

IPR STUDY MATERIAL (LAW 507)

UNIT III

(TRADE MARKS)

BY

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A. TRADEMARK

INTRODUCTION

Trademark is a branch of intellectual property rights. Intellectual property rights permit people to maintain ownership rights of their innovative product and creative activity. A trademark includes a name, word, or sign that differentiates goods from the goods of other enterprises. Marketing of goods or services by the procedure becomes much easier with a trademark because recognition of product with the trademark is assured and easier. The owner can prevent the use of his mark or sign by another competitor. Trademark is a marketing tool which increases financing of the business. A trademark is not always a brand but the brand is always is a trademark. Sometimes there is a confusion between trademark and brand. The brand name can be simply a symbol or logo but the trademark is a distinguishing sign or indicator in a business organization as it has a wider implication than brands. People are more influenced by the distinctive trademark that reflects the quality of the product. A trademark can be a logo, picture mark or a slogan.

Trademark law in India

Before 1940 there was no law on trademarks in India. A number of problems of infringement of registered and unregistered trademark arose which were resolved under [Section 54](#) of the [Specific Relief Act, 1877](#) and registration was adjudicated under the [Indian Registration Act, 1908](#). To overcome these difficulties, the Indian Trademark law was enforced in 1940. After the enforcement of the trademark law, demand for protection of trademarks increased as there was major growth in trade and commerce.

The Trademark law was replaced with the [Trademark and Merchandise Act, 1958](#). It provides better protection of trademark and prevents misuse or fraudulent use of marks on merchandise. The Act provides registration of the trademark so that the owner of the trademark may get a legal right for its exclusive use.

This previous Act got replaced with the Trademark Act, 1999 by the government of India by complying it with [TRIPS \(Trade-related aspects of intellectual property rights\)](#) obligation recommended by the World Trade Organization. The aim of the Trademark Act is to grant protection to the users of trademark and direct the conditions on the property and also provide legal remedies for the implementation of trademark rights.

[The Trademark Act, 1999](#) gives the right to the police to arrest in cases of infringement of the trademark. The Act gives a complete definition for the term infringement which is



frequently used. In Trademark Act, it provides punishments and penalties for the offenders. It also increases the time duration of registration and also registration of a non-traditional trademark.

Registration of Trademark

Any person claiming to be the owner of the trademark or supposed to use the trademark by him in future for this he may apply in writing to the appropriate registrar in a prescribed manner. The application must contain the name of the goods, mark and services, class of goods and the services in which it falls, name and address of the applicant and duration of use of the mark. Here the person means an association of firms, partnership firm, a company, trust, state government or the central government.

Conditions of registration

The central government by mentioning in the official gazette appoint a person to be known as the controller, general of patents, designs and trademark who shall be the registrar of the trademark. The central government may appoint other officers also if they think that they are appropriate, for the purpose of discharging, under the superintendence and direction of the registrar, the registrar may authorize them to discharge.

The registrar has the power to transfer or withdraw the cases by in writing with reasons mentioned. Under [Section 6](#) of the Act, discussed the maintenance of a registered trademark. At head office wherein particulars of registered trademarks and other prescribed, particulars, except notice of the trust, shall be recorded. The copy of the register is to be kept at each branch office. It gives for the preservation of records in computer or diskettes or in any other electronic form.

Absolute grounds for refusal of registration

Absolute grounds for the refusal of registration is defined in [Section 9](#) of the Act. The trademarks which can be lacking any distinctive characteristics or which consists exclusively of marks or signals, which can be used in trade to indicate the kind, fine, quantity, supposed grounds, values, geographical origin.

And also a time of production of goods or rendering of the offerings or different characteristics of the goods or offerings which consists solely of marks or indications which have come to be average in the present language. That marks are not entitled to registration. Except it is confirmed that the mark has in fact acquired a new character



as a result of use before the date of application.

