

Trade Secrets Laws in China and India: A Comparative Analysis

Dr. Faizanur Rahman^{*}

Abstract: *Trade Secrets law is a puzzle. Courts and scholars have struggled for over a century to figure out why we protect trade secrets. The puzzle is not in understanding what trade secret law covers; there seems to be widespread agreement on the basic contours of the law. Nor is the problem that people object to the effects of the law. Rather, the puzzle is a theoretical one: no one can seem to agree where trade secret law comes from or how to fit it into the broader framework of legal doctrine. Courts, lawyers, scholars, and treatise writers argue over whether trade secrets are a creature of contract, of tort, of property, or even of criminal law. None of these different justifications have proven entirely persuasive. Worse, they have contributed to inconsistent treatment of the basic elements of a trade secret cause of action, and uncertainty as to the relationship between trade secret laws and other causes of action.*

The present paper tries to solve the problem by suggesting that trade secrets can be justified as a form, not of traditional property, but of intellectual property (IP). The incentive justification for encouraging new inventions is straightforward. Granting legal protection for those new inventions not only encourages their creation, but enables an inventor to sell her idea. And while we have other laws that encourage inventions, notably patent law, trade secrecy offers some significant advantages for inventors over patent protection. In treating trade secrets as IP rights, helps secure their place in the pantheon of legal protection for inventions. In this paper, author further makes an attempt for the comparative analysis of trade secrets law in India and China.

I. Introduction

Intellectual Property is in demand as never before. Those who undertake scientific and technological research, those who create and interpret works of learning, culture, entertainment and information, those who devise the marketing of products and services-all look to legal protection against competitors, as a way of sustaining the value of their investment in what is distinctively theirs.¹ The various branches of intellectual property law viz., patents, trademarks, registered designs, copyright, confidence and so on confer legal exclusivity in the market-place. The right to prevent others from using ideas or information to their commercial advantage is not easily delineated. Legal techniques of some sophistication are called for, and this has recently made intellectual property a somewhat esoteric specialism. But, particularly in industrial, free-market economies, these intangible property rights are becoming increasingly valuable in the fight to secure and retain shares of a market. A widening circle of people need some knowledge of what they involve.

The IPRs are normally national and not international. IPRs are acquired by complying with specific laws of each country. The Paris Convention, WTO-TRIPs, and other international convention lay down minimum standards as to what nation should protect. The rights are more often national in its geographical spread, except copyright system that by operation of Berne Convention and various national laws gives simultaneous protection in territories of all members. Similarly, some rights are attached to well-known trade marks in all other members, in additions to the rights in each country as per national laws.

When one thinks of Intellectual Property Protection, Patent, Trademark and Copyrights protection comes to mind right way. After some pause, trade secrets are added to the lists but are not as well known as the others. One easy way of explaining Trade Secrets is this:

Trade Secrets are the opposites of patents. While a patent publicly discloses to the world the metes and bounds of protection to an idea, there is nothing public about Trade Secrets. Rather, Trade Secret protection relies on confidentiality to maintain the asset as a Trade Secret. A Patent expires after an amount of time, but a trade secret continues for as long as the information is maintained as a trade secret.²

Unfortunately, many Trade Secret owners do not realize they have rights in trade secrets until an ex-employee or a competitor wrongfully takes an owner's trade secrets. But like patents, trade secrets protect intangible assets and are an important part of any company's intellectual property strategy. This is because many intangible assets are more suitable for trade secret than for patent protection. For example, customer lists, manufacturing methods, marketing plans and source code are all highly valuable assets to many companies, yet

^{*} Lecturer (Law), Nehru Memorial Law PG College, Hanumangarh Town (Raj.)-335513

¹ WR Cornish, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, 1-2 (Sweet & Maxwell, Limited, 2013)

