

Intellectual Property Rights, And Competition Law
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Lecture - 07
Trade Secrets or Undisclosed Information

Dear students the last category which is mentioned in the TRIPS agreement of Intellectual Property is the *Undisclosed Information or Trade Secrets*. What do you mean by trade secrets? Whether all the secrets are trade secrets? They are not. There must be some prerequisites for something, some information to be considered as a trade secret.

And we will look into what are the criteria for informations to become trade secrets and what are the measures to be taken to keep trade secrets and why it is considered as an intellectual property and what are the advantages and what are the disadvantages of trade secrets and also some of the case studies like Coca Cola which is the best kept trade secret so far in the world.

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So, you can see the one of the best kept secret till date. For centuries it is kept as a secret. Why it is kept as a secret? Because it is trade secrets. The moment it is disclosed to the

public or to anybody else it is no more a trade secret. It must be kept a secret forever then only it is going to be a trade secret.

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Trade Secrets – value

- BENGALURU: Computer Sciences Corp. (CSC) has filed a lawsuit against Tata Consultancy Services, alleging that the Indian IT bellwether is stealing its trade secrets to build an insurance platform, following a \$2-billion deal that TCSNSE -3.76 % won from US insurer TransAmerica last year.

Source: Economic Times April 30, 2019

The slide features a green and yellow background. At the bottom, there are logos for 'st' (St. Joseph's College), 'NPTEL' (National Programme on Technology Enhanced Learning), and a copyright notice: '© KDR/IT KGP/RGSC/PL/PR-2019'. A small portrait of a man in a white shirt is visible in the bottom right corner of the slide.

And why the trade secrets are important in the present day context? Very few days back the economic times reported that one of the Indian giant, Indian *IT* giant has been accused by one US company of data theft.

And they asked for a huge amount as compensation and they are going for suits in the United States against the countries. This is not knew. The Indian companies face these kind of cases in the United States and other jurisdictions where the trade secret is considered as a very important intellectual property. And sufficient legislative measures are taken by countries like United States for protecting trade secrets.

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Trade Secrets – value

Biswamohan Pani, a low-level engineer at Intel, made off with information valued by Intel at more than \$1 billion, according to a Nov. 5 indictment in 2008.

A former Dow research scientist has been charged with stealing trade secrets.

The indictment alleges that Kexu Huang - a Chinese national who was granted permanent legal status in the US - stole trade secrets while employed at Dow AgroSciences from 2003 to 2008.



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And if you see some more examples you can find in all these cases either there Indian people are involved or the Chinese people are involved or other people are involved in theft of trade secrets from the companies, the American companies or other companies. They are involved and heavy penalty or punishment is prescribed in the legislations of those countries.

For example, the *uniform trade secrets act* of United States prescribes and other state legislations prescribe heavy penalties for theft of trade secrets. So, you can even be jailed for 20 years of time which is more than life imprisonment in India.

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Theft by Indians

Feb 18, 2011 - An Indian ex-employee of pharma company Bristol-Myers-Squibb, who admitted stealing trade secrets from the drug manufacturer for his planned business venture in India, was awarded a year in jail today, a sentence he has already served. Shalin Jhaveri, 30 is expected to be deported to India.

May 29, 2014 - An Indian engineer Ketankumar Maniar (37) admitted, pleaded guilty to stealing trade secrets from two global medical technology companies based in New Jersey and faces up to 20 years in prison when sentenced.

The slide features a speaker in the bottom right corner and logos for IIT KGP and NPTEL at the bottom. The NPTEL logo includes the text '© KDR/IT KGP/RGSOIPL/IPR 2019'.

So, there is heavy penalty in other countries. And I am not going to elaborate upon. I want to tell that a lot of cases have been filed in the United States and other countries where the trade secret is considered as an important intellectual property and remedial measures have been taken by the authorities for the theft of trade secrets.

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GRAFFITI™

WOMEN NEVER GIVE AWAY SECRETS THEY TRADE THEM

The slide features a speaker in the bottom right corner and logos for IIT KGP and NPTEL at the bottom. The NPTEL logo includes the text '© KDR/IT KGP/RGSOIPL/IPR 2019'.

And so there is a saying that women are the best people to keep the secrets.