It gives that a mark shall not be registered as trademarks if:

1. It frauds the public or causes confusion.
2. There is any matter to hurt religious susceptibility.
3. There is an obscene or scandalous matter.
4. Its use is prohibited. It provides that if a mark contains exclusively of (a) the shape of goods which form the nature of goods or, (b) the shape of good which is needed to obtain a technical result or, (c) the shape of goods which gives substantial value of goods then it shall not be registered as trademark.

Test of similarity

For the conclusion, if one mark is deceptively similar to another the essential features of the two are to be considered. They should not be placed side by side to find out if there are any differences in the design and if they are of such a character to prevent one design from being mistaken for the other. It would be enough if the disputed mark has such an overall similarity to the registered mark as it likely to deceive a person usually dealing with one to accept the other if offered to him. Apart from the structural, visual, and phonetic similarity or dissimilarity, the query needs to be viewed from the factor of view of man typical intelligence and imperfect collection secondly. It's regarded as an entire thirdly it is the query of his impressions.

In [Mohd. Iqbal v. Mohd. Wasim](#) it was held that "it is common knowledge that '*bidis*' are being used by persons belonging to the poorer and illiterate or semi-literate class. Their level of knowledge is not high. It cannot be expected of them that they would comprehend and understand the fine differences between the two labels, which may be detected on comparing the two labels are common. In view of the above, there appears to be a deceptive similarity between the two labels".

Relative grounds for refusal of registration

Under [Section 11](#) of the Act, it gives relative grounds for the refusal of registration of a trademark. A trademark cannot be registered if because of (i) its identity with an earlier trademark and similarity of goods or services, (ii) its similarity to an earlier trade mark and the similarity of the goods and there is a probability of confusion.



It also gives that a trademark cannot be registered which is identical or similar to an earlier trademark. And also which is to be registered for goods and services which are not similar to those for which earlier trademark is registered in the name of a different proprietor if, or to the extent, the earlier trademark is well known in India. It further gives that a trademark is cannot be registered if, or to the extent that, its use in India is liable to be prevented by virtue of any law.

Procedure and Duration of registration

The registrar on the application made by the proprietor of the trademark in the prescribed manner within the given period of time with the adequate payment of fees. Registration of a trademark shall be of ten years and renewal of the registered trademark is also for a period of ten years from the date of expiration of the original registration or of the last renewal of registration.

The registrar shall send the notice before the expiration of last registration in the prescribed manner to the registered proprietor. The notice mentions the date of expiration and payment of fees and upon which a renewal of registration may be obtained if at the expiration of the time given in that behalf those conditions have not duly complied with the registrar may remove the trademark from the register.

But the registrar shall not remove the trademark from the register if implication made within the prescribed form and the prescribed rate is paid within six months from the expiration of the final registration of the trademark and shall renew the registration of the trademark for an interval of ten years. If the trademark is removed from the register for non-payment of the prescribed fee, the registrar shall after six months and within one year from the expiration of the last registration of the trademark renew the registration,

And also on receipt of implication in the prescribed form and on payment of the prescribed fee the registrar restores the trademark to the register and renew the registration of the trademark, for a period of ten years from the expiration of the last registration.

International registration of a trademark

The law of trademark passed by the Indian government is applicable only within the territory of India. The trademark which is registered in has effect only in India, for the protection of trademark in other countries needs to be registered in another country as well. Each country has its own trademark law with rules and law for the registration of a trademark in that country. In other words, if an individual desire to obtain trademark



registration in any particular nation then a separate application must be moved in all such international locations. Within the year 2013, the Indian government agreed to the Madrid conference which prescribes a methodology of submitting a worldwide application to the contracting events from India by means of the workplace of the Registrar of Trademark. For example- India's mobile phone manufacturing Micromax received 1.25 millionth international trademark registration for its trademark 'MICROMAX' protection in over 110 countries. The international trademark registration for Micromax filed under the [Madrid Protocol](#), under mark can be protected in many jurisdictions by only filing an application for international registration. **There are two methods by which an international application can be filed:**

- **International application in each foreign country:** For the protection of trademark in any foreign country, an international application must be filed to the trademark office by following the rules and regulations of that country. For this purpose the applicant must hire a firm dealing in trademark registration in foreign, the applications to countries which is not a party to the Madrid system can be filed as per above. It provides services that engaging an Attorney in the foreign countries works closely for registration of a trademark in the foreign country.
- **The international application under the Madrid system:** The trademark registration may also be initiated by means of filing an international application under Madrid protocol before the Registrar of Trademark for different nations. The Indian Trademark office collects international Trademark application and after finding it in conformity with the Madrid protocol transmits such a global application to the [WIPO \(World Intellectual Property Organization\)](#), which further transmits it to the situation overseas. Each and every global software is processed by way of the overseas nation as per their legislation and all communications are routed by means of Indian executive.

