

“Trade Secret Act Need of the hour? – Indian Perspective”

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Abstract

During the present times Intellectual property is considered one of the most important assets of any corporation. From the Google search algorithm to the recipe of Coca-Cola, trade secret is part of every business. Sadly, in India, there exists no law to protect these trade secrets which causes vulnerability in the protection of what could be considered most essential form of IP. It is also the obligation of India to protect trade secrets as a signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). This approach taken by Indian legislature is contrary to the approach taken by rest of the jurisdictions. Judiciary has played a proactive role in the protection of Trade secrets in India. This paper understands the approach taken by judiciary in the protection of trade secrets in India along with critically analyzing the National Innovation Act, 2008 which was the proposed legislation for the protection of confidential information. This paper also sheds light on the existing legal provisions protection trade secrets or confidential information in the United States and European Union.

Key words: Trade secrets, confidential information, India and Trade secret protection

1. Introduction

Intellectual Property (IP) has become one of the most important assets when it comes to any form business. The progress and well-being of humanity rest on its capacity to create and invent new works in the areas of technology and culture.¹ It not only helps get legal protection for new creations but also further encourages the innovations and commitment of additional resources for the same. The promotion and protection of IP increases economic growth, creates new jobs and industries thus, enhancing the quality of life of all sets of people. An efficient and equitable intellectual property system can help all countries to realize intellectual property’s potential as a catalyst for economic development and social and cultural well-being.² The intellectual property system, which provides an environment where creativity and innovation can flourish, helps strike a balance between the interests of innovators and the public interest for the benefit of all.

IP being an important source of wealth creation and economic growth gives a unique competitive advantage to the businesses. Heightening the value of their IP is becoming a priority of the businesses hence forging alliances with each other for the same. Thus,

¹ WIPO, *What is Intellectual Property available at*
<https://www.wipo.int/edocs/pubdocs/en/intproperty/450/wipo_pub_450.pdf> accessed on 04 September 2020
² *ibid*

organizations accumulate large IP assets for use through mergers and acquisitions, joint ventures, cooperative R&D and licensing agreements.³

Black law dictionary defines Trade secret is an Intellectual property just like Trademark, Patent and copyright. The subject matter for which is know how, formulas, processes and confidential information which provides the business owner with a competitive advantage. Trade secrets encompass manufacturing or industrial secrets and commercial secrets.⁴ The unauthorized use of such information by any person other than the holder is regarded as an unfair practice and a violation of the trade secret.

Protection of trade secret has become a major 21st century IP issue. For governments, compelling trade secret laws are a significant piece of a well-working national development framework. For organizations, securing competitive advantages has gotten progressively essential to investment choices and achievement.

Various countries have comprehended the fact that more effective trade secret protection is a key competitive advantage, but unfortunately, India's trade secret laws are yet to evolve to a stage where it can meet the upcoming challenges. The United States (US) and the European Union (EU) have amended their statutes to make their trade secret laws more in accordance with the existing issues of trade secret. India could benefit in the from following their lead.

This article explores the importance of trade secret and the necessity to have a separate legislation for the protection of trade secret. It also tries to understand the various provisions of protecting trade secrets in different jurisdictions.

2. Trade secret under the TRIPS Agreement

The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) brings all the intellectual property rights together under a common international set of rules and establishing minimum standards of IPR protection, which will allow for trans-border technology flows. The TRIPS Agreement is the first multi-lateral instrument dealing with trade secret or undisclosed information. Prior to the TRIPS agreement, Article 10 bis of the Paris Convention which consisted of only the general obligations in respect of unfair competition was found. While there are procedural formalities and requirement of registration for the protection of patents, there are no such requirements for the protection of trade secrets. Accordingly, a trade secret can be protected for as long as the business wants. The protection trade secrets seem particularly attractive to SMEs however there are certain conditions to be complied with for the information to be considered a trade secret and these conditions, different in various jurisdictions, sometimes turn out to be difficult to comply with. Even though protection of trade secret is different in various jurisdictions there is common standard established in Article 39 of the TRIPS agreement.

