in Peter-Tobias Stoll, Jan Busche *et al.* (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights* 641 (Martinus Nijhoff Publishers, 2009).

⁹⁹ Markus Peter and Martin Michaelis, "Section 7: Protection of Undisclosed Information" in Peter-Tobias Stoll, Jan Busche *et al.* (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights* 637 (Martinus Nijhoff Publishers, 2009).

¹⁰⁰ Antony Taubman, Hannu Wager, *et al.* (eds.), *A Handbook on the WTO TRIPS Agreement* 137-138 (Cambridge-University Press, 2nd edn., 2020); UNCTAD-ICTSD, *Resource Book on TRIPS and Development* 529 (Cambridge University Press, 2005); Markus Peter and Martin Michaelis, "Section 7: Protection of Undisclosed Information" in Peter-Tobias Stoll, Jan Busche *et al.* (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights* 641 (Martinus Nijhoff Publishers, 2009).

¹⁰¹ *Resource Book on TRIPS and Development* 530 (Cambridge University Press, 2005).

¹⁰² Markus Peter and Martin Michaelis, "Section 7: Protection of Undisclosed Information" in Peter-Tobias Stoll, Jan Busche *et al.* (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights* 641 (Martinus Nijhoff Publishers, 2009).

may range from non-disclosure agreements with employees and licensees to restricting access of information to select employees, encryption of data, other contractual restrictions etc. What is required is that the steps must be reasonable in the given circumstances. Hence, the beneficiary is not required to go above and beyond to protect secrecy by employing costly or extensive counter-measures. What is expected is “reasonable” counter-measures, which is largely dependent on the nature and value of the information¹⁰³ as well as what is generally done by competitors that are similarly placed.¹⁰⁴

3.12. In addition to the requirements specified in Article 39.2, there is another un-stated requirement that flows from of the very context of the TRIPS Agreement itself, that is, such undisclosed information should be trade related.¹⁰⁵ Thus, information that is entirely private in nature or is unrelated to one’s competitive position is not covered within the ambit of this Article.¹⁰⁶

3.13. The last aspect that needs consideration is that while a definite term of protection is specified in relation to other categories of intellectual property, for instance Article 33 specifies a term of 20 years for patents, there is no such period mentioned in Article 39. Protection of undisclosed information is perpetual provided the information remains confidential and other requisite qualifications continue to be met.¹⁰⁷ The moment secrecy is

¹⁰³ Antony Taubman, Hannu Wager, *et al.* (eds.), *A Handbook on the WTO TRIPS Agreement* 138 (Cambridge University Press, 2nd edn., 2020).

¹⁰⁴ Markus Peter and Martin Michaelis, “Section 7: Protection of Undisclosed Information” in Peter-Tobias Stoll, Jan Busche *et al.* (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights* 641-642 (Martinus Nijhoff Publishers, 2009).

¹⁰⁵ *Id.*, 637.

¹⁰⁶ *Id.*, 637.

¹⁰⁷ Antony Taubman, Hannu Wager, *et al.* (eds.), *A Handbook on the WTO TRIPS Agreement* 138 (Cambridge University Press, 2nd edn., 2020).

lost, the protection ceases and the information may be used by others. The same applies where the information ceases to have commercial value. In similar vein, if a third party independently develops or creates the information by fair means and chooses to disclose the same to the public, then also the protection would cease and if the third party chooses to keep it a secret, then no claim of misappropriation would lie against such *bona fide* third party.

C. Article 39.3

- 3.14. Data exclusivity has its roots in the principles of unfair competition.¹⁰⁸ Essentially, Article 10*bis* aims to promote integrity in industrial and commercial practices and to deter deceptive actions like fraudulent manufacturing and other practices that deceive the public regarding the characteristics and standards of goods.
- 3.15. The third paragraph of Article 39 is aimed at protecting data submitted to governments or governmental agencies which is defined in Article 39.3 to mean undisclosed test or other data required by the laws of the member states to be submitted for getting marketing approvals for pharmaceutical or agricultural chemical products which utilize new chemical entities. This obligation created under this paragraph is often termed as “data exclusivity”. Data exclusivity essentially relates to the requirement to treat information submitted to regulators, governments, or governmental agencies as protected and thus restricted from third-party access. Typically, such data is provided to regulators to obtain marketing approvals for various applications. For instance, clinical trial data submitted to

¹⁰⁸ NS Gopalakrishnan & Benoy Kadavan, Study on Test data Protection in India (Centre for Intellectual Property Rights Studies, Cochin University of Science & Technology, 2004).

government agencies serves as support for the approval of a compound as a drug. This submitted data is often crucial in demonstrating the safety of the concerned drug.

3.16. The following can be observed in respect of Article 39.3:

- a. There must be a condition mandating submission of such data for marketing and regulatory approvals. Any data not required for approval or submitted in excess of the legal requirements would not be protected within the ambit of Article 39.3.¹⁰⁹
- b. The protection should be made available for pharmaceutical or agricultural chemical products. If there are other sectors wherein such test data is mandated, there is no requirement to protect the same at least under this Article as the Article itself is putting data submitted for marketing of pharmaceutical or of agricultural chemical products at a higher pedestal.¹¹⁰ Further, what are pharmaceutical or agricultural chemical products have not been defined. Pharmaceutical would imply medicines available at the pharmacies – be it for human consumption or otherwise. Agricultural chemical products (agrochemicals) can be defined as biologically active compounds such as herbicides, fungicides, pesticides or fertilizers and does not include animals and plants as such, regardless of whether developed by means of genetic engineering or conventional breeding as they are not

¹⁰⁹ Lucas R. Arrivillaga, "An International Standard of Protection for Test Data Submitted to Authorities to Obtain Marketing Authorization for Drugs" 6 *The Journal of World Intellectual Property* 144 (2005).

¹¹⁰ Srividhya Ragavan, "The Significance of the Data Exclusivity Debate and its Impact on Generic Drugs" 1(1) *Journal of Intellectual Property Studies* 133 (2017), available at: <https://scholarship.law.tamu.edu/cgi/viewcontent.cgi?article=1816&context=faescholar> (last visited on February 25, 2024).

“chemical products.”¹¹¹ There is some discretion with the members states as to the interpretation of these terms.

- c. Such pharmaceutical or agricultural chemical products should utilize new chemical entities. The wording of the Article is clear that the entity in itself should be new and not simply a new usage. Beyond this, the Article is silent on the standard of novelty required under this provision.¹¹²
- d. The provision covers not only “test data”, which encompasses clinical and pre-clinical trial data, but also “other data” which may comprise manufacturing, conservation and packaging methods and conditions etc.¹¹³ However, such test data or other data has to be “undisclosed”.
- e. The next requirement under the provision is that the origination of the data must involve a considerable effort. What amounts to considerable effort, however, is not defined either by illustration or explanation.
- f. For test data or other data meeting the criteria specified in the provision, two kinds of protection have been envisaged. First, such data shall protect against unfair commercial use. Second, data has to be protected from disclosure. However, such disclosure is not prohibited if it is necessary to protect the public or when steps are taken to ensure that such data is protected against unfair commercial use. Unlike footnote 10 in Article 39.2, there is no explanation or illustration provided under this paragraph to explain what amounts to “unfair commercial use”.
- g. Another prerequisite flows from paragraph 1 of Article 39 that the provision is only applicable to data submitted to the government or

¹¹¹ Severin Strauch and Martin Michaelis, “Section 7: Protection of Undisclosed Information” in Peter-Tobias Stoll, Jan Busche *et al.* (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights* 650 (Martinus Nijhoff Publishers, 2009).

¹¹² Eric M. Solovy, “Protection of Test Data Under Article 39.3 of the TRIPS Agreement: Advancements and Challenges After 25+ Years of Interpretation and Application” 43 *Northwestern Journal of International Law & Business* 66 (2022), available at: <https://scholarlycommons.law.northwestern.edu/njilb/vol43/iss1/2> (last visited on February 26, 2024).