Effect of Registration

The registration of a trademark shall if valid give the exclusive right to the registered proprietor to the use of trademarks in respect of goods and services of which the trademark is registered, and also to obtain relief in respect of the infringement of the trademark.

Infringement of trademark

A registered trademark is infringed by a person who not being a registered proprietor or a person using by way of permitted use in the course of trade, a mark which is identical with or deceptively similar to the trademark in relation to goods or services in respect of



which the trademark is registered. After infringement, the owner of the trademark can go for civil legal proceedings against a party who infringes the registered trademark. Basically, Trademark infringement means the unapproved use of a trademark on regarding products and benefits in a way that is going to cause confusion, difficult, about the trader or potentially benefits.

3.2. Indian Trademark Law: Comparative Analysis with Europe and US

Every country has a different system for Trademark protection. In India, we have the Trademarks Act 1999. The Lanham (Trade Mark) Act, 1946 is a piece of legislation that contains the federal statute of trademark law in the United States. The Trademark law in Europe comprises [European Union](#) (EU) legislation as well as the national laws of the 27 Member States of the Union on the protection of marks i.e. the Community Trademark Regulation (CTMR) of December 1993 & the Trademarks Directive 2008. Though all these legislations have the same goal i.e. to protect Trademark, there are certain procedural and conceptual differences in all these countries.

First to 'Use' system:

[Indian trademark law](#) is based on a "first to use" system. The first use may be anywhere in the world accompanied by a transborder reputation of the mark in India. This transborder reputation can be established through the mere availability of literature or advertising materials featuring the mark in question, which need not even be directed to Indian customers. Even the existence of materials relating to products that are banned in India and not directed towards the Indian public has been considered sufficient for proving reputation. For example, Playboy, whose own magazines are banned in India, relied on global advertisements to claim that the mark "Playboy" had goodwill and reputation in India. Whereas in the EU, established goodwill among actual customers of the relevant product or service in the respective country needs to be proved and in the United States, the general use of the mark in commerce in the United States or in commerce between a foreign country and the United States are required to be proved to establish rights in the mark.

Trademark Registration:

Trademark rights in India can be acquired through registration. A [trademark](#) may be registered, even for a mark that has not yet come into use, i.e. on a "proposed to be used" basis. Moreover, rectification can occur only when there is an objection from a third party. Registered trademark owners are not required to periodically prove that their marks are in use in order to maintain their registrations. This is the same as in the EU but not in the US, registration can be obtained only when the mark has been used in U.S. interstate commerce or in commerce between a foreign country and the United States.



Third-Party Action:

The position in the EU and India also differs in one important respect. In India, cancellation actions often fail, even before the assessment of the actual use of the challenged mark, on account of the lack of a bona fide intent of the third party bringing the action. In a 2008 judgment of *Kanishk Gupta v. Liberty Footwear*, the IPAB went on to rule that the blatant adoption by a third party of a mark that is deceptively similar to an invented mark on the register entitles that party to seek its removal. In other words, a mark consisting of an invented word cannot form the subject matter of a [cancellation application](#), especially when the party seeking cancellation has adopted a similar mark with the intention to deceive.