³ D.S. Sengar, "PROTECTION OF TRADE SECRETS AND UNDISCLOSED INFORMATION: LAW AND LITIGATION" (2011) Vol. 53, No. 2 Journal of the Indian Law Institute 254

⁴ IPEG, TRADE SCERETS (*ipeg*, 2016) <<https://www.ipeg.com/trade-secrets/>> accessed on 04 September 2020

Article 39 of the TRIPS compels the member states to protect undisclosed information (Trade Secrets) based on Article 10 bis of the Paris Convention. One must note that Article 39 does not consist of 'Trade Secret' or 'know-how' in its text. 'Undisclosed Information' is defined in article 1(2) of TRIPS as one of the categories of IP. The obligation of member states under Article 39 is only to the extent of protecting undisclosed information against unfair competition as given under Article 10 bis of the Paris Convention. Article 39 (1) reads - '*In the course of ensuring effective protection against unfair competition as provided in Article 10 bis of the Paris Convention (1967)*'. A plain reading of this provision might make the reader to believe that only those WTO members who were party to the Paris Convention have obligations under this. But this is not the case, as even WTO members not party to the Paris Convention must comply with Article 10 bis, as provided under Article 2(1) of TRIPS. It now becomes important to understand what constitutes as an act of unfair competition to understand the obligation of the states in the protection of trade secret. An act of unfair competition can be understood as follows:

*"Any act or practice, in the course of industrial or commercial activities, that results in the disclosure, acquisition or use by others of secret information without the consent of the person lawfully in control of that information (hereinafter referred to as "the rightful holder") and in a manner contrary to honest commercial practices shall constitute an act of unfair competition."*⁵

"Undisclosed information" has not been clearly defined under article 39(2) of the TRIPS agreement, it merely states the conditions/requirements that the information needs to meet in order to qualify as 'undisclosed' and protectable.

Being the operative part of the provision, Article 39(2) specifies the conditions governing any disclosure of the information concerned:

a) It should be a secret: This clause does not mean that the information to unknown to the parties but in the sense that as in it isn't, as a body or in the exact arrangement and get together of its parts, by and large known among or promptly available to people inside the circles that regularly manage the sort of information being referred to. This arrangement joins an arrangement of mystery by giving that the important data must be 'not for the most part known' or 'promptly open'. The degree of mystery might be controlled by contrasting it and the information on an individual talented in the craftsmanship who approaches ordinary wellsprings of specific data.

b) It should possess a commercial value: The data must have business esteem since it is secret i.e. the data must give an upper hand. The data need not really have the option to incorporate in a significant manner. The way that contenders or potentially buyers may see such data as having esteem since it is stayed quiet would be adequate to give its holder an upper hand.

⁵ Article 6 Unfair Competition in Respect of Secret Information MODEL PROVISIONS ON PROTECTION AGAINST UNFAIR COMPETITION by International Bureau of WIPO available at <https://www.wipo.int/edocs/pubdocs/en/intproperty/832/wipo_pub_832.pdf>

c) It should be subject to reasonable steps, under the circumstances to be kept secret: The data more likely than not been dependent upon sensible strides considering the present situation, by the individual legitimately in charge of the data, to keep it mystery. The arrangement is ambiguous in as much as it doesn't distinguish the kind of steps that could be taken, for example, encryption, safes, division of work, legally binding limitations, and so forth.⁶

As opposed to regarding such undisclosed data as a type of property, the understanding necessitates that an individual legally in charge of such data must have the chance of keeping it from being revealed to, obtained by, or utilized by others without his assent in a way in opposition to legitimate business practice.

3. Trade secret protection in the United States

There is no particular law in numerous different nations to ensure the protection of trade secrets to ensure competitive advantage. But the United States of America since they have set up the different law to secure the confidential information however in different nations legal courts need to choose the issue as indicated by customary law activity of rupture of certainty, which as a result adds up to a break of authoritative commitment. The American Innovation and Competitiveness Act ("AICA") enacted in 2017 is the freshest and least created of the "big four" kinds of intellectual property ("IP"): patents, copyrights, trademarks, and trade secrets or confidential information.