¹¹³ Severin Strauch and Martin Michaelis, “Section 7: Protection of Undisclosed Information” in Peter-Tobias Stoll, Jan Busche *et al.* (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights* 650 (Martinus Nijhoff Publishers, 2009).



governmental agencies. Information made available to third parties voluntarily by the legitimate holder is outside the scope of this Article.¹¹⁴

3.17. Data exclusivity is often criticised as generic drug companies are required to replicate a clinical trial that has already been conducted elsewhere, which leads to redundant burdens in terms of both time and cost. The expense of conducting such trials is added to the cost of the drug and ultimately passed on to the consumers. Additionally, the delay caused on account of duplicating the clinical trial postpones the availability and accessibility of the drug in the market. By safeguarding the data and restricting its disclosure, clinical trial data becomes exclusive information which is limited in access to certain individuals or entities. However, members also possess the flexibility to delineate what constitutes “unfair commercial use.

3.18. In many developing countries, it is common practice to permit government authorities to utilize clinical trial data for evaluating the effectiveness and safety of a pharmaceutical product. This allowance is considered to be in the public interest, as it facilitates the approval process and enables the immediate marketing of the drug once the data exclusivity period concludes.¹¹⁵

3.19. For pharmaceutical companies, safeguarding this information presents an economic opportunity by establishing a new market for data concerning

¹¹⁴ Severin Strauch and Martin Michaelis, “Section 7: Protection of Undisclosed Information” in Peter-Tobias Stoll, Jan Busche *et al.* (eds.), *WTO—Trade-Related Aspects of Intellectual Property Rights 650* (Martinus Nijhoff Publishers, 2009).

¹¹⁵ Srividhya Ragavan, “The Significance of the Data Exclusivity Debate and its Impact on Generic Drugs” 1(1) *Journal of Intellectual Property Studies* 134 (2017), available at: <https://scholarship.law.tamu.edu/cgi/viewcontent.cgi?article=1816&context=facscholar> (last visited on February 25, 2024).

the safety of the drug. It also aids in preserving the existing market for the compound and, in certain instances, extends market exclusivity for the compound beyond the expiration of the patent. However, the crux of the matter lies in ensuring access to medication and food, which are vital for poorer nations. Therefore, it is crucial for developing countries to adopt a coherent approach to address these issues effectively.¹¹⁶

3.20. Given that access to medication has emerged as a significant concern within the framework of the WTO, particularly under the TRIPS Agreement, permitting government authorities to access clinical trial data for public health purposes would likely fall within the public interest exception outlined in Article 39.3. Definitions of “public interest” established in the Doha Declaration on the TRIPS Agreement and Public Health are also relevant in this context. This application of public interest definitions enhances the flexibility of WTO Members in determining the components of the data exclusivity regime.¹¹⁷

3.21. The debate surrounding access to medication has garnered significant global support for several reasons:

- a. The patent systems of countries like the United States, which have been emulated worldwide, are now facing widespread criticism for prioritizing private property rights over public health concerns, particularly concerning pharmaceutical patents.
- b. The rising costs of medications have become a pressing issue even in developed nations, exacerbating concerns about affordability and access to essential treatments.

¹¹⁶ *Id.*, 134.

¹¹⁷ World Trade Organization, Doha Declaration on TRIPS Agreement and Public Health, para. 6.

- c. Influential international reports, such as the UN High-Level Panel Report on Access to Medicines,¹¹⁸ have emphasized the critical need for improving access to medication in poorer nations, highlighting the importance of addressing this issue on a global scale.
- 3.22. Moreover, the prevailing view of patents as impediments to access, coupled with the backlash against predatory pricing practices by pharmaceutical companies (e.g., Bayer's Nexavar in India), has prompted innovator pharmaceutical firms to seek alternative methods to maintain market exclusivity. The rising unpopularity of escalating drug prices has led to data exclusivity emerging as a potent indirect tool for preserving market exclusivity.
- 3.23. Data exclusivity, thus, represents a compromise between innovator drug companies and generic drug companies, particularly in the context of legislations like the Hatch-Waxman Act in the United States. However, it's important to note that such compromises may not be imperative for every market, particularly in developing countries such as India. The dynamics of each market, including its economic and healthcare considerations, can influence the need for and the nature of such compromises.¹¹⁹ Data exclusivity essentially bestows market exclusivity upon the entity that submits the information, thereby aiding in maintaining a high price for the product.¹²⁰

¹¹⁸ United Nations Secretary-General's High-Level Panel on Access to Medicines, United Nations, available at: <http://www.unsgaccessmeds.org/>.

¹¹⁹ Srividhya Ragavan, "The Significance of the Data Exclusivity Debate and its Impact on Generic Drugs" 1(1) *Journal of Intellectual Property Studies* 136 (2017), available at: <https://scholarship.law.tamu.edu/cgi/viewcontent.cgi?article=1816&context=faescholar> (last visited on February 25, 2024).

¹²⁰ *Id.* 136.

4. APPROACHES TOWARDS PROTECTION OF TRADE SECRETS IN OTHER COUNTRIES

4.1. Protecting intellectual property is important for individuals and businesses to safeguard valuable assets and foster a culture of innovation. Trade secrets are one of the important intellectual property rights safeguarding confidential undisclosed information pertaining to any business or commercial activity. Realizing the importance of trade secrets, many countries have enacted and amended laws to strengthen the protection of trade secrets and sensitive corporate information. The right of protecting trade secrets is available in many countries but the nature of the right varies significantly. Some countries have enacted standalone specific laws on trade secrets, some provide protection under laws pertaining to unfair competition, while others continue to protect it under principles of common law or equity or a mix of different laws. The approaches towards safeguarding trade secrets adequately as adopted across various jurisdictions has been elaborately discussed below.

A. Australia

4.2. Trade secrets in Australia are treated as 'confidential information', giving businesses a competitive edge. Since, there is no strict definition of 'trade secrets' in Australia and it is merely a form of confidential information, trade secret is understood as per the meaning accorded by Article 39 of the TRIPS Agreement¹²¹, to which Australia has acceded. To protect trade secrets in Australia, there is no specific legislation and trade secrets are not registered with the Intellectual Property Office. Rather, trade secrets are

¹²¹ TRIPS, art. 39.

protected under the common law of Australia with secrecy and confidentiality agreements.¹²²

4.3. Since Australia does not have a statutory framework for protecting trade secrets, confidentiality of trade secrets is ensured through 'confidentiality agreements' outlined in contracts between parties, which are binding and can be enforced under the common law of the country. A confidentiality agreement is a legally enforceable contract. If under such an agreement, any information is disclosed with any person, then such person is obligated to maintain the secrecy and confidentiality of such information and refrain from misusing it.¹²³ Usually, such protection is given by Non-Disclosure Agreements, whereby employees are prohibited from disclosing the sensitive information to any other employee of the company or any third party. Moreover, in simple contracts, a 'restraint of trade' clause is inserted to protect company's trade secret. Such a clause may prevent an employee from starting a new competing business in the same industry or to join a competing company and it may also prevent employees from appropriating company's clients, when they leave the company. Thus, in any commercial relationship, confidential information can be protected through explicit contract terms.

4.4. In cases where there is no contract between the parties for protecting such information, the parties may rely on the equitable principle of the breach of confidence. A breach of confidence claim is to be established for protection of the confidential information. Such may be claimed if the

¹²² Types of IP, IP Australia, Australian Government, *available at*: <https://www.ipaustralia.gov.au/understanding-ip/types-of-ip> (last visited on February 18, 2024).