Use:

The term “use” has been given a broad meaning by the Indian courts. In a 2003 judgment of *Hardie Trading v. Addison Paints*, the Supreme Court of India ruled that “use” maybe “non-physical” but must be “material,” that is, meaningful. Similarly, in the EU, use must be “genuine” and not mere token use. There is no quantity threshold that needs to be met to establish the use of a registered mark in India. For example, in a case involving *Toshiba Corporation*, the Supreme Court of India held that, in case of a government ban on account of which goods could not be imported into India, a single instance of an advertisement by Toshiba in India, coupled with its global reputation, registrations for the TOSHIBA brand and marketing, gave the corporation’s trademark immunity from cancellation.

Dilution:

In the United States, the owner of a famous and distinctive mark has a cause of action for [dilution](#). In the EU, the trademark need not be “famous” but it must be known by a significant part of the public concerned with respect to the products or services covered by the mark. In India, the principle of dilution has traditionally been well recognized. Many proprietors of globally [well-known trademarks](#), including APPLE, CARTIER, CATERPILLAR, DUNHILL, FORD, HONDA, HYUNDAI, and MERCEDES-BENZ, have succeeded in [passing-off](#) actions in India against users of identical or similar marks in relation to dissimilar goods.

Opposition:

In India, trademark opposition against a trademark needs to be filed within 4 months from the date on which the mark is advertised or readvertised in the Trademark Journal. In the US, the time limit is 30 days from the date on which the mark is published in the Gazette (maximum 180 days). In the EU, for Community Trademarks, the time limit is 3 months from the date of publication of the CTM application.

Enforcement:

The enforcement procedures are almost similar in all the 3 countries. Proceedings are



conducted before the Registrar of Trademarks, and appeals are filed with the IPAB. The IPAB comprises a technical member and a judicial member. The procedure involved is the same as in a court of law, although timelines are shorter.

Apart from these, there are certain differences between the Indian Trademark law and the US Trademark law.

There are 2 **types of registers** in the US- Principal Register and Supplemental Register. Whereas in India, the trademark registry is under the charge of the Registrar of Trade Marks who is also the Controller General of Patent, Designs, and Trade Marks. He is assisted by officers designated as Joint-Registrar, Deputy Registrars, Assistant Registrars, and Examiners of Trade Marks. Those officers discharge the functions of the Registrar under his superintendence and direction.

“Incontestability” under the Lanham Act is different from the Indian position. Section 33(a) of the Lanham Act states that once a trademark has been registered for at least five years and certain formalities addressed by the Act completed by the registrant, the registration becomes conclusive evidence of the validity of the trade mark and the registrant has the exclusive right to use the mark on or in connection with the identified goods or services. Under the Indian trademark system once the owner of a mark registers the mark it is sufficient for such registration to be prima facie evidence of validity.

Remedies for Infringement: In the US the plaintiffs shall be entitled to a wide range of remedies under federal law. In trademark infringement suits, monetary relief may also be available including: (1) the defendant’s profits, (2) damages sustained by the plaintiff, and (3) the costs of the action. The Lanham Act does not provide for criminal remedies for trademark infringement. Indian law, unlike the US, provides criminal remedies for [trademark infringement](#). Applying false trade marks, trade description is punishable with imprisonment for a term which shall not be less than six months but which may extend to three years and with a fine which shall not be less than INR 50,000 but which may extend to INR 2 lakhs. The Act also provides that falsely representing a trademark as registered shall be punishable with imprisonment for a term which may extend to three years or with a fine or both.

B. TRADE SECRETS

INTRODUCTION

The world today, as prophesized by Herbert McLuhan in the early 1960s, has become a global village. Borders and boundaries are mere representations of sovereign powers, and they pose little to no obstacles to trade and business. With the advent of jet engines



and the internet and the deliberate efforts of nations to integrate their economies into the world economy, businesses are no longer exposed to just domestic competition, they are now also exposed to international competition.

The increased competitive business environment is perhaps the most relevant for India, the 3rd largest start-up ecosystem in the world, with over 50,000 start-ups.¹ Apart from start-ups, India is also home to over 1.26 million companies. In such a competitive environment, there are very thin margins that separate one business from the other. In most cases, companies have a single factor that sets their business apart from the rest and that is how they command a market for their products/services. In such light, the concept of trade secrets and the adequate legal protection of the same becomes imperative for businesses. This article analyses the legal regime in India around trade secrets and how it compares with jurisdictions like the USA and EU and highlights the need for legislative protection of trade secrets in India.