3.1 Legal Provisions for Protection of trade secrets in USA

The Economic Espionage Act of 1996 criminalizes trade theft under two sets of situations. First, general economic espionage which refers to the theft of a trade secret "intending or knowing that the offense will benefit any foreign government, foreign instrumentality, or foreign agent."⁷ The second organisational espionage which refers to the theft of trade secrets "that is related to a product or service used in or intended for use in interstate or foreign commerce, to the economic benefit of anyone other than the owner thereof, and intending or knowing that the offense will, injure any owner of that trade secret."⁸ These crimes are prosecuted by the Department of Justice and are punishable by imprisonment and/or fines.⁹

On May 11, 2016, President Obama marked the Defend Trade Secrets Act (DTSA) into law. The DTSA delighted in wide, bipartisan help paving the way to its establishment, going in the House by a vote of 410-2 and passing collectively in the Senate. This landmark legislation amended the existing Economic Espionage Act to start a private civil cause of action for the misappropriation of a trade secret. This cause of action affords trade secret proprietors with a

⁶ Article 39(2) of Agreement on Trade-Related Aspects of Intellectual Property Rights (Marrakesh, Morocco, 15 April 1994), Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 321 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement].

⁷ 18 USC § 1831 <<https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title18-section1831&num=0&edition=prelim>>

⁸ *ibid*

⁹ Trade secret policy | USPTO available at <<https://www.uspto.gov/ip-policy/trade-secret-policy#>> accessed on 05 September 2020

uniform, reliable, and predictable way to guard their valuable trade secrets anyplace in the country. As DTSA does not pre-empt standing state trade secret law, thus giving flexibility to trade secret proprietors to choose between state or federal venues.

U.S. courts can protect a trade secret by (a) ordering that the misappropriation stop, (b) that the secret be protected from public exposure, and (c) in extraordinary circumstances, ordering the seizure of the misappropriated trade secret.¹⁰ At the conclusion of a trade secret case, courts can award damages, court costs, reasonable attorneys' fees and a permanent injunction, if warranted.¹¹

4. Trade secret protection in European Union

The current interwoven of national prized formula law in the European Union, and the absence of harmonization among the 28-part condition of the EU, makes it hard and in different cases almost outlandish for organizations to ensure and furthermore implement their competitive advantages.¹² This Directive means to control the previously veering national laws on the assurance against the misappropriation of trade secrets that will thus empower organizations to endeavor and offer their competitive advantages with favored colleagues over the Internal Market, transforming their imaginative thoughts into development and employments.¹³ The directive harmonizes the definition of trade secrets in accordance with existing internationally binding standards. It also defines the relevant forms of misappropriation and clarifies that reverse engineering and parallel innovation must be guaranteed, given that trade secrets are not a form of exclusive intellectual property right.¹⁴

EU being a signatory to the TRIPS convention bases substantially the definition of “misappropriation” with Article 39 of the TRIPS Agreement, which in turn was based on principles of US law (the UTSA). Article 4 of the Directive titled as “unlawful acquisition, use or disclosure of trade secrets” outlines the circumstances where misappropriation takes place.¹⁵ The acquisition of a trade secret without consent of the trade secret holder is considered unlawful when it occurs by unauthorised access to, appropriation of, or copying of documents, objects, materials, substances or electronic files which contain the trade secret and which are lawfully under the control of the trade secret holder, or by any other conduct that is “contrary to honest commercial practices”.¹⁶ The use or disclosure of a trade secret is held unlawful whenever (a) the trade secret has been unlawfully acquired, or (b) such action constitutes a breach of a contractual or other duty not to disclose or limit the use of the trade secret, and occurs without consent of the trade secret holder.¹⁷ Contrary to the originally

¹⁰ *ibid*

¹¹ *ibid*

¹² Paul L C TORREMANS, ‘The Road Towards the Harmonization of Trade Secrets Law in the European Union’, (2015) 20 *Rev Prop Inmaterial* 27