² Tanushree Sangal, *Unfurling the Proposed National Innovation Act*, 3(3) *Manupatra Intellectual Property Reports* 29 (2007)

patent, trademark or copyright protection may not be the best avenue to protect these assets. Trade secret protection for these types of assets may be the wisest choice, requiring a fundamental understanding of the key issues involved in trade secret protection. In this way, a company can ensure that ex-employees or competitors are not taking company trade secrets. This research works provides an explanation of trade secrets protection and attempt to make a comparative assessment of trade secrets laws in China and India. It will also discuss protective measures that trade secret owners can take to prevent infringement and enforce their right under the laws of both countries

II. Evolution of Trade Secrets Laws

The Law of Trade Secrets could be traced to Roman law, whereas under such ancient legal system a competitor's corruption of a slave to divulge his master's commercial affairs was punished. The modern law evolved in England during the Industrial Revolution. In the United States, the first reported trade secret case dates back to 1837. Trade secret law is largely a creature of the common law. The first attempt to codify the judge-made law of trade secret was the Restatement (First) of Torts of 1939. Before 1979, only Chapter 757 of the Restatement (Second) of Torts provided guidance in defining what a trade secret is, and what constitutes a misappropriation. However, in 1979 the Uniform Trade Secret Act (USTA) was proposed by the National Conference of Commissions on Uniform Laws. The Uniform Trade Secrets Act (UTSA) is a model law drafted by the National Conference of Commissioners on Uniform State Laws to define better rights and remedies of common law trade secret. It has been adopted by 48 states. The only states that have not adopted UTSA are Massachusetts and New York.³ These states continue to apply a common law to trade secrets or have adopted separate state statutes. Variations pervade state enactments of the USTA, and these differences make trade secret law very state specific. A more modern approach was incorporated by the Restatement (Third) of Unfair Competition (1993). The most on-point federal statute that is directed to a federal cause of action lies in the Economic Espionage Act of 1996.⁴

III. Understanding Trade Secrets from an IP Perspective

As all IP laws are territorial in character by definition, but the trade secrets varies by jurisdiction, particular types of information and subject of trade secret protection. A trade secret is commonly defined as any formula, pattern, device or compilation of information which is used in one's business, and which gives human opportunity to obtain an advantage over competitors who do not know or use it.⁵ Broadly speaking, there are three factors common to all such definition of a trade secret. Trade secret is a piece of information that:

- (a) Is not known to the public.
- (b) It confers some economic benefit on its holder derive specifically from its not being known and not just from the value of the information itself.
- (c) All Trade secrets are the subject of reasonable efforts to maintain its secrecy and confidentiality.

Trade secret shares some component of IP and copyright. The breach of confidence action lies in respect of technical, commercial, personal and other information without distinction by subject. A general reservation has been expressed against covering "trivial tittle-tattle"; and it has recently been accepted that scandalous or immoral material may be disqualified from protection, just as it is not accorded copyright.

An idea for may attract legal protection as confidential information where there is nothing that generates copyright. The requirement of copyright law to show specific expression of the idea in scenarios or scripts, in writing or other recorded form, were held not necessary in the law of confidence. It was enough that the content of the idea was clearly identifiable, original, of potential commercial attractiveness and capable of being realized in actuality. Technical information does not have to be novel or attain any level of inventiveness. 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 that can only be produced by somebody who goes through the same process.

It seems profitable to compare trade secret with trademark and patent because of their affinity and divergence. A trademark simply uses the mark 'in commerce'. By definition trademarks enjoys no protection (qua trademark) until and unless it is 'disclosed' to consumers, for only then are the consumers able to associate it with a supplier or source in the requisite manner. Whereas a patent requires full information about the method

³ Available at: <http://www.bakerdonelson.com/texas-joins-47-other-states-to-adopt-the-uniform-trade-secrets-act-05-30-2013/> (Retrieved on March, 2015)

⁴ Dawn Rudenko Albert, Trade secrets in the United States, available at: http://www.dicksteinshapiro.com/sites/default/files/Trade_Secrets_In_The_United_States_070110.pdf (Retrieved on March, 2015)

⁵ Darin Snyder and David Almeling, *Keeping Secrets: A Practical Introduction to Trade Secret Law and Strategy*, 12(OUP USA, 2012)

or product has a patent office and upon publication or issuance made available to all. After the expiration of the patent, competitors can copy the method or product legally. The temporary monopoly on the subject matter of the patent is regarded as a quid pro quo for thus disclosing the information to the public. The law of protection of confidential information effectively allows a perpetual monopoly in secret information-it does not expire as would a patent. The lack of formal protection, however, means that a third party is not prevented from independently duplicating and using the secret information once it is discovered.