TRADE SECRETS- MEANING

Trade Secret can be understood as any information that is commercially valuable for a business and is a secret known only to a very limited number of people.

The Black's Law Dictionary defines trade secrets as "a formula, process, device, or other business information that is kept confidential to maintain an advantage over competitors; information - including a formula, pattern, compilation, program, device, method, technique, or process that (1) derives independent economic value, actual or potential, from not being generally known or readily ascertainable by others who can obtain economic value from its disclosure or use, and (2) is the subject of reasonable efforts, under the circumstances, to maintain its secrecy"

The World Intellectual Property Organization (WIPO) defines trade secrets as "any information that is: (1) not generally known to the relevant business circles or the public; (2) confers some sort of economic benefit on its owner. This benefit must derive specifically from the fact that it is not generally known, and not just from the value of the information itself; and (3) the subject of reasonable efforts to maintain its secrecy."¹

The World Trade Organization (WTO) defines undisclosed information as "information (that): (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; (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret."² Even though the definition is adduced to the term "undisclosed information", it has been clarified in various papers and discussions that undisclosed information and trade secrets can be used interchangeably.

Even India, in the National Innovation Bill, 2008, used the same definition given by WTO



under TRIPS to define confidential information.³

From the above-mentioned definitions of trade secrets, the following may be ascertained as the essential requirements for an information to qualify as a trade secret are:

- I. Secrecy of the information;
- II. The competitive advantage of the owner of such information;
- III. Efforts of the owner or person in control of such information to maintain its secrecy.

IMPORTANCE OF TRADE SECRET PROTECTION FOR BUSINESS

Trade secrets are important for businesses for various reasons:

Return on Investment in Innovation - Modern-day businesses invest and value innovation. Companies are constantly on the lookout for innovative products, innovative ideas, innovative logistics, innovative processes, innovative services, innovative practices, etc. Businesses need to have a Unique Selling Proposition (USP), or else, sooner or later, they would perish. More often than not, such USPs are a result of considerable investments made in innovation. Therefore, a fundamental pre-requisite for encouraging innovation is the fact that the business's should be allowed to keep information about inventions secret and prevent the disclosure of the same to other businesses to stay unique in the market and increase competition.¹

1. Market Share Implications - Some businesses capture considerable, if not huge market shares solely because of their trade secrets. Coca-Cola, Domino's Pizza, McDonalds, KFC, Google are some examples. Apart from such international giants, even Indian companies such as Zoho and Freshworks have been able to capture a huge market share in the SaaS market due to their trade secrets. Therefore, where a business' whole value proposition is based on a trade secret, it becomes extremely imperative for such a business to protect its trade secret and failure to do so will be catastrophic.
2. Stagnation in Innovation and Future Revenue - Companies would refrain from investing in innovation if they do not have a reasonable expectation to receive an appropriate return. A consequence of this would be a stagnation in innovation across industries. No business will be motivated to come up with the "next big thing" if they do not see any financial reward for coming up with the same. This would in turn lead to stagnation in the returns of a company. With innovations drying up across industries, the incomes of the businesses involved in such industries will also dry up with the customers not updating to newer and more innovative products/services.
3. Increased Risk of Trade Secret Theft due to Data Breach - Data breach is one of the biggest problems for organizations worldwide. A single data breach can lead to huge losses for businesses. With more organizations choosing to offer remote



-work opportunities to their employees, the risk of data breaches is ever so rampant today. In such times, the protection of data about trade secrets becomes indispensable for businesses.

TRADE SECRET PROTECTION IN INDIA

Need for a Legislation

Currently, there is no dedicated legislation that deals with the protection of trade secrets in India.

Businesses deserve comprehensive legislation that deals exclusively deals with trade secrets, such as regimes in the USA and EU, especially when the Indian business environment is booming and Indian businesses are doing significant levels of business worldwide. An enactment of trade secrets would help India to protect its business environment along with becoming an attractive investment destination for trade in the world. In the absence of legislation, trade secrets will still be under the mercy of Court judgments and minimal contractual protection.