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Trade Secret in India

- In India, the law regarding the protection of trade secrets and confidential information is prescribed by common law.
- This method of protection for trade and commercial secrets therefore needs to be managed by the entity wishing to keep something a secret.
- Protection is usually maintained by not disclosing the secret information at all (or by disclosing to only a very limited number of recipients). When disclosure is unavoidable, best practice would mandate that such disclosure is made only after comprehensive written confidentiality agreements have been agreed by the discloser and recipients.

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So, we will see some of the cases later with regard to this.

But if you look in India, the trade secrets are not protected under any specific legislations, no specific legislation is available for the protection of trade secrets rather in India the common law protection is following. So, there are contractual protections, contractual law protections and other law protections are available in India for maintaining the *Data*.

So, the maintaining of data is exclusively by contract between people. So, whether it is an employer-employee or it is a contractor and employee, these are exclusively based on the agreements, the confidentiality agreements or non disclosure agreements between the parties. So, the remedies also will be depend upon what kind of agreements is entered into between these parties.

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Confidentiality Agreements

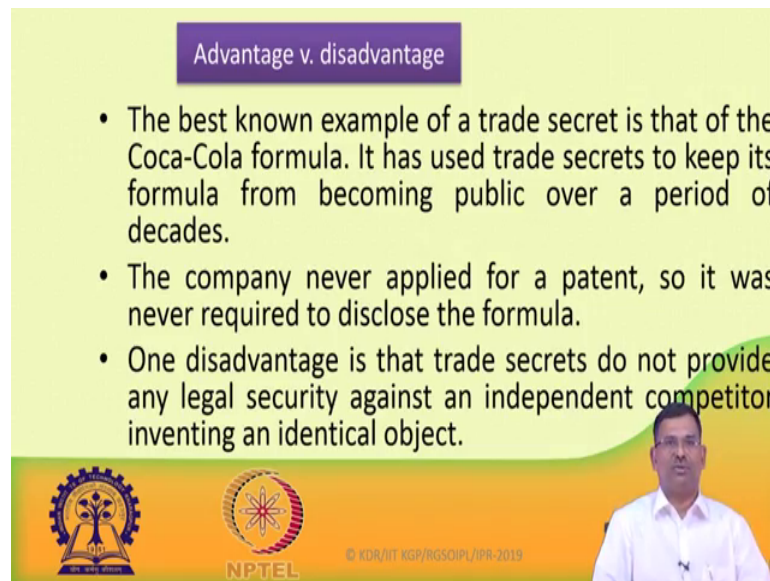
- The purpose of these agreements is to contractually agree to the terms of the use and disclosure of the confidential information, and provide written evidence of such an agreement.
- These agreements can be made with anyone, including employees, business partners, business associates, research academics - indeed with anyone whom you wish to impose an obligation of confidence upon regarding the use and disclosure of your confidential information.
- Trade secrets are most effective in cases where the product is difficult to reverse engineer - that is, difficult to recreate from scratch.

The slide features a purple header with the title 'Confidentiality Agreements'. Below the text are three logos: the Indian Institute of Technology (IIT) logo on the left, the NPTEL logo in the center, and a portrait of a man in a white shirt on the right. At the bottom, there is a copyright notice: '© KDR/IT KGP/RGSOIPL/PR 2019'.

And you can see the purpose of these contractual agreements: in terms of disclosure of confidential information; evidence of whether it is a theft or this is voluntary or involuntary protection of trade secrets, whether there is any obligation on the part of the employees to protect the trade secrets.

If we say that legislatively there is no obligation on the employee to protect the trade secrets of the employer, then the appointment orders or the non disclosure agreements compel or the common law compels the employees to protect the trade secrets of the employers which includes all the people whether business partners or business associates or research academics or the people those who deal with number of secrets, trade secrets and it is their duty to protect it as trade secrets. But the only problem is that in the absence of an agreement taking remedial measures will be very difficult.

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Advantage v. disadvantage

- The best known example of a trade secret is that of the Coca-Cola formula. It has used trade secrets to keep its formula from becoming public over a period of decades.
- The company never applied for a patent, so it was never required to disclose the formula.
- One disadvantage is that trade secrets do not provide any legal security against an independent competitor inventing an identical object.