IV. Protecting Trade Secrets

Trade secrets are by definition not disclosed to the world at large. Instead, owners of trade secrets keep their special knowledge out of the hands of competitors through a variety of civil and commercial means, non-disclosure agreements (NDA) and non-compete clauses. It is important to bear in mind that a trade secret need not be something that is novel nor should it have any real or intrinsic value to be protected. The only requirement is that it must be a secret. The TRIPS Agreement recognizes trade secrets under ‘undisclosed information’ but remains silent on the mechanism and modalities.⁶ The nature and methodology differ in state practices and range from privacy laws to unfair competition and breach of contracts. Therefore businesses must ensure that they protect their trade secret by adopting some tools that are outlined herein below:

- (a) **Employment Agreement:** Depending upon their needs, a business should include suitable confidentiality, non-disclosure and non-compete clauses in agreements with employees. These may include the type of information that is likely to be disclosed, the manner in which it should be used and restrictions on disclosure post-termination.
- (b) **Trade Secret Policy:** Such a policy is a must for businesses that heavily rely on their trade secrets. A basic step to developing such a policy is to identify and prioritize the business secrets based on their value and sensitivity. Employees must be informed about the policy and consequences of its breach before they agree to abide by the policy and sign an acknowledgment to that effect.
- (c) **Non-Disclosure Agreements (NDAs):** Business can also enter into NDAs with third parties while discussing any business prospects and ventures. In this way, the third parties can be precluded from divulging any trade secrets.
- (d) **Adequate Documentation:** It is important for businesses to keep a track of the trade secrets that are developed and have sufficient records to show that the trade secret was developed by them and belongs to them. These records would be of evidentiary value in case of a dispute. It would also be useful for such business to conduct a trade secret audit at regular intervals to keep up to date with any changes.
- (e) **Security Systems:** Access to trade secrets and confidential information may also be restricted to only select personnel who have to undergo proper security checks. In case of an electronic environment, the businesses should use adequate software programs, virus scans, firewalls and other security and authentication technologies to safeguard their trade secrets.

Trade secret protection can, in principle, extend indefinitely and this may offer an advantage over patent protection, which lasts only for a specifically limited period. Historically, trade secrets took the form of keeping advanced military technology from one’s enemies, formidable foes but in contemporary society and technological innovation has universalized trade secret.⁷

V. Trade Secret under TRIPS Agreement

Article 39.1 of the TRIPS provide that in course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention, 1967 says that members shall protect undisclosed information of the sort that is described in paragraphs 2 and 3 of Article 39. Paragraph 2 describes the general category of confidential information, which is protected in common law countries through the judge-made law, rather through statute. Article 10bis contains no reference to the protection of confidential information as an aspect of unfair competition. Article 10bis (2) defines as an act of unfair competition “any act of competition contrary to honest practices in industrial and commercial practices”. Article 10bis lists three particular practices that are to be prohibited. The TRIPS Agreement negotiators were anxious to preserve the confidentiality of test data submitted to government approval agencies. Given the long approval process,

⁶ Cynthia M. Gayton, *Commercial Satellite Imagery: Confidential Information, Knowledge Management and Trade Secret Law*, 37 (2) *Journal of Information and Knowledge Management Systems* 192-206 (2007)

⁷ Birgitte Andersen, *Intellectual Property Rights: Innovation, Governance and the Institutional Environment*, 9 (Edward Elgar Publishing, 2006)

particular for pharmaceutical products, the opportunity for wrongful appropriation of such data by competitors was self-evident.⁸ This concern is accommodated by Article 39.3 which provides that:

Members, requiring as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilize new chemical entities, the submission of undisclosed test or other data, the origination which involves a considerable effort, shall protect such data against unfair commercial use. In addition, Members shall protect such data against disclosure, except where necessary against unfair commercial effort shall protect such data against unfair commercial use. In addition, Members shall protect such data against disclosure, except where necessary against unfair commercial use.