Dedicated legislation around trade secrets must clearly define "trade secrets" and provide for events/acts that lead to misappropriation of trade secrets. The owners of trade secrets must be entitled to adequate civil and if need be, even criminal remedies in case of such misappropriation of trade secrets. Such dedicated legislation will impart trust into the Indian business environment, and thereby provide the required impetus for businesses to innovate and safely scale themselves without the fear of losing their competitive advantage.

Current Protection Regime

The legal regime around trade secrets in India is limited to judicial pronouncements based on common law principles and the Indian Contract Act.

Section 27 of the Indian Contract Act lays down that any agreement that restrains a person from exercising a lawful profession, trade or business of any kind is void. However, the Courts, in various instances have held that the protection of trade secrets through an agreement where an employee is barred from sharing any trade secret with competitors or other entities does not attract the bar of Section 27.

Remedies for Misappropriation of Trade Secrets

1. Injunctive Relief



The owner of trade secrets can seek injunctive relief from Courts in a civil suit to restrain a person from using or disclosing such trade secrets. The plaintiff (owner of trade secrets) will have to establish the following to seek injunctive relief from the Court:

- o That a prima facie case has been made out in favour of the plaintiff;
- o That the balance of convenience is in favour of the plaintiff; and
- o That the plaintiff will suffer irreparable damage if the injunctive relief is not granted.

2. Damages

The owner of trade secrets can claim liquidated damages, or actual damages, or substantial damages, or in some cases, even punitive damages based on the losses suffered by such owner due to the misappropriation of trade secrets. In order to establish a claim for damages, the plaintiff (owner of trade secrets) must establish the following:

1. The existence of damages/losses suffered by the plaintiff;
2. The damages/losses suffered by the plaintiff is a result of the breach of the contract between the plaintiff and the defendant(s);
3. The causal connection between the act of the defendant and the losses suffered by the plaintiff;
4. In case of actual damages, the plaintiff will have to exactly quantify the losses suffered due to the breach of the defendant; and
5. In case of substantial damages, and where consequential and incidental damages are involved, the plaintiff will have to establish the consequential and incidental losses apart from the direct losses suffered due to the breach by the defendant.

3. Criminal Remedies

Since there is no specific legislation for trade secrets in India, there are no specific criminal remedies for the misappropriation of trade secrets. However, criminal remedies may be sought under the Indian Penal Code, 1860 (IPC) for criminal breach of trust, theft, and/or cheating, in accordance with the Code of Criminal Procedure, 1973 (CrPC), and the Indian Evidence Act, 1872.

Where the misappropriation/breach of trade secrets has been carried out through electronic means, criminal remedies may be sought under the Information Technology Act, 2000 under Sections 72, 72A, or 84C.

JUDICIAL INTERPRETATIONS RELATED TO TRADE SECRET PROTECTION

Below are some instances wherein various Courts have dealt with issues related to the



protection of trade secrets:

- o Bombay Dyeing and Manufacturing Co. Ltd. v Mehar Karan Singh (2010[112] BomLR 375) - The Hon'ble Bombay High Court, in determining whether Bombay Dyeing's business plans, strategies and proprietary software shared by the defendant with Bombay Dyeing's competitors were to be protected as trade secrets or not, laid down the definition of trade secrets as follows:
 - o "Although the exact definition may not be possible, was laid down as the following factors:
 - o
 - 1. The extent to which the information is known outside the business.
 - 2. The extent to which it is known to those inside the business i.e. by the employees.
 - 3. The precautions are taken by the holder of the trade secret to guard the secrecy of the information.
 - 4. The savings effected and the value to the holder in having the information as against competitors.
 - 5. The amount of effort or money expended in obtaining and developing the information; and
 - 6. The amount of time and expense it would take for others to acquire and duplicate the information."
- o Beyond Dreams Entertainment Pvt. Ltd. v Zee Entertainment Enterprises Ltd. & Anr. [(2016) 5 Bom CR 266] - The Hon'ble Bombay High Court, in this case, had to determine whether a new show created by Zee Entertainment based on the concept notes shared by Beyond Dreams Entertainment was a breach of confidence. The Hon'ble Court inter alia ruled that to prove breach of confidence, the owner or rights holder must establish that:
 - o
 - 1. The information itself is of a confidential nature;
 - 2. The individual or owner of such information took reasonable steps to ensure and maintain its secrecy, and the information was imparted in circumstances importing an obligation of confidence; and
 - 3. The information shared is actually used or threatened to be used unauthorisedly.
- o Although this judgment did not explicitly deal with trade secrets, in claims arising due to misappropriation of trade secrets, breach of confidence is required to be established.
- o Ambience India Pvt. Ltd. v Naveen Jain [2005 (81) DRJ 538] - In this case, the plaintiff sought a restraint on the defendant from continuing in the employment of another entity and to divulge information, know-how and trade secrets which the defendant has acquired during his employment with the plaintiff-Company. The Hon'ble Delhi High Court inter alia laid down that "An employee, particularly, after the cessation of his relationship with his employer is free to pursue his own business or seek employment with someone else. However, during the subsistence of his employment, the employee may be compelled not to get engaged in any other work or not to divulge the business/trade secrets of



his employer to others and, especially, the competitors. In such a case, a restraint order may be passed against an employee because Section 27 of the Indian Contract Act does not get attracted to such situation." The Hon'ble Court further laid down 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 an 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 formula, technical know-how or a peculiar mode or method of business adopted by an employer which is unknown to others."

TRADE SECRET LAW IN THE EUROPEAN UNION

- o Even before the enactment of the EU Directive on Trade Secrets, separate states maintained their national laws on the subject. Sweden was the only state that had a trade secret law well-put in place (known as the 'Act on the Protection of Trade Secrets'), whereas nation-states like Austria, Germany, Bulgaria, and Latvia attempted to cover such acts under the provisions of the unfair competition law. As is visible in the case of *CF Partners (UK) LLP v. Barclays Bank Plc and Anr [(2014) EWHC 3049 (Ch.)]*, the English court acted against trade secret infringement on the grounds of breach of confidence.
- o In May 2016, the European Union Council moved Directive (EU) 2016/943 in the European Parliament with the objective of consolidating the laws regarding know-how and trade secrets (aka 'business information'). The main aim was to bring together the national laws of the EU at a common benchmark through a nexus, but as is explicate ahead, much discretion has still been given to the states as a prerogative of their sovereign autonomy. However, the implementation of the directive was necessary and without exception. In the case of *Van Gen den Loos v. Nederlandse Administratie der Belastingen [C-26/62, EU: C:1963:1, paragraph 5]*, it was held that the natural and legal persons residing in the EU will be bound by the EU law in essence, whichever is thus enacted. Article 1 of the directive lays down that unlawful use, disclosure, and acquisition with such *mens rea* of committing disclosure of trade secrets shall be actionable in the law. To define the term "trade secrets," the directive lays down that 'any know-how information, or technological, or business information, where there exists a pre-existing intention to keep such secret confidential, and all reasonable attempts made in this respect to prove the legitimacy of such intention.' Upon closer inspection, it can be witnessed that the definition is in congruence with the definitions mentioned in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement and the United States' Defend Trade Secrets Act.
- o As for the liability, the EU directive emphasises civil liability at least, but the



states are free to enact criminal provisions against unlawful trade secret infringement, use, or disclosure (Chapter III, Article 6, EU Directive). The directive mentions that the states must be conscious about enacting provisions that are reasonably proportionate, avoid the creation of market barriers, and still provide for enough safety to the corporations to protect the confidentiality of their trade secrets. A step ahead, states like France (Article 411(6-8) of the French Criminal Code for 'the production of undisclosed information': imprisonment of maximum 15 years and fine of EUR 2,25,000; Article 311-3 of the French Criminal Code for the 'theft of trade secrets': imprisonment of maximum 3 years and imposition of fine amounting to EUR 45,000), Greece (for 'theft of trade secrets': imprisonment of maximum 10 years and imposition of fine worth EUR 15,000, Section 390 and 252 of the Greek Penal Code respectively), Belgium (Article 309 of the Belgian Criminal Code: imprisonment ranging from minimum 3 months to 3 years with the imposition of fine worth EUR 400 to EUR 16,000), and Estonia (Article 377, Estonian Penal Code: imprisonment of maximum one year with a discretionary fine imposed by the court of law) have penalised the activity as a crime.