¹²³ Confidentiality Agreements, Business Queensland, Queensland Government, *available at*: <https://www.business.qld.gov.au/running-business/risk/ip/ip-kit/browse-ip-topics/confidentiality-agreements> (last visited on February 18, 2024).

information can be identified with exclusivity and specificity; the information is confidential and not known to people at large; the defendant had an obligation of confidence to keep the information secret; and the defendant misused the information or used without the plaintiff's consent. Several provisions of different Australian statutes protect disclosure of information by imposing an obligation of confidence. One such statute is the Australian Corporations Act 2001, which is the federal legislation outlining laws and regulations for operation of businesses. One of the provisions of the act provides that a person acting as a director or other officer or employee of a corporation must not improperly use the information, which they have obtained while being in that position to: (a) gain an advantage for themselves or someone else; or (b) cause detriment to the corporation.¹²⁴

- 4.5. As trade secrets is protected through agreements under common law, thus there is specific statutory duration of the right. For breach of confidentiality agreement, only a limitation period is applied depending on the region of Australia and nature of the agreement. The remedies for breach of confidentiality includes equitable remedies of civil law such as injunction, compensation for damages, delivery-up of documents etc. and other usual remedies, available in the case of a breach of contract. While determining such remedies, the principle of unjust enrichment of the defendant and the extent of damage caused to the plaintiff are to be taken care of. Hence, trade secrets in Australia are protected through common law by the principle of confidentiality.

¹²⁴ The Corporation Act of Australia 2001, (Act No. 50 of 2001), Chapter 2D, Part 2D.1, Division 1, 182-183, available at: <https://www.legislation.gov.au/C2004A00818/2019-07-01/text>.

B. Canada

- 4.6. Canada, unlike the US, which has both federal and provincial law protecting trade secrets, does not have a separate trade secrets law. Trade secret law is instead based on the common law action for breach of confidence.¹²⁵ The term “trade secrets” has generally not been clearly distinguished from the broader category of confidential commercial information.¹²⁶ A trade secret can be any technical, financial or commercial information. Trade secrets are not treated as property, rather it is an obligation to maintain confidentiality that arises out of fiduciary duty.
- 4.7. Trade secrets are protected in Canada by contract or by tort where a duty of confidence or fiduciary duty is owed by a recipient to a discloser of confidential business information.¹²⁷ Further, misappropriating confidential information can lead to criminal sanctions for fraud. Additionally, improperly disclosing trade secrets is economic espionage under the federal Security of Information Act if done in connection with a foreign economic entity and if resulting in damage to Canada’s economy, security or international relations.¹²⁸
- 4.8. If someone acquires trade secret through fraudulent means such as misrepresentation, non-disclosure of information or breach of confidence then it is punishable under Torts of Deceit, which provides remedies such

¹²⁵ “Trade Secret Protection and Remedies in Canada”, Dentons (Feb. 25, 2022) available at: <https://www.dentons.com/en/insights/articles/2022/february/25/trade-secret-protection-and-remedies-in-canada> (last visited Feb. 14, 2024).

¹²⁶ *Ibid.*

¹²⁷ *Doing Business in Canada*, Osler, Hoskin, & Harcourt LLP, 129 (September 2023), available at: <https://www.osler.com/osler/media/Osler/Content/DBIC/PDFs/Osler-Doing-Business-in-Canada.pdf?ext=.pdf> (last visited Feb. 14, 2024).

¹²⁸ *Ibid.*

as injunction damages and accounts of profit.¹²⁹ Whereas if anyone gets unauthorized access to a trade secret contained in computer system or when someone fraudulently takes someone else's property be it intangible, then it is punishable under Criminal Code of Canada.¹³⁰

4.9. In *Lac Minerals Ltd v. International Corona Resources Ltd*,¹³¹ the Supreme Court of Canada affirmed the following test for the breach of confidence:

- i. the existence of confidential information,
- ii. its communication in confidence, and
- iii. its misuse by the party to whom it was communicated.

4.10. The test laid down in *Lac Minerals* was followed in *Cadbury Schweppes Inc. v. FBI Foods Ltd*,¹³² with the court finding in particular that the information conveyed was confidential, was communicated in confidence, and was misused by the party to whom it was communicated.

4.11. However, while breach of confidence can protect true trade secrets, the absence of a requirement showing independent economic value or reasonable efforts to maintain secrecy means that breach of confidence can also protect information that is not truly a trade secret.¹³³ Breach of confidence has been used to protect personal information, like in the cases of *Condon v. Canada*¹³⁴ and *John Doe v. Canada*.¹³⁵

¹²⁹ Business Law and Ethics, available at: <https://ecampusontario.pressbooks.pub/buslawandethicscanada/chapter/other-torts/>.

¹³⁰ Criminal Code of Canada (R.S.C., 1985, c. C-46), ss. 322, 342.1, 380.

¹³¹ [1989] 2 SCR 574.

¹³² [1999] 1 SCR 142.

¹³³ J Buchanan and S Cloutier, "Canada's Secret Trade Secret Protection Laws", McCarthy and Tetrault (July 5, 2018), available at: <https://www.mccarthy.ca/en/insights/blogs/techlex/canadas-secret-trade-secret-protection-laws> (last visited Feb. 15, 2024).

¹³⁴ 2015 FCA 159.

¹³⁵ 2016 FCA 191.

- 4.12. Another important consideration applicable to intellectual property cases in general has been the emphasis that the overall purpose in assessing damages or profits is to find “a broadly equitable result”.¹³⁶ In *GasTOPS Ltd. v. Forsyth*,¹³⁷ the Ontario Superior Court noted that damages are rarely sufficient to compensate misappropriations of confidential information given that the harm suffered is often hard to quantify. The Court opted to award damages based on accounting of MxI’s competing profits. After wading through the substantial evidentiary record covering a ten-year period, the Court awarded over CAD 11 million.¹³⁸
- 4.13. Recently, the Ontario Legislature passed the Working for Workers Act, 2021, making Ontario the first province in Canada to prohibit employers from engaging in non-compete agreements with employees.¹³⁹ Non-compete provisions in employment contracts were among the most widely used tools for protecting against unauthorized use or disclosure of trade secrets in Canada.¹⁴⁰ However, there are two exceptions:
- i. the sale of a business where, as part of the sale, the parties enter into an agreement that prohibits the seller from competing with the purchaser’s business and the seller becomes an employee of the purchaser immediately following the sale; and
 - ii. non-compete agreements entered into with executives, defined as “any person who holds the office of chief executive officer, president, chief administrative officer, chief operating officer,

¹³⁶ Michael Crichton and Will Boyer, “Canada” in *Chambers Global Practice Guides: Trade Secrets 2022*, 3 (Chambers, 2022), available at: https://gowlings.com/getattachment/Insights-Resources/Guides/2022/trade-secret-guide-2022-canada/bedeac5cbb47-004_CANADA-3.pdf.xml/?lang=en-GB (last visited Feb. 15, 2024).

¹³⁷ 2012 ONCA 134.

¹³⁸ Michael Crichton and Will Boyer, “Canada” in *Chambers Global Practice Guides: Trade Secrets 2022*, 3 (Chambers, 2022), available at: https://gowlings.com/getattachment/Insights-Resources/Guides/2022/trade-secret-guide-2022-canada/bedeac5cbb47-004_CANADA-3.pdf.xml/?lang=en-GB (last visited Feb. 15, 2024).

¹³⁹ *Ibid.*

¹⁴⁰ *Ibid.*

chief financial officer, chief information officer, chief legal officer, chief human resources officer or chief corporate development officer, or holds any other chief executive position.”

4.14. A key takeaway from this is that trade secret enforcement will take on heightened importance, making contractual confidentiality provisions more important, as will any other measures that companies may be able to take, to limit trade secret misappropriation (e.g., limiting access to trade secrets to select employees; and, ensuring appropriate security measures, including digital and physical measures).