It should be noted that Article 39.3 contains three limitations. First, it applies only to pharmaceutical products and chemical, agricultural products; secondly, the protection is extended only against unfair competition uses; and thirdly, the government authority is exempted from the requirement of confidentiality in the public interest. Thus, it has been held that a government accrediting agency may use the confidential test data of an applicant when considering applications by another applicant in respect of similar products.⁹

Where, the specifications of an invention relating to an article or substance covered under sub-section (2) of section 5 have been recorded in a document or the invention has been tried or used, or, the article or the substance has been sold, by a person, before a claim for a patent of that invention is made in India or a convention country, then, the sale or distribution of the article or substance by such person, after the claim referred to above is made, shall be deemed to be an infringement of exclusive right to sell or distribute under sub-section(1)¹⁰:

Provided nothing in this sub-section shall apply in a case where a person makes or uses an article or substances with a view to sell or distribute the same, the details of invention relating thereto was given by a person who was holding an exclusive right to sell or distribute the article or substance.

VI. Defining Trade Secret

In the US, laws protecting trade secrets are enacted by the states, but most such laws are based on the model Uniform Trade Secrets Act, 1970. Under this model US draft, a 'trade secret' is defined as 'information, including a formula, pattern, compilation, program device, method, technique, or process, that: (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.'¹¹

This might very well be compared with the rather similar Section 2 (3) of the Indian Innovation Bill which defines 'confidential information':

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.

It is debatable whether 'information' is to be treated as property. In the US, in addition to the model Trade Secrets Act, trade secrets are protected under the Economic Espionage Act, 1996 which, under some circumstances, makes 'theft' of confidential information a crime. This might lend credence to the view that confidential information is 'property'. Under (English) common law principles, the protection of confidential information is looked at as an equitable right rather than a property right. In such circumstances, it might be necessary to be cautious before borrowing straight from the US position.

However, the definition in the Innovation Bill also appears to be based (more than the US model law) on Article 39.2 of the TRIPS Agreement. It may be recalled that under the TRIPS Agreement 'trade secrets' are referred as 'Undisclosed Information'.¹² A commentary note on Article 39.2 on the WTO official website states, 'The Agreement does not require undisclosed information to be treated as a form of property, but it does require that a person lawfully in control of such information must have the possibility of preventing it from being disclosed to, acquired by, or used by others without his or her consent in a manner contrary to honest commercial practices'. For the purpose of this provision 'Manner contrary to honest commercial practices' includes breach of contract, breach of confidence and inducement to breach, as well as the acquisition of

⁸ Zafar Mahfooz Nomani & Faizanur Rahman, *Intellection of Trade Secret and Innovation Laws in India*, 16(4) *J. Intell. Prop. Rts.* 341-347 (July 2011)

⁹ M.P. Bhatnagar, 'Country Report: TRIPS Implementation in India', in S.K. Verma and Raman Mittal (edited), *Intellectual Property Rights: A Global Vision*, 518-521 (Universal Law Publishing Company Pvt. Ltd, New Delhi, 2004)

¹⁰ Section 24B(2) of Patent Act, 1970

¹¹ Section 1 of Uniform Trade Secrets Act, 1970

¹² The Hindu, Protection of trade secrets, undisclosed information', Nov 22, 2001, *available at*: <http://www.thehindu.com/thehindu/biz/2001/11/22/stories/2001112200060100.htm> (Retrieved on March, 2014)

undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition.’ The definition in the Bill is thus consistent with the nature of the right sought to be protected.