¹³ EC, ‘Trade Secrets’ available at <https://ec.europa.eu/growth/industry/intellectual-property/trade-secrets_en>

¹⁴ 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 [2016] OJ L 157/1 (Trade Secret Directive)

¹⁵ *ibid* article 4

¹⁶ *ibid* article 4(2)

¹⁷ *ibid* article 4(3)

proposed legislation by the EU Commission, intent or negligence are, in principle, not required elements of any misappropriation of a trade secret.¹⁸ Consequently the legitimate trade secret holder can attain an injunction against an infringer along prohibiting the production, offering, placing on the market or use of infringing goods irrespective of any wrongdoing.¹⁹ Contrasting this, while claiming for damages the infringer is required to know or ought to have known that the activity being engaged in was a misappropriation of a trade secret.²⁰ Freedom of speech, revealing of misconduct wrongdoing or illegal activity, disclosure by workers to their unions or national law and for the protecting a legitimate interest recognised by Union or national law are all the exceptions provided under this directive.²¹ Section 2 of the directive deals with the provisional and precautionary measures while section 3 deals with Measures resulting from a decision on the merits of the case which includes Injunctions and corrective measures and damages.

5. Trade secret protection in India

It has always been the stand of India to not consider trade secrets as form of IP. This has been reiterated in the 1989 GATT (General Agreement on Tariffs and Trade) discussion paper of India that sets out that trade secrets cannot be considered to be intellectual property rights, because while the fundamental basis of intellectual property right rests in its disclosure, publication and registration, trade secrets are premised upon secrecy and confidentiality.

Due to this approach there is no specific legislation in India for the protection of trade secrets and confidential information. Nevertheless, Indian courts have upheld this protection on basis of principles of equity, and at times, upon common law action of breach of confidence which in turn amounts to breach of contractual obligations.²² The remedies available to the owner of trade secrets is to obtain an injunction preventing the licensee from disclosing the trade secret, return of all confidential information and compensation for losses, if any incurred due to disclosure of such confidential information.²³

5.1 Judicial rulings in the cases of misappropriation of Trade Secrets

Indian courts and tribunals in the absence of legislation have made it abundantly clear that trade secrets or confidential information will be protected through common law as it is essential for the betterment of businesses. Judiciary has tried to address almost all aspects of trade secret protection, from defining trade secret/confidential information, to the grounds under which trade secrets can be protected, to the scope of remedies. While they may have drawn extensively from English case laws in the past, the courts are now increasingly relying upon the growing body of domestic jurisprudence on trade secret protection.

¹⁸ International Chamber of Commerce (ICC), “PROTECTING TRADE SECRETS—RECENT EU AND US REFORMS” (2019) available at < <https://iccwbo.org/content/uploads/sites/3/2019/04/final-icc-report-protecting-trade-secrets.pdf>>

¹⁹ Trade Secret Directive article 10(1)

²⁰ *ibid* article 4(4)

²¹ *ibid* article 5

²² Niharika Swaroop, ‘SECRETS OF TRADE SECRETS’ (LL.B Dissertation, Indian Institute of Technology, Kharagpur APRIL 2014)

²³ *ibid*

The Indian Courts have streamlined 3 sets of circumstances out of which proceedings may arise²⁴:

- (a) When any employee comes into possession of a secret or any confidential information in normal course of his work, and either carelessly or deliberately transfers that information to any unauthorized person;
- (b) When any unauthorized person (may be a new employer) incites such an employee to provide him with such information as has been mentioned above; and
- (c) When, under a license for the use of know-how, a licensee is in breach of a condition, either expressed in any agreement or implied from conduct, to maintain secrecy in respect of such know-how and fails to do so.

The courts have gone into the detail of laying down a vast amount of substantive law dealing with trade secrets.

- a) What does trade secret or confidential information comprise of?