4.15. Furthermore, recent amendments to Canada’s Criminal Code resulted in the addition of section 391. Section 391 formally defines the term “trade secret” and creates two new offences for fraudulently taking a trade secret. In particular, subsection 391(1) makes it an offence to knowingly obtain, communicate or make available a trade secret by deceit, false-hood or other fraudulent means. The Crown must prove both the act and the mental element beyond a reasonable doubt to be liable under this provision. Subsection 391(2) makes it an offence to knowingly obtain, communicate or make available trade secret obtained through the commission of an offence under subsection 391(1).¹⁴¹

C. China

4.16. In the 1990s, China introduced its inaugural trade secret protection legislation through the enactment of the Anti-Unfair Competition Law (AUCL) of 1993. A subsequent amendment in 2019 broadened the

¹⁴¹ *Ibid.*



definition of a trade secret outlined in the 1993 AUCL. This expansion incorporated “commercial information” alongside “technical or operational” information within the scope of trade secrets definition.

4.17. The amendment implemented in 2019 now mandates that a trade secret only needs to possess commercial value, which previously constituted just one aspect of the broader category termed “economic benefit.” This adjustment lowers the burden of proof required to establish this criterion, benefiting the rights holder, particularly concerning commercial rather than technical secrets. However, in a ruling dated December 16, 2019¹⁴², the Supreme Court narrowed the scope of commercial secrets by excluding protection for mere customer lists, even if covered by executed confidentiality agreements. Specifically, the precedent set forth determined that details such as customer names, product names, product specifications, sales order quantities, unit prices, contact persons, phone numbers, addresses, etc., could largely be compiled from publicly available sources.

4.18. In stipulating the criteria for “commercial information” to qualify as a trade secret under the 2019 AUCL, the Court delineated the notion of “special information” with specific examples. For instance, a customer list must encompass not only past order details but also delve into the customer’s precise purchasing habits, intentions, and other nuanced information to be deemed a trade secret. The conjunction of the updated law and the subsequent clarification by the Supreme People’s Court regarding this pivotal aspect appears to have established clarity and coherence.¹⁴³

¹⁴² *Mai Da Keer (Tianjin) Tech. Co., Ltd. v. Huayang Xinxing Technology (Tianjin) Group Co., Ltd.*, (2019) Zui Fa Min Zai. 268.

¹⁴³ Paolo Beconcini, “The State of Trade Secret Protection in China in Light of the U.S.-China Trade Wars: Trade Secret Protection in China Before and After the U.S.-China Trade Agreement of January 15, 2020”, *UIC Review of Intellectual Property Law* 128 (2021).

- 4.19. The relevant articles of the AUCL are noteworthy and necessary to be discussed. Article 9 deals with infringement of trade secrets and casts a duty on entity not to infringe another trade secret. Any entity may report a suspected act of infringement of trade secret as per Article 16 and the regulatory department may conduct an investigation as per the provisions of Article 13. A duty is also cast on the Regulatory Authority to keep confidential any trade secret that it may come across during investigations of suspected unfair competition by any entity as per Article 15 and Article 30 penalises the misuse of trade secret by any official or employee of the Regulatory Authority.
- 4.20. Article 17 further imposes a civil liability on any entity causing damage to another in violation of the said law which includes infringement of trade secrets and it further empowers the party that has been prejudiced to institute an action before the competent people's court. Article 17 further provides that the amount of damages, which includes the reasonable costs for stopping the infringement, shall be determined based on its actual loss caused by the infringement and if it is difficult to calculate the actual loss, based on the benefits obtained by the infringer.
- 4.21. Further, in accordance with Article 21 if the business entity has maliciously infringed upon the trade secret with flagrant circumstances, the amount of damages shall be no less than one time but no more than five times of the amount determined by the aforementioned method. In addition to the civil liability that may ensue, the law also imposes fine of RMB 100,000-RMB 10,00,000, or in case of serious circumstances, a fine of RMB 500,000 to 50,00,000 yuan.

4.22. Article 32 elaborates that the holder of trade secret has to establish a *prima facie* case by proving that measures were taken to maintain confidentiality and reasonably indicating that there has been an infringement. The burden of proof then falls upon the alleged infringer that the information concerned is not a “trade secret”. The Article also indicates the evidence that the lawful holder can submit to establish a prima facie case of infringement and that the infringer will have to prove non-infringement when such evidence has been adduced.

4.23. The Chinese government has shown a commitment to continuously improve its intellectual property laws, including trade secret protection. Revisions to the AUCL and other relevant legislations demonstrate a willingness to address gaps and strengthen enforcement mechanisms to better protect trade secrets.

D. Germany

4.24. Pursuant to the EU Directive on the protection of undisclosed know-how and business information against their unlawful acquisition, use and disclosure (Trade Secrets Directive), Germany enacted the ‘Gesetz zum Schutz von Geschäftsgeheimnissen/GeschGehG’ (Trade Secrets Protection Act) of 18th April, 2019.¹⁴⁴

4.25. Prior to this, trade secrets in Germany were protected through a fragmentary framework, especially through Sections 17-19 of the Unfair Competition Act, which have now been repealed.¹⁴⁵ Apart from this, prior

¹⁴⁴ “Trade Secret Laws and Regulations in Germany”, CMS, available at: <https://cms.law/en/int/expert-guides/cms-expert-guide-to-trade-secrets/germany> (last visited on Feb. 15, 2024).

¹⁴⁵ “The New Trade Secret Protection Act and its Implications for Practice”, Deloitte, available at: <https://www2.deloitte.com/dl/en/pages/legal/articles/geschaeftsgeheimnisschutzgesetz.html> (last visited on Feb. 15, 2024).

to the enactment, trade secrets were protected through Sections 280(1), 241(2) of the German Civil Code for contractual claims for damages as well as Sections 823 and 826 of the German Civil Code for tortious claims. On the criminal side, trade secrets were protected through Sections 201 to 206 of the German Criminal Code which criminalize the violation of personal life and secrets pertaining to it.¹⁴⁶ Section 203 of the German Criminal Code criminalizes the disclosure of protected secrets by people subject to certain kinds of professional secrecy.¹⁴⁷

- 4.26. The Trade Secrets Protection Act addresses unauthorized acquisition, use, and disclosure of trade secrets. The rights and obligations arising from a relationship of employment and the rights of workers' representatives remain unaffected by this Act. Further, right to freedom of expression and information protected under the EU Fundamental Rights Charter also remains unaffected.
- 4.27. Section 2(1) defines a trade secret. It broadly encompasses the three criteria as provided under Article 39.2 of the TRIPS Agreement, however an additional condition of “a legitimate interest in maintaining confidentiality” has also been incorporated.¹⁴⁸
- 4.28. Under the scheme of the Act, it has been specified as to what are permitted actions, prohibitions and exceptions. Section 3 clearly demarcates what amounts to permitted acts. It is permissible to acquire a trade secret by: independent discovery or creation; or by observing, examining, reverse engineering, or testing a product or object that is either publicly available,

¹⁴⁶ “Trade Secret Laws and Regulations in Germany”, CMS, *available at*: <https://cms.law/en/int/expert-guides/cms-expert-guide-to-trade-secrets/germany> (last visited on Feb. 15, 2024).

¹⁴⁷ *Ibid.*

¹⁴⁸ The Trade Secrets Protection Act (Gesetz zum Schutz von Geschäftsgeheimnissen/GeschGehG), § 2(1).

or in the lawful possession of the observer, examiner, reverse engineer, or tester who is not subject to any duty to restrict the acquisition of the trade secret; or exercising information and hearing rights of employees or participation and co-determination rights of employee representation. Further, it is permissible to acquire, use or disclose a trade secret if permitted by law, pursuant to a law, or by contract.¹⁴⁹

4.29. Section 4 deals with the prohibitions and specifies that a trade secret cannot be acquired by: unauthorized access to/ appropriation/ copying of documents, objects, materials, substances, or electronic files that are under the lawful control of the holder and that contain the trade secret or from which the trade secret can be derived; or any other behavior that, under the circumstances, does not comply with the principle of good faith, taking into account customary market practices. Further, a person cannot use or disclose a trade secret if they have acquired it in a prohibited manner or in violation of an obligation to restrict the use of the trade secret, or an obligation not to disclose the trade secret. Furthermore, a third party is also estopped from acquiring, using or disclosing a trade secret if at the time of acquiring, use, disclosure it is known or should have been known that he person from whom it is being acquired has used/disclosed the same in a prohibited manner.¹⁵⁰

4.30. Limited exceptions have also been carved out under Section 5 that are not subject to prohibitions under Section 4. The exceptions include acquisition, use, or disclosure of a trade secret done to protect a legitimate interest, especially: to exercise the right to freedom of expression and

¹⁴⁹ *Id.* § 3; The wording of the Act allows a licensee to be the holder of the trade secret as well. The agreement must contain an obligation of the other contracting party to keep secret the knowledge and information that has become known as a result of this cooperation.