- o However, the directive also maintains its neutrality and decriminalises independent discovery and reverse engineering of the trade secrets. Even whistle-blowers are not punished if they act in the public interest and expose corporate malpractice.

TRADE SECRET LAW IN THE UNITED STATES OF AMERICA

- o Unlike in the EU, the United States took its trade secrets regime quite seriously. The legislations have been in force since 1979 in one form or the other. The Uniform Trade Secrets Act was enacted in 1979 (further revised in the year 1985) with the objective of declaring a national benchmark with reference to individual states. A plain reading of the UTSA apprises the reader of the progressive legislative mindset that it was framed with. From including 'any information that is not currently being used by the owner' in the definition of "Trade secrets," to defining their "misappropriation," the Act covers it all. Further, with reference to the unlawful acquisition of trade secrets, the "improper means" can range from bribery, theft, breach of duty to maintain secrecy or its inducement, misrepresentation, or corporate espionage.
- o Much like the EU directive, even the UTSA imposes a civil penalty. Under Section 2 of UTSA, the parties can even pray for an interim injunction (as long as the trade secret is still a secret and grants the praying party a competitive edge over the other parties)

Comparative Analysis of the EU and US Trade Secret Regimes



- o The US legislation for the protection of trade secrets is far more developed than the general law of the EU. This can be adduced to the early breakthrough that the US had in governing and regulating the same, while the EU trailed closely behind but with a very strong legal framework for its time even despite the grey areas. As held in the cases of *R.C. Olmstead, Inc v. CU Interface LLC et al* [LLC 657 F. Supp. 2d 878 (N.D. Ohio 2009)], the UTSA enables the winning party to seek the attorney fees as well. It is also appreciative how both the trade secret laws of the US and EU provide bona fide protection to whistle-blowers acting in consonance with the public policy. But in comparison to the EU law where every state is bound to follow the directive laid down without any exception, the DTSA laid down the rule that the state rule shall have precedence over the legislation. In the case of *Henry Schlein Inc v. Cook* [No. 16-CV-03166-JST WL 3418537, (N.D. Cal. Jun. 22. 2016)] similarly, the Californian Domestic law for taken into account, which was the California Uniform Trade Secret Act.
- o A notable remedy that the DTSA further grants are the authority of civil seizure. On the grounds of misappropriation, the courts of law may order confiscation of such wrongfully acquired property in order to prevent the trade secret in issue from being publicly revealed. In the US, the effect of DTSA is amplified with the Economic Espionage Act (EEA). EEA performs the specialised function of providing uniform safeguarding to weak intellectual property rights such as trade secrets. While the DTSA and UTSA impose civil liability, the EEA imposes a criminal penalty. The defaulting party may end up paying a fine amounting to \$500,000 per offence (\$10,000,000 in the instances of corporations), and imprisonment amounting to a maximum of 15 years in prison (Section 1831(a)(5), Economic Espionage Act, 1996). In the case of *The United States v. Steven L. Davis* [No. 97-00124 (M.D. Tenn. 1997)], the court sentenced the guilty parties to 27 months of incarceration and \$1.3 million as damages.
- o Another distinction between the trade secrets law of the US and EU can be seen in terms of their position on the acquisition of trade secrets. The EU directive emphasises differentiating the trade secrets that are obtained from the other party and the ones that are disclosed from the owner while the US legislations demand the establishment of the actual nexus of the source of information to assign the liability.
- o Lastly, *inter alia* it can be seen that the US legislation failed to take into account the protection of whistle-blowers in the rule of exception. While to ascertain public policy, the EU directive originally took account of the fact since its inception.