One of the most extensively relied upon decisions of the Court of Appeal by the Indian Judiciary is the *Saltman Engineering Co. Vs Campbell Engineering Co Ltd.* (hereinafter ‘Saltman case’). It is an important judgment to establish whether information shared between the owner and the recipient is confidential or not. The court in this case, held that for an information to be confidential information “*it must not be something which is public property or public knowledge. On the other hand, it is perfectly possible to have a confidential document, be it a formula, a plan, a sketch or something of that kind, which is the result of work done by the maker on materials which may be available for the use of anybody; but what makes it confidential is the fact that the maker of the document has used his brain and thus produced a result which can only be produced by somebody who goes through the same process.*”²⁵

Following a similar route, Delhi High Court in the *Ambiance India Pvt. Ltd Vs Shri Naveen Jain*²⁶ held that “*a trade secret is some protected and confidential information which the employee has acquired in the course of his employment and which should not reach others in the interest of the employer. However, routine day-to-day affairs of employer which are in the knowledge of many and are commonly known to others cannot be called trade secrets. A trade secret can be a formulae, technical know-how or a peculiar mode or method of business adopted by an employer which is unknown to others.*”²⁷

²⁴ Khurana and Khurana, ‘Protecting Trade Secrets In India In The Absence Of A Regime’ (*KhuranaandKhurana law*, 9 June 2020) <<https://www.khuranaandkhurana.com/2020/06/09/protecting-trade-secrets-in-india-in-the-absence-of-a-regime/>> accessed on 05 September 2020

²⁵ Khurana and Khurana, ‘Protecting Trade Secrets In India In The Absence Of A Regime’ (*KhuranaandKhurana law*, 9 June 2020) <<https://www.khuranaandkhurana.com/2020/06/09/protecting-trade-secrets-in-india-in-the-absence-of-a-regime/>> accessed on 05 September 2020

²⁶ *Ambiance India Pvt. Ltd. vs Shri Naveen Jain* 122 (2005) DLT 421

²⁷ *ibid*

The courts decisions clear reveal that information which is duly protected by its owner and which can be potentially damaging to the owner if it is disclosed would get covered as trade secret or confidential information.²⁸ It could also include joint venture agreements, loan agreements, and lists of clients or disclosure agreements relating to clients.²⁹

b) Who is it protected against?

As these trade secrets or confidential information is vital to the functioning of the business entities, it is often shared with a number of people like the employees or business associates such as suppliers etc. The contracts entered to with such parties, whereby the parties have some sort of access to confidential information, have extensive non-disclosure clauses. The contracts or confidentiality clause typically entail the employee to keep confidential information protected and not disclose it while the employment lasts and thereafter. There is also a non-compete clause which ensures that the employee cannot work in a similar field for a stipulated period.

Such restrictions placed by the business entities in contracts is often upheld by the courts, though an important consideration has been the reasonableness of these restrictive covenants in contracts. This issue had come into consideration before Supreme Court in the case of Niranjana Shankar Golikari v. Century Spinning and Mfg Co. Ltd.³⁰ The Apex court held that negative covenants operative in the period of the contract of employment cannot generally be considered to be in restraint of trade as per section 27 of the Indian Contract Act. It also stated that negative covenant that the employee does not engage himself in a trade or business or get self-employed and perform similar or substantially similar duties is not a restraint of trade unless the contract is unconscionable or excessively harsh or unreasonable or one sided.³¹ In the extant case it found that the restriction as placed in the contract as reasonable and did not amount to restraint of trade.³²

c) Can these trade secrets be protected against the inevitable disclosure in court?

One of the most important concern of any proprietor who owns confidential information is the inevitable disclosure of such information during the court proceedings. In a 9-bench judgment of Naresh Shridhar Mirajkar and Ors Vs State of Maharashtra and Anr³³, the apex court of examined this issue in detail. It was apparent from the opinion of the was that ensuring non-disclosure of trade secrets in court proceedings is an essential concern of not only the proprietors but also the courts. The case was with regards to a defamation suit filed

²⁸ Fairfest case (2015), the Delhi High Court in Diljeet Titus Vs Alfred A Adebare and Ors (2006), Hi-Tech Systems and Services Ltd Vs Suprabhat Ray and Ors (2015) and Burlington Home Shopping Pvt. Ltd Vs Rajnish Chibber (1995)