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So, we will look into the advantages and disadvantages of trade secrets. As I already stated that the Coca Cola is one of the best kept trade secret so far along with Pepsi Cola. So, whenever there is an attempt in the Coca Cola or attempt to sell some of the formulas to the Pepsi Cola either the Pepsi Cola informed the Coca Cola or Coca Cola informed the Pepsi Cola and there is a cooperation between the two companies in protecting their trade secrets. So, as I told you these companies never applied for a patent. So, they are never required to disclose the formula to the public, one, at the same time for the trade secrets you never have to go for a patenting process at all.

But the problem is that it is never available to the public at large. So, any trade secret will be considered as secret forever unless and until it is disclosed. And also there is no legal scrutiny or legal security against independent competitors; that means, the moment trade secrets are leaked, trade secrets are disclosed to somebody they are no more a trade secret. That means, there is no monopoly protection available to them for a limited period of time. That means, the protection is forever unless and until it is kept as a trade secret.



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Why Trade Secret Protection Is Important

Patents, trademarks and copyrights are obtained through application to government agencies and defended by lawsuits against infringers.



TRADE SECRETS
Trade secrets are the neglected sibling, and yet may represent the largest single contribution to intangible assets.



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So, trade secret is not the protection or the invention of 21st century or 20th century. It is mentioned that the famous painter Leonardo Da Vinci when he used to make his paintings he never allowed anybody to enter into the hall. He kept it a secret. How the method of painting is that was kept as a secret. It means the application of trade secrets are from the very beginning or it is from time immemorial period. The secrets are kept, but trade secrets are kept only for some of the products mainly because of its uncertainty; uncertainty of its security; uncertainty of security once it is released it is no more a trade secret.

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The slide features the Coca-Cola logo at the top left. Below it is a red circular logo with a glass bottle. To the right is a glass of Coca-Cola with the script logo embossed on it. Further right is a small image of a Coca-Cola bottle. A green box below the bottle image contains the text "\$60 Billion". A black box on the left contains "132 years". A blue box in the center contains the text: "Merchandise 7X is the 'secret ingredient' in Coca-Cola and has apparently remained a secret since its formulation in 1886." At the bottom, there are logos for IIT KGP and NPTEL, and a small video inset of a man in a white shirt.

There is a lot of discussion as to why it is a neglected sibling, trade secret is considered to be a neglected sibling in some of the countries like the developing countries, but in developed countries this is considered to be one of the best legislations to protect the trade secrets.

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The slide is titled "COCA-COLA TRADE SECRETS" in red. It contains three columns of text and two images. The first column describes Pemberton as a medicine inventor and morphine addict who created Coca-Cola from a secret mixture of stimulant coca-leaf and African kola nuts, which contain caffeine. The second column states he originally sold it as Pemberton's French Wine Coca, a knock-off of the popular Mariani wine favoured by Queen Victoria, produced by a Corsican entrepreneur who added cocaine to low-grade Bordeaux. The third column explains that when Atlanta declared Prohibition in 1886, Pemberton recreated his beverage as a "temperance drink" and gave it the name suggested by his book-keeper, Coca-Cola. The fourth column describes Bradham, a medical school drop-out, who entered the market in 1893 with a concoction intended to cure stomach pains or dyspepsia. His recipe contained pepsin, a digestive enzyme extracted from pigs' stomachs. "Brad's Drink" became Pepsin Cola in 1896 and then Pepsi-Cola in 1898. The slide includes the IIT KGP and NPTEL logos at the bottom and a video inset of a man in a white shirt.

Because the value of trade secrets are very much important to the companies like whether it is Coca Cola or it is Pepsi Cola. The moment trade secrets are released or

whenever there is an attempt to release these products or if you look into the history of production of these particular products it is always kept as a secret.

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THREE CHARGED WITH STEALING
COCA-COLA TRADE SECRETS

The soft-drinks makers have been battling ever since Caleb Bradham, of North Carolina, came up with Pepsi-Cola, originally called "Brad's Drink", to rival Coca-Cola, concocted by John Pemberton, an Atlanta pharmacist, seven years earlier, in 1886.