¹⁵⁰ *Id.* § 4.

information, including respect for freedom and plurality of the media; or to expose an unlawful act or professional or other misconduct when the acquisition, use, or disclosure is suitable to protect the general public interest; or as part of disclosure by employees to the employee representation when necessary for the employee representation to fulfil its tasks.¹⁵¹

4.31. Chapter 2 articulates the claims that may be raised in case of infringement. Section 6 provides that the holder may ask for removal of the impairment and, in case of a risk of repetition, also a cease-and-desist order.¹⁵² Section 7 provides other remedies that may be claimed by the holder: destruction or surrender of infringing documents and recall/permanent removal/destruction/withdrawal of infringing products.¹⁵³ Section 8 further provides what information may be sought by the holder from the infringer and the infringer's liability to compensate in case of intentional or grossly negligent failure to provide the same.¹⁵⁴

4.32. Section 9 talks about instances where claims are barred on account of their fulfilment being disproportionate and thus seek to balance the interests of justice in exceptional cases such as where legitimate interests of a third party exist or in public interest. Section 10 talks about the liability of an infringer acting intentionally or negligently to compensate and how

¹⁵¹ *Id.*, § 5; As shown by the formulation "in particular" in Sec. 5, this list is not exhaustive. Other legitimate interests may include fundamental rights positions that conflict with the protection of business secrets.

¹⁵² *Id.*, § 6.

¹⁵³ *Id.*, § 7.

¹⁵⁴ *Id.*, § 8; Acc. to Sec. 8, the holder of a trade secret may request from the infringer information on the following:

- i) the name and address of the producers, suppliers and other previous owners of the infringing products, as well as of the commercial customers and sales outlets for which they were intended;
- ii) the quantity of infringing products manufactured, ordered, delivered or received and the purchase prices;
- iii) the documents, items, materials, substances or electronic files in the possession or property of the infringer, which contain or embody the trade secret; and
- iv) the person from whom they have obtained the trade secret and to whom they have disclosed it.

damages are to be computed.¹⁵⁵ Section 11 says that an infringer not acting intentionally or negligently can compensate the holder in money. Section 12 brings in the concept of vicarious liability in case the infringer is an employee or agent of a business. In this context, it should be noted that the aforementioned claims may also be asserted against the new employer of a former employee if the employee concerned has violated trade secrets by taking them with him or disclosing them and is therefore a rights infringer.

4.33. Section 13 provides for a claim for surrender of unjust enrichment which can be brought in after expiry of the limitation period within 6 years of occurrence. Section 14 prohibits abusive assertion and entitles the opposing party to claim reimbursement of legal expenses without affecting other claims to compensation that may exist. Section 15 is the jurisdiction clause. Section 16 addresses confidentiality and provides that the court upon request by either party may classify information as either wholly or partially confidential. Section 17 provides sanctions for violation of confidentiality, if so classified by the court - the same is punishable with fine of up to 100,000 euros or detention for up to six months. Section 18 clarifies that the confidentiality obligation continues to persist even after the conclusion of the judicial proceedings also clarifies that the same does not apply if the court denies the existence of the contested trade secret or the information otherwise becomes known to persons dealing with such information.

¹⁵⁵ *Id.*, § 10; According to Section 10 (2), the injured party can choose between three variants of how to quantify the compensable damage:

- i) demand compensation for the actual damage incurred,
- ii) demand the return of the profit made by the infringer,
- iii) calculate the damage on the basis of an appropriate remuneration, which the infringer would have had to pay if he had obtained consent to obtain, use or disclose the trade secret.

According to Section 10(3), the owner of the trade secret may also claim monetary compensation from the infringer for non-material damages, to the extent that this is equitable.

4.34. The catalogue of claims extended by the Act brings about a clear improvement in the position of the holder of an infringed trade secret compared to the previous legal situation. It is worth mentioning in this context that the winning party in a court dispute can now be granted the power to make the judgment or information about the judgment publicly known at the expense of the losing party, if the winning party has a legitimate interest in doing so.¹⁵⁶

E. Indonesia

4.35. Indonesia, sits at the crossroads of south-east Asia, attracting significant foreign investment across diverse sectors. As innovation flourishes, protecting trade secrets become crucial for securing a competitive edge. Indonesia's digital economy is skyrocketing, with startups and established players developing innovations in fintech, e-commerce, and artificial intelligence (AI). Trade secrets in various algorithms, software, and business models hold immense value. This country is rich in natural resources like palm oil, minerals and timber. Protecting proprietary extraction processes and refining techniques through trade secrets safeguards economic advantage. From batik designs to traditional medicines, Indonesia has a wealth of intellectual property. Hence, trade secrets are vital for protecting unique formulas and craftsmanship.

4.36. Indonesia's intellectual property is governed by Copyright Law¹⁵⁷, Patent Law¹⁵⁸, Trademarks and Geographical Indications Law¹⁵⁹, Trade Secrets

¹⁵⁶ *Id.*, § 21.

¹⁵⁷ Law Number 28 of 2014 on Copyrights.

¹⁵⁸ Law Number 13 of 2016 on Patents.

¹⁵⁹ Law Number 20 of 2016 on Trademarks and Geographical Indications.

Law¹⁶⁰, Industrial Designs Law¹⁶¹, Layout Designs of Integrated Circuits Law¹⁶² and Plant Variety Protection Law¹⁶³. Thus, the legal framework in Indonesia provides a specific law to protect trade secrets.

- 4.37. As per the Indonesian Law, 'trade secret' means any information not known or readily accessible to the public and such information having a commercial value. The owner of trade secrets owns exclusive rights to use it and exclude any other party from its use or access.¹⁶⁴
- 4.38. Unlike patents or copyrights, trade secrets do not require registration to be protected. Protection is automatically granted as long as the information meets the criteria defined above. Trade secrets are protected by a separate dedicated law regarding Trade Secret (UU 30/2000).¹⁶⁵ This law provides a framework for protecting confidential information that has economic value and is subject to reasonable efforts to keep it secret.
- 4.39. An information qualifies to remain a trade secret till the time it has economic value and it is confidential, and the owner takes reasonable care and puts efforts to protect such information. The owner of trade secret can also grant permission to third party by granting license to use the trade secret and restricting the third party to disclose it without permission.¹⁶⁶
- 4.40. Article 11 of the Trade Secrets Law provides that in case of infringement of trade secret, owner can seek civil remedies such as damages and

¹⁶⁰ Law Number 30 of 2000 on Trade Secrets.

¹⁶¹ Law Number 31 of 2000 on Industrial Designs.

¹⁶² Law Number 32 of 2000 on Layout Designs of Integrated Circuits.

¹⁶³ Law Number 29 of 2000 on Plant Variety Protection.

¹⁶⁴ Law Number 30 of 2000 on Trade Secrets, arts. 1, 2, 3.

¹⁶⁵ Law Number 30 of 2000 on Trade Secrets.

¹⁶⁶ Law Number 30 of 2000 on Trade Secrets, arts. 5, 6, 7, 8, 9.

termination of all acts. However, Article 17 of the Trade Secrets Law provides penalty for the infringement of trade secrets and stipulates a punishment of imprisonment of at most two years and a fine of upto three hundred million rupiahs.