²⁹ Diljeet Titus Vs Alfred A Adebare &Ors (Delhi High Court; 2006) Eq. citation: 130 (2006) DLT 330, 2006 (32) PTC 609 Del

³⁰ 1967 AIR 1098, 1967 SCR (2) 378

³¹ ibid

³² ibid

³³ 967 AIR 1, 1966 SCR (3) 744

against the Blitz magazine in the High Court of Bombay. The court had agreed to the plea of one of the witnesses so as to not provide evidence in public. Consequently, one of the journalists moved the Supreme Court under Article 32 of the Constitution for alleged violation of Article 19 of the Constitution on the grounds that the fundamental rights of the petitioners were violated. This case brought up two fundamental issues before the supreme court. The issue was whether the high court had the power to allow ‘in camera’ proceedings and if such an order was given whether it would violate parties fundamental right under article 19. Addressing this issue, apex court stated that although no expression provision was provided in the civil procedure code, court has an inherent jurisdiction to pass an order excluding the public if the nature of the case mandates such a course to be adopted. On the second issue of whether such order would violate fundamental rights, the apex court detailed that “trial in closed session is generally, ordered to prevent publicity which is likely to deter parties or their witnesses from giving evidence, on account of the nature of the evidence such as, matters publication of which may harm the interests of the State or the public at large, for instance, disclosure of official secrets, or matters which lead to publication of secret processes, publication of which would destroy the very basis of the claim for relief etc.”³⁴ Thus giving the owners of Trade secrets or Confidential Information the much needed confidence that their information would not be made public during the court proceedings.

At present even though judicial rulings are the only through which the companies are able to protect their secrets, the government did make an effort to legislate for the same. The Department of Science and Technology (DST) had introduced the draft known as ‘the National Innovation (Draft) Act’ in the year 2008 as an attempt to regulate and protect trade secrets or confidential information.

5.2 National Innovation bill 2008

In the year 2008 the Indian Government had taken a step towards regulating trade secrets by releasing a draft National Innovation Act (NI Act), 2008. Released by the Department of Science and Technology, this legislation aims at building a comprehensive framework to encourage innovation. The broad objectives of the draft legislation are: facilitating public, private, or a consortium of public-private initiatives to build an innovation support system, evolving a National Integrated Science and Technology Plan and Codifying and consolidating the law of confidentiality to protect Confidential Information, Trade Secrets and Innovation.³⁵

As per the draft NI Act, trade secret and confidential information are expounded in Chapter VI titled as “Confidentiality and Confidential Information and Remedies and Offences”. The chapter elucidates on Obligations of Confidentiality and remedies to protect and preserve confidentiality whereas “confidential information” is defined under Section 2 (3) which states

³⁴ Naresh Shridhar Mirajkar and Ors Vs State of Maharashtra and Anr. 1966 SCR (3) 744

³⁵ Zafar Mahfooz Nomani & Faizanur. Rahman, Intellection of Trade Secret and Innovation. Laws in India, 16(4) J. INTELL. PROP. RTS. 341-347. (July 2011).

that “*Confidential Information means information, including a formula, pattern, compilation, program device, method, technique or process, that:*

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

This definition is considered very close to the existing definition of confidential information under the trips agreement. This draft NI Act casts a responsibility of confidentiality to parties contractually set out the terms and conditions governing rights and obligations in respect of confidential information and prevents misappropriation.³⁶ The confidentiality arising from non-contractual relationships such as equitable considerations may also create rights to maintain and obligation as to preserve confidentiality and rights to prevent disclosure into public domain.³⁷

Remedies to protect and preserve confidentiality along with orders to prevent threatened or apprehended misappropriation of information is provided under section 10 of the Act. It prescribes certain guidelines to be able to do the same and protect confidential information from being abused, pending proceedings before court. These guidelines include: (i) grant of mandatory protective orders (ii) holding proceedings in-camera (iii) filings or recording confidentially of the information, and (iv) ordering any person or class of persons impleaded in an action not to disclose the confidential information without prior orders of the court.³⁸