When PepsiCo received a mysterious letter in May offering "very detailed and confidential information" on Coke, the company quickly tipped off its main competitor.



The FBI mounted a sting operation and made three arrests — including the secretary of a top Coke executive — on the day a \$1.5 million payment was to be made.



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And the cooperation between competitors is also very important in keeping the secrets and the best examples are as I already mentioned that the cooperation between Coca Cola and Pepsi Cola is best example of how they prevented others from the theft of trade secrets of each other's companies.


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Trade Secrets

- Some inventions, data, information cannot be protected by any of the available means of IPRs. Such information is held confidential as a trade secret.
- Trade secret can be an invention, idea, survey method, manufacturing process, experiment results, chemical formula, recipe, financial strategy, client database etc.

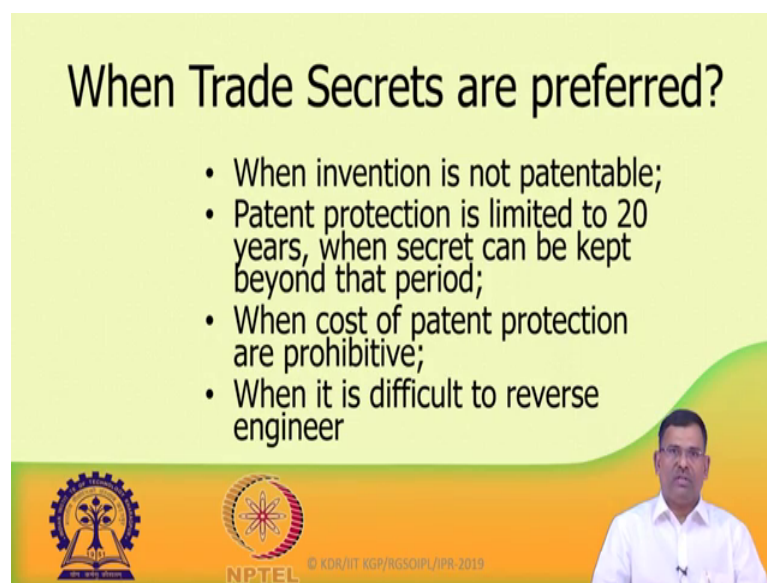


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And here I can say that the protection of every data is not trade secret, then what is trade secret? The trade secret, definitely the name itself says that, some secret which has to be kept as confidential are the trade secrets. For example, it may be an idea, it may be a database, it may be any kind of information which can become a trade secret, it may be a clinical formula or it can be a database of clients, it can be the financial strategies of a company. Anything can become a trade secret, but a mere data is not going to be a trade secret. It must depend upon what value that data has to that particular company.

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When Trade Secrets are preferred?

- When invention is not patentable;
- Patent protection is limited to 20 years, when secret can be kept beyond that period;
- When cost of patent protection are prohibitive;
- When it is difficult to reverse engineer

The slide features a light green background with a yellow-to-orange gradient at the bottom. On the left, there are two circular logos: one for IIT Kharagpur and one for NPTEL. In the center, the NPTEL logo is displayed with the text '© KDR/IT KGP/RGSCHPL/IPR, 2019'. On the right, there is a small inset image of a man in a white shirt.

When the trade secrets are preferred? If you look into the Coca Cola; the Coca Cola could have gone to the market with patenting then it would have been only valid for limited period of time and would have lost the entire value of the company after that period of time. But now it is kept as a secret forever and so the value of the company has increased and they have always keep it as a secret. So, for unlimited period of time the trade secrets can be kept. So, there is no limited period at all.

Even the cost of the patent protection is prohibitive. From time to time you have to go for renewal of the patent protection and it is only for a very limited period, but the trade secret protection is for, it can be for centuries, it can be for years. And you can go for trade secret protection when a product is very difficult to reverse engineer, if it is very easy to reverse engineer then it is better to go for patent protection rather than trade

secret protection because once it is a reverse engineered a particular product is no more going to be a trade secret.

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How to guard Trade Secret?

- Restricting number of people having access to secret information
- Signing confidentiality agreements with business partners and employees
- Using protective techniques like digital data security tools and restricting entry into area where trade secret is worked or held
- National legislations provide protection in form of injunction and damages if secret information is illegally acquired or used.