- 4.41. As per Article 15, a trade secret shall not be infringed, if the disclosure is based on the interest of public defense, health, security or safety and the reverse engineering of a product that is produced from the use of the trade secret of another person is solely conducted for the interest of making further development of relevant products. Thus, as Indonesia embraces innovation across diverse sectors, a well-prepared legal framework and effective enforcement mechanism for protection of trade secrets will prove to be a key to nurture a flourishing environment for businesses to thrive.

F. Israel

- 4.42. The Commercial Wrongs Act serves as a cornerstone of trade secrets protection in Israel, providing a comprehensive framework for safeguarding confidential business information. The said Act was passed by the Israeli Knesset in 1999 which refers to trade secrets as a property. This was done after the groundbreaking ruling in *A.Sh.I.R.* case¹⁶⁷ which explored a new approach in all unfair competition by adding protection to any intellectual property right which was not eligible for other legal protection. Thereafter, the Commercial Wrongs Act, 1999 came into force which defines trade secret in a manner which is closer to civil law as the

¹⁶⁷ *A.Sh.I.R. Importation Manufacture and Distribution et al. v. Forum Accessories and Consumer Products et al.*, MLA 5768/94.

definition draws its inspiration from the definition given in the TRIPS Agreement.¹⁶⁸ The said definition is as follows:

““trade secret”, “secret” – business information, of any kind, which is not in the public domain and cannot be easily revealed by others using legal means, whose secrecy provides its owner a business advantage over its competitors, and provided that its owner takes reasonable measures to keep its secrecy.”¹⁶⁹

4.43. The requirement to refrain from disclosing trade secrets was a common topic of discussion, primarily due to Israeli law's lack of prohibition on reverse engineering. Nonetheless, if it can be proved that disclosing such trade secrets necessitates substantial effort, this information will still be protected under trade secret provisions.¹⁷⁰

4.44. The misappropriation of a trade secret which constitute its infringement is given in the same Act as follows:

*“Prohibition against misappropriation of a trade secret
6. (a) A person shall not misappropriate another's trade secret.*

(Two) Any of the following acts constitutes a misappropriation of a trade secret:

- (1) The taking by illegal means of a trade secret without its owner's consent; for this purpose it shall make no difference whether the secret was taken from its owner or from another person in possession of the trade secret;*
- (2) Use of a trade secret without its owner's consent, the use being contrary to a contractual or fiduciary obligation imposed upon the user in favor of the owner of the secret;*
- (3) The receiving of a trade secret or use of it without its owner's consent, the receiver or user knowing, or it being obvious at the time of receipt or use, that the secret was transferred to such person in a manner prohibited by paragraphs (1) or (2) or that the secret was transferred to any other person in such prohibited manner prior to reaching the present receiver or user.*

¹⁶⁸ Vladimir Gutkovsky, “Comparison of the Trade Secret Laws of the Israel and the United States” (2008) available at: <https://ip-ta.com/wp-content/uploads/2022/11/tsisr.pdf>.

¹⁶⁹ The Commercial Wrongs Act, 1999 (Act 5759/1999), s. 5.

¹⁷⁰ See, *Saptir Communications Ltd. v. Ma'a lot Hi-tech Company Ltd.*, Motion 6461/04.

(Three) The revealing of a trade secret by reverse engineering shall not of itself be considered an illegal means under paragraph (b)(1); for the purposes of this subsection, "reverse engineering" – disassembly or analysis of a product or process with the aim of deciphering a trade secret by working backwards."¹⁷¹

- 4.45. It can be said that the Israeli law with respect to trade secrets has an approach of common law when it comes to misappropriation and an approach of civil law as far as the definition of trade secret is concerned.
- 4.46. Therefore, if a misappropriation of trade secrets is discovered, the plaintiff has two avenues to pursue for claiming damages. Under the Commercial Wrongs Act, there exists the option of seeking statutory damages fixed at 100,000 NIS. This choice withdraws the plaintiff's obligation to prove the precise extent of the harm inflicted upon their business. However, should the plaintiff opt not to pursue statutory damages, they still retain the right to seek the return of profits gained by the defendant or to pursue the actual quantifiable damages incurred.¹⁷²

G. Italy

- 4.47. In Italy, the Trade Secret Law has been implemented by a Legislative Decree no. 63/2018. Trade secrets in this jurisdiction are protected under both civil and criminal law. The Italian Code of Industrial Property (ICIP) protects the trade secret under Articles 98, 99, 120, 124, 128, 129, 131. The Italian Criminal Code, also protects the trade secret under Article 362. Trade secrets are protected as specific industrial property rights in ICIP. In accordance with Article 2 ICIP, trade secrets are protected as "untitled" IP

¹⁷¹ The Commercial Wrongs Act, 1999 (Act 5759/1999), s. 6.

¹⁷² Mgr. Matej Machu, "Trade Secret law in the U.S.A. and Israel in comparative perspective" (2014), available at: <https://ssrn.com/abstract=2536864> or <http://dx.doi.org/10.2139/ssrn.2536864>.

Rights if they meet the requirement as set out in articles 98 and 99 of the ICIP.

4.48. Article 98 of ICIP defines trade secrets as:

“Trade secrets include commercial information and technical industrial experience, also the commercial ones, subject to the legitimate control of the owner, whether such information:

- a) is confidential, in the sense that as a whole or in its precise configuration and combination of its elements it is not generally known or easily accessible for experts and operators in the field;*
- b) has an economic value inasmuch as it is confidential;*
- c) is subject, to the persons to whose legitimate control it is subject, to measures to be considered reasonably adequate to keep it confidential.*

Protection shall also be granted to data relating to tests or other confidential data, whose processing entails a considerable effort and whose presentation is conditional upon the marketing authorization of chemical, pharmaceutical or agricultural products implying the use of new chemical substances.”

4.49. Article 99 of the Intellectual Property Code (ICIP) deems the acquisition of trade secrets lawful solely through “independent discovery or creation”, meaning that obtaining information without any involvement of third-party knowledge or information is permissible. It can be interpreted that lawful actions may also encompass: (i) reverse engineering, (ii) exercising trade union rights, and (iii) any other legitimate practices.¹⁷³

4.50. With respect to an unlawful act, Article 99 states that:

“The acquisition, use or revealing of the trade secrets referred to in Article 98 shall be considered unlawful even when the subject, at the time of acquisition, of use or revelation, was aware of or, according

¹⁷³ Mattia Dalla Costa, Gaianluca De Cristofaro, “The Trade Secrets Directive-Italy” LIV No. 3. LES 199 (2019).

to the circumstances, should have been aware of the fact that trade secrets had been obtained directly or indirectly by a third party who used them or revealed them unlawfully pursuant to paragraph 1."

- 4.51. As far as the protection of trade secrets is concerned, the judges have ample power to protect the same. The proceedings are held under Article 124 ICIP under which there are huge powers of preliminary injunction against the manufacture, sale and use of the trade secret. In addition, the definitive withdrawal from the market as well as destruction can be ordered too. Further, assignment of the ownership of the trade secret to the rightful owner without prejudice of the right to compensation or damages can also be done.¹⁷⁴
- 4.52. Furthermore, the judge will assess whether to authorize the publication of their ruling and the appropriateness of the requested measures, taking into account: (i) the significance of the trade secrets, (ii) the actions undertaken by the infringer in acquiring, using, or disclosing the trade secrets, and (iii) the likelihood of the infringer continuing to unlawfully use or disclose the trade secrets. The judge also weighs whether an individual can be identified as the actual infringer and, if so, whether the public interest in publishing such information is balanced against the potential harm to the infringer's privacy and reputation.
- 4.53. The ICIP also prescribes a limitation period under Article 99, wherein it has been stated that the rights and the actions connected to the misconducts in such article expires in five years.

¹⁷⁴ Hogan Lovells, "Report on Trade Secrets for the European Commission" (2011), available at: https://publications.europa.eu/resource/cellar/068c999d-06d2-4c8e-a681-a4ee2eb0e116.0001.02/DOC_1. (Visited on: Feb 22, 2024).