Along with exceptions that can be pleaded in an action for the misappropriation of confidential information,³⁹ the act also contains specific interim reliefs that are available to the parties of such an action.⁴⁰ According to section 13 of the act mandatory damages are imposed on the misappropriator if the confidential information either directly or indirectly or made it to fall into the hands of a third party or into the public domain without consent and knowledge of the complainant.⁴¹ The final section of the chapter, immunises all persons who comes under the ambit of the Act from taking up any judicial proceedings against them for acts done in good faith or purporting to be so done under this Act or the Rules and Regulations made under the Act.⁴² The status of the draft is unclear at the moment.

³⁶ Draft NI Act, Section 8

³⁷ *ibid* Section 9

³⁸ Section 10 of the NI Act, 2008

³⁹ Section 11 of the NI Act, 2008

⁴⁰ Section 12 of the NI Act, 2008

⁴¹ Section 13 of the NI Act, 2008

⁴² Patil, Gouramma, Critical Analysis of 'The National Innovation (Draft) Act, 2008' (March 26, 2013). Available at SSRN: <https://ssrn.com/abstract=2239718> or <http://dx.doi.org/10.2139/ssrn.2239718>

5.3 Critical Analysis of the NI Act 2008

Like every legislation in India, the National Innovation Act 2005 has both pros and cons. There are a bunch of flaws and some good points to this legislation.

The draft Act does not stand as a sole piece of legislation to codify and combine the law of trade secrets or confidential relation. As the act deals with subject matters which but not limited, to includes other allied areas such encouragement and development of innovation, marketing of results of innovation as rightly pointed out by the title of the draft act. The act tries to address a lot of the issues together making it more of a policy document then a law. Chapter VI which exclusively contains provisions related to issues concerning to confidential information. Section 9 states that the respective rights and obligations of parties in relation to the confidential information shall be governed by such terms and conditions as may be prescribed by the appropriate Government. Commonly the parties have contractual agreements to govern their rights and obligations in relation confidential information which would be reasonable, but it is irrational and unjust that such power has been conferred on Government. Absolute power bestowed on the government could lead to irrationality, unfairness and unjustness. The act also falls short of providing any new remedies in case of misappropriation as the ones already mentioned are available under the existing judicial system. In addition, to this the Act has been unsuccessful in laying down any penalty provisions in case of misappropriation which is observed as grave offence in relation to confidential information. Exceptions provided under section 11 to the breaching trade secrets includes a ground for public interest. The word “Public Interest” has always drawn criticism for being vague and the same can be said for this draft act.

Another controversial section 12(4) states that an injunction restraining uses of confidential information “may stipulate conditions for future use upon payment of a reasonable royalty for no longer than the period of time for which use could have been prohibited.” This exception from infringement is synonymous to introduce a compulsory license in trade secrets. Along with these flaws another flaw could be pointed out in section 14 of the Act because section unconditionally exempts a person for acts done in good faith or purporting to be so done under the Act, rules or regulations made there under, this provision can be misused by any person in any number of ways.

6. CONCLUSION

In this era of a globalized world, companies need assurances that their trade secrets are protected by a codified law under the country’s law. In India these are historically, protected with the help of available provisions of Indian Contract Law and common law provisions. Specific law for the protection of Trade secret protection in India is still a dream one could hope for. This indeed is divergent to the global trend in the direction of codification of common law principles for trade secret protection. The TRIPS Agreement 1995 and article 10 of the Paris Convention enforces a duty on signatories to protect confidential information to which India is a signatory. The kind of protection predicted by the TRIPS Agreement is not

similar to the one afforded by the Indian judiciary. Even though the National Innovation Act is nowhere to be found, TRIPS place an obligation on India for a legislation to protect confidential information. There is enough legislative literature for India to base its trade secrets act. The proposed legislation must include a comprehensive definition for trade secret and its prerequisites and also recognize the tort of misappropriation, which can be committed through improper means or breach of confidence.