The slide features a green and yellow background. On the left, there are two logos: the IIT KGP logo and the NPTEL logo. On the right, there is a small video inset of a man in a white shirt. At the bottom, the text '© KDIR/IIT KGP/RGSOIPL/IPR-2019' is visible.

And what are the measures to be taken to guard the trade secrets? So, for example, in the case of every company you restrict people from accessing these kind of information. There will be some employees having access to these particular information but all the employees should not have access to this kind of information.

And signing confidentiality agreements with business partners, with employees will always help to keep the trade secrets. You can say that the protective techniques, the new techniques, the digital data security tools can be used for protecting these particular data and different people accessing the data.

So, restrictive measures can be in the form of passwords to the systems which are accessible to the employees. In many countries national legislations protects trade secrets, but unfortunately India does not have a trade secret protection law as such.

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Metal Mirrors of Aranmula

- Some undisclosed metals are alloyed with copper and tin to cast the Aranmula kannadi in typical clay moulds.
- The exact proportions of the two metals and the techniques of crafting it into an excellent reflecting surface is always kept as a **trade secret**.
- The method is the age-old lost-wax process in traditional style after melting the metals in a furnace fitted with a manual blower.
- Today, only five artisan families know the the metallurgical secret of the Aranmula kannadi, the world-famous metal mirrors.

The slide features three images of Aranmula mirrors: a large ornate one at the top left, a smaller one in the middle left, and a close-up of the reflective surface on the right. At the bottom, there are logos for IIT KGP and NPTEL, along with a small portrait of a man in a white shirt.

And I mentioned about this particular Aranmula mirror in the geographical indications class that this is registered geographical indication form Kerala. The mixing of these particular metals are only known to a few people for centuries. The alloy, what kind of metal alloy is used for making this particular mirror is considered and kept as a trade secret.

So, it is a trade secret, but always is going to be considered as a GI:Geographical Indication. So, there is double protection as a trade secret as well as a geographical indication of the same product. So, you can limit the access of information to the secrets. Whether it is formula or particular information to make that particular product it can be keep as a trade secret.

But if you are not taking sufficient means to protect that particular information as a trade secrets then it is no more going to be trade secret. So, everything will depend upon to what extent you take precautionary measures to limit the access to that information. This will decide whether it is going to be a trade secret or not.

And secondly, you have to take sufficient means to keep it as a secret in the ordinary course of trade and thirdly it should be kept away from the people. If people have ordinary access to that particular information then it is not going to be a trade secret. But

in India you can find a number of cases where the courts, Indian courts are in favour of protecting the trade secrets. You can find number of cases where the Delhi High Court and other high courts have held that. It is the duty of employees to protect the trade secrets of the employer and whenever there is a theft the court has taken the common law remedies. Remedies like Injunction or Damages under the common law are available to the parties in India.

So, as far as the trade secret is concerned it is one of the important category of intellectual property law and in developed countries there are specific legislations to protect trade secrets. But developing countries like India have so far not come out with specific legislations. But still it is protected through the common law remedies which is available to parties like non disclosure agreement and other kind of mutual agreements between the parties.

Even in the absence of any kind of agreement between the parties the courts have held that it is the duty of employees to protect the trade secrets and whenever there is a theft of trade secrets the court has taken a note of it and provided the remedies which is available in common law.

So, I think we have covered all the seven categories of intellectual properties covered under the TRIPS agreement starting from patent, then the trademarks, then geographical indications and copyrights and then we have covered industrial designs then integrated layout designs and also we have covered the trade secrets law, the seven categories.

So, the objective of this class is to know, before we go into the interface between intellectual property and competition law, what are the categories, the basics of intellectual property law. My objective is not to give an elaborate discussion on the provisions of intellectual property protection, but the limited objective of this week class is to give an idea about what are the different categories of intellectual property law.

The next week we will go to the basics of competition law and before that you must understand the basic categories of intellectual property law. I hope that this will help you to understand the interface between intellectual property law and competition law. And in 2015 I have published a book on competition law and intellectual property law which

mentions about the interface between these two. So, the next week we will deal with the basics of competition law.

Thank you.