H. Japan

- 4.54. In Japan, trade secrets are mainly protected by the Unfair Competition Prevention Act, 1993¹⁷⁵ which was last amended in 2018, to strengthen the protection of trade secrets.
- 4.55. This Act defines ‘trade secrets’ as, “*technical or business information useful for business activities, such as manufacturing or marketing methods, that are kept secret and that are not publicly known.*”¹⁷⁶
- 4.56. The Unfair Competition Prevention Act includes the act of acquiring trade secrets by theft, fraud, duress or other wrongful means (acquisition of trade secrets) or the act of using or disclosing trade secrets acquired through an act of wrongful acquisition of trade secrets, within the purview of ‘unfair competition’.¹⁷⁷
- 4.57. The Japanese law provides both civil and criminal remedies for infringement of a trade secret. Civil remedy exists typically in the form of a court injunction, claim for damages, and restoration of business reputation under the Unfair Competition Prevention Act.
- 4.58. The injunction may be aimed at suspending the ongoing encroachment against the persons encroaching upon its business interest or at preventing the threatened encroachment from being acted upon against the person likely to encroach upon its business interest.¹⁷⁸

¹⁷⁵ The Unfair Competition Prevention Act, 1993 (Act 47 of 1993).

¹⁷⁶ *Id.*, art. 2(6).

¹⁷⁷ *Id.*, art. 2(1).

¹⁷⁸ *Id.*, art. 3.

4.59. Further, the proceedings to seek damages can be pursued without the need to prove the exact amount of loss or damage resulting from the infringement, as damages are presumed to have occurred in certain cases¹⁷⁹. This reduces the burden on claimants to prove lost profits, which can often be challenging.

4.60. In addition to these, if a company's business is harmed due to infringement of trade secret, the company is entitled to seek order for necessary measures to be taken by the person responsible for infringement to restore the reputation of the company, in lieu of or in addition to compensation for damages.¹⁸⁰

4.61. With regard to criminal remedies, the Unfair Competition Prevention Act specified nine types of acts which constitute Crimes of Infringement of Trade Secrets¹⁸¹, i.e.,

- i. *Unlawful Acquisition: Acquisition of trade secrets by fraud, deceiving, assaulting, or intimidating a person, or through the usurpation of management, stealing assets, breaking into a facility, making unauthorized access, or in any other way prejudicing the management that the trade secret owner maintain;*
- ii. *Unauthorized Use or Disclosure after Unlawful Acquisition: Use or Disclosure of trade secrets acquired through an act of fraud, or through the usurpation of management, for the purpose of wrongful gain or causing damage to the trade secret owner;*
- iii. *Misappropriation: A person to whom the trade secret owner has disclosed trade secrets, and who, for the purpose of wrongful gain or causing damage to the trade secret owner, obtains trade secrets by any of the following means, in breach of the legal duties regarding the management of the trade secrets:*
- iv. *misappropriating a recording medium containing trade secrets, etc. or an object that represents trade secrets;*

¹⁷⁹ *Id.*, art. 5.

¹⁸⁰ *Id.*, art. 15.

¹⁸¹ *Id.*, art. 21.

- v. *reproducing a description or a record from a recording medium containing trade secrets, etc., or an object that represents trade secrets;*
- vi. *not deleting a description or a record that should be deleted from a recording medium containing trade secrets, etc., and disguising this act as if the description or record in the recording medium containing the trade secrets, etc. had been deleted;*
- vii. *Unauthorised Use or Disclosure after Misappropriation: Use or Disclosure of trade secrets for unjust purposes in violation of the duty to manage or keep custody of such trade secrets, by a person who acquired such trade secrets by way of misappropriation;*
- viii. *Unauthorised Use or Disclosure by Employees: Use or Disclosure of trade secrets by a current executive or employee, to whom the owner has disclosed such trade secrets, if it was done for unfair purposes and breached the duties of the said executive or employee regarding the management or safeguarding of those trade secrets;*
- ix. *Unauthorised Use or Disclosure by Former Employees: Use or Disclosure of trade secrets by a former employee for unfair purposes after the termination of their employment if, during their employment and for unjust purposes, they either offer to disclose the trade secrets to others or receive requests from others to disclose or provide access to the trade secrets. This action violates the duties of the employee regarding the management or safeguarding of those trade secrets;*
- x. *Unauthorised Use or Disclosure by Secondary Recipients: Use or Disclosure of trade secrets for unfair purposes by a person, who has acquired such trade secrets by way of unauthorized disclosure under any of item (b), (d), (e) or (f) above.*
- xi. *Unauthorised Use or Disclosure by Tertiary Recipients: Use or Disclosure of trade secrets for unfair purposes by a person, knowing that there has been an intervening disclosure constituting unauthorized disclosure under any of item (b), (d), (e) or (f) above.*
- xii. *Transfer of goods infringing on Trade Secrets: Assignment, Delivery or Display of goods for wrongful gain or causing damage to trade, or transfer or delivery, export, import or providing through telecommunication line or network distribution by any person who has obtained such goods under knowledge that they were produced by way of using trade secrets, which use constitutes an offence under above-mentioned offences.*

4.62. These offences are punishable by imprisonment for not more than five years, and/or a fine of not more than 5 million yen,¹⁸² or imprisonment for not more than ten years and/or a fine of not more than 30 million yen¹⁸³, as the case may be. Further, if the offences are committed in connection with the perpetrator's business entity, it may be subject to a fine of not more than 500 million yen.¹⁸⁴

I. Netherlands

4.63. The intellectual property rights in Netherlands are governed by various federal statutory laws covering all the major domains of intellectual property. Trade secrets are protected by the Dutch Trade Secrets Act, 2018 (In Dutch: *Wet bescherming bedrijfsgeheimen*).¹⁸⁵ Prior to the 2018 Act, trade secrets were majorly covered by the provisions of the Tort law under the Dutch Civil Code, provisions of employment laws and by some of the provisions of the criminal law.¹⁸⁶

4.64. However, the scope of trade secret protection was broadened in Netherlands by the Dutch Trade Secrets Act, 2018, which laid down rules for implementing the 'Trade Secrets Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the Protection of Undisclosed Know-how and Business Information (Trade Secrets)

¹⁸² *Id.*, art. 21(2).

¹⁸³ *Id.*, art. 21(3).

¹⁸⁴ *Id.*, art. 22(1).

¹⁸⁵ Dutch Trade Secrets Act, 2018 (In Dutch: *Wet bescherming bedrijfsgeheimen*, *PbEU* 2016, L157).

¹⁸⁶ Wouter Pors, "The Trade Secrets Directive—Netherlands" 54, No. 3, *Les Nouvelles - Journal of the Licensing Executives Society* (2019), available at: <https://deliverypdf.ssrn.com/delivery.php?ID=478069124110088025101022021006015092030042006012089031090113088070105023104019094087043038022017031001018003102011009075000069110010017028007092095097086120119102100010008001004004106105120025075093072084074001001086092030065126069064073126113001002081&EXT=pdf&INDEX=TRUE>.

Against their Unlawful Acquisition, Use and Disclosure'.¹⁸⁷ On June 8, 2016, subsequent to a proposal from the European Commission, the European Parliament and the Council passed a directive aimed at standardizing national legislation within European Union (EU) member states concerning the unlawful acquisition, disclosure, and exploitation of trade secrets. This directive seeks to harmonize the definition of trade secrets in accordance with established international norms. Additionally, it specifies the forms of misappropriation relevant to trade secrets and asserts that trade secrets do not confer exclusive intellectual property rights, thereby affirming the preservation of activities such as reverse engineering and parallel innovation. Although the directive does not prescribe criminal penalties, it consolidates civil remedies available to victims of trade secret misappropriation. These remedies include injunctions to cease unlawful use and disclosure of trade secrets, removal from the market of goods manufactured using illegally acquired trade secrets, and entitlement to compensation for damages arising from unauthorized use or disclosure of trade secrets.¹⁸⁸ EU member states are obligated to enact legislation and administrative measures to conform with the directive. Accordingly, the Netherlands transposed the EU Trade Secrets Directive into its national law in October, 2018 and enacted the Dutch Trade Secrets Act. The legislative proposal of the Act of Netherlands reflects the norms and directions set out by the directive.

- 4.65. Considering the EU Directive, Netherlands adopted a uniform definition of 'trade secret' in its Trade Secret Act. 'Trade secret' is defined as 'any

¹⁸⁷ Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, available at: <https://www.wipo.int/wipolex/en/text/423032>.

¹⁸⁸ World Intellectual Property Organization (WIPO), WIPO Lex, available at: <https://www.wipo.int/wipolex/en/legislation/details/16435#>.

information that is secret in the sense that it is not generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; that has commercial value because it is secret; and which has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.¹⁸⁹ It is important to note that only technical information does not qualify as a trade secret, other commercial information in the form of business plans and strategies may also qualify as a trade secret. The duration for the protection of such an information is perpetual, provided the information remains a secret.

4.66. Article 2 of the Act provides instances and conditions of infringement of trade secrets through unlawful and unauthorized acquisition, use or disclosure of a trade secret. If the acquisition of any information is without the consent of the owner and is accessed, appropriated or replicated unauthorized and against the honest commercial practices, then such acquisition is deemed to be unlawful. Similarly, if the use or disclosure of the trade secret is without the consent of the owner and violates a confidentiality agreement or any other obligation prohibiting the disclosure of the trade secret or breaches a contractual or other obligation to restrict the use of the trade secret, then such use or disclosure is also considered as unlawful.¹⁹⁰

4.67. The Trade Secrets Act also includes provisions for enforcing trade secrets, encompassing preliminary reliefs seeking injunction to halt further use or disclosure of a trade secret and prohibition on producing, marketing,

¹⁸⁹ Dutch Trade Secrets Act, 2018, art. 1.

¹⁹⁰ Dutch Trade Secrets Act, 2018, art. 2.

importing, exporting and using infringing goods.¹⁹¹ Apart from the remedy of injunction, the Act stipulates provision for providing interim or final monetary relief as well. Under Article 8 of the Act, the holder of the trade secret or the injured party can claim damages and compensation from an infringer, involved in unlawful acquisition, use or disclosure of a trade secret.

- 4.68. The Dutch Trade Secrets Act also has provisions for the protection of trade secrets in court proceedings, whereby the court may, upon request preserve the confidentiality of a trade secret or alleged trade secret used or mentioned during the proceedings. To preserve confidentiality, the courts can restrict access to the documents to a limited number of persons submitted by any of the parties that contain the trade secret or the alleged trade secret. Similarly, the court can restrict access to hearings, where the trade secret or alleged trade secret may be made public. Under the Act, the courts can also prepare a non-confidential version of judicial decisions, where any information relating to trade secret is omitted.¹⁹²
- 4.69. Regarding the employer-employee liability for trade secret protection, there are general statutory obligations in Netherlands under the Dutch Civil Code. Article 7:678 of the Civil Code provides an immediate termination of any employee, who discloses any confidential information pertaining to the employer's company that was required to be kept secret.¹⁹³ Moreover, the Dutch Civil Code also acts as a basis for action against the breach of non-disclosure agreements.

¹⁹¹ Dutch Trade Secrets Act, 2018, arts. 5, 6.

¹⁹² Dutch Trade Secrets Act, 2018, art. 1019ib.

¹⁹³ Dutch Civil Code, art. 7:678.

4.70. Hence, post enactment of the Dutch Trade Secrets Act, Netherlands has ensured sufficient protection of trade secrets in their country. The Act not only introduces a new legal definition of the term 'trade secret' but also establishes rules and requirements to determine whether the acquisition, use and/or disclosure of trade secrets is unlawful. With the enactment of the Act, enforcement measures have been strengthened and the holder of trade secret has got the right to apply to the Court for an injunction against unlawful use or disclosure of a trade secret. The Act also imposes various remedies against infringing goods or materials embedding trade secrets and enables the court to grant compensation and award other costs.

J. New Zealand

4.71. In New Zealand, there is no specific legislation to protect the trade secrets. Intellectual property rights are governed primarily by statutes such as Trade Marks Act 2002, Designs Act 1953, Copyright Act 1994, Patents Act 2013 along with common law principles related to intellectual property. Interpretation of commercial contracts and their enforceability is governed by common law in New Zealand but framework for commercial contract is the combination of various statutes, common law and commercial law.¹⁹⁴

4.72. In New Zealand, trade secret is the information which adds commercial value to a business and which is not known within the industry generally. Any unauthorized disclosure of such information brings a cause of action and there arises the right to claim for the breach of such confidence.

¹⁹⁴ Contract and Commercial Law Act of New Zealand, 2017 (Act No. 5 of 2017).

4.73. For the protection of trade secrets, common law provides for the contractual arrangements or employment agreement.¹⁹⁵ To prevent further misuse of trade secrets, remedies such as injunctions can be granted. Other remedies for infringement such as damages, accounts for profits can also be availed. Criminal liability can also be imposed under the criminal law of New Zealand for taking away trade secrets and doing criminal breach of trust.¹⁹⁶ Section 230 of the Crimes Act, 1961 (as amended by Crimes Amendment Act, 2003) provides specific punishment for taking, obtaining or copying trade secrets:¹⁹⁷

“Taking, obtaining, or copying trade secrets

(1) Everyone is liable to imprisonment for a term not exceeding 5 years who, with intent to obtain any pecuniary advantage or to cause loss to any other person,—

(a) dishonestly and without claim of right, takes, obtains, or copies any document or any model or other depiction of any thing or process containing or embodying any trade secret, knowing that it contains or embodies a trade secret; or

(b) dishonestly and without claim of right, takes or obtains any copy of any document or any model or other depiction of any thing or process containing or embodying any trade secret, knowing that it contains or embodies a trade secret.

(2) For the purposes of this section, trade secret means any information that—

(a) is, or has the potential to be, used industrially or commercially; and

(b) is not generally available in industrial or commercial use; and
(c) has economic value or potential economic value to the possessor of the information; and

¹⁹⁵ Rob Batty “Trade Secrets under New Zealand Law” (2017) available at: <https://ssrn.com/abstract=2902349> or <http://dx.doi.org/10.2139/ssrn.2902349> (Last Visited on: Feb 24, 2024).

¹⁹⁶ Crimes Act, 1961 (Act No. 43 of 1961) as amended by Crimes Amendment Act, 2003, s. 229.

¹⁹⁷ *Id.*, s. 230.

(d) is the subject of all reasonable efforts to preserve its secrecy."

4.74. Although New Zealand does not have a dedicated legislation for the protection of trade secrets, however its laws provide for effective remedies that can be availed by the trade secret owner in case of infringement.

K. Singapore

4.75. Singapore does not enumerate protection for trade secrets through a specific legislation. It governs other forms of intellectual property through local legislations such as Intellectual Property Office of Singapore Act, 2001, Patents Act, 1994, Copyright Act, 2021, Trade Marks Act, 1998, Registered Designs Act, 2000 etc.

4.76. Trade secrets are protected through a combination of contractual obligation governed by the Contracts Act of Singapore¹⁹⁸ and law of confidence which protects the parties against unlawful disclosure of information, acquisition etc. It is for the courts to look into the various heterogeneous factors to decide if any information which is confidential comes within the purview of trade secret. Such confidential information can be revealed by breaching the promise of confidence, thus causing financial loss and harm to the interest of any company or business. Since there are no statutory provisions for the protection of trade secrets in Singapore, therefore, there is no registration procedure mentioned for the protection of trade secrets.

4.77. According to the law of Singapore, many businesses use contracts, non-disclosure agreements or confidentiality agreements to protect the

¹⁹⁸ Contracts (Right to Third Parties) Act of Singapore, 2001 (Act 29 of 2001).