The draft NI Act through codification and consolidation of the law of confidentiality demonstrates the significance of trade secrets and confidential information within the realm of innovation. Innovative ideas, products, and business practices help enterprises to maintain competitive superiority in the market alongside furthering their economic interests.¹³ It is for this reason that there is a need to prevent others from taking advantage of the breakthrough ideas and knowledge or in ordinary parlance the confidential information or trade secrets.¹⁴

VII. Trade Secrets Law in China

China has developed a comprehensive set of laws and regulations designed to protect and enforce company trade secrets. In many ways, Chinese trade secret laws offer more protection for the owners of trade secrets than Indian trade secret laws.

7.1 Definition of Trade Secrets

Article 10 of the Anti-Unfair Competition Law (AUCL) defines a trade secret as ‘technical and operational information which is not known to the public, which is capable of bringing economic benefits to the owner of rights, which has practical applicability and which the owner of rights has taken measures to keep secret.’ In order to enforce a trade secret against infringement, all four elements of the Article 10 definition must be met.

The term ‘public’ in this definition limited in sense as it does not refer to the general public, but to current or prospective industry competitors or people who want to obtain economic benefit by exploiting the secret. The ‘public’ is restricted to only ‘Chinese public’ i.e. if a trade secret is known outside of China but not inside China, it is considered “unknown to the public” under this definition. The trade secret must be of potential economic benefits and through tangible or intangible means able to generate profit or commercial value, or provide a competitive advantage. The information should be specific and immediately useful and applicable to industrial and business applications. It cannot be mere theory or a general principle. The burden of proof is on an owner of a trade secret before he can claim infringement that he took proper and reasonable steps to keep the information secret, and he should be able to trace those steps through written records.¹⁵

7.2 Misappropriation of Trade Secrets

Article 10 of the AUCL defines the following acts as trade secret infringement:

- (a) Obtaining trade secrets from the owner by stealing, promising gain, using coercion or other improper means;
- (b) Disclosing, using or allowing others to use trade secrets obtained by stealing, promising gain, using coercion or other improper means;
- (c) Disclosing, using or allowing others to use trade secrets that a party has obtained by breaking an agreement or disregarding the requirements of the trade secret owner to maintain the trade secret in confidence;
- (d) Where a third party obtains, uses or discloses someone else’s trade secret when he had, or should have had, awareness of the illegal acts mentioned above.

As per the general rule, the plaintiff who claims that a defendant has misappropriated its trade secret bears the burden of proving by a preponderance of evidence that its trade secret meets the statutory requirements, that what the defendant uses is similar or substantially similar to its trade secret, and that the defendant has used illegal means.¹⁶

7.3 Legal Framework Governing Protection of Trade Secrets

The current legal regime in China for enforcing trade secret protection and the civil remedies provided for trade secret owners to combat misappropriation is mainly made up by the following laws, regulations, and Supreme People’s Court judicial interpretations:

¹³ Malathi Lkshamikumaran *et al.*, Utility Models: Protection for Small Innovations, 46 (2) *Journal of Indian Law Institute* 322-332 (2004)

¹⁴ R. Shah, Management of IPR in Small Scale Industries, A Paper Presented in TRIPS Congress, 2002 held at New Delhi on 6-8 October, 2002

¹⁵ Jeffrey J. Zuber, Trade Secrets Rules, Regulation and Enforcement in China and the US-A Comparative Analysis, available at: <http://www.chinaipmagazine.com/en/journal-show.asp?id=394> (Retrieved on March, 2015)

¹⁶ Vai Io Lo and Xiaowen Tian, *Law for Foreign Business and Investment in China*, 193 (Routledge, New York, 2009)

- (a) **PRC Anti-Unfair Competition Law:** Article 10 provides a definition of a trade secret and lists the types of acts that constitute a violation of a trade secret. Articles 20 and 25 of the AUCL provide the legal basis for a civil action and an administrative action for trade secret violation.
- (b) **PRC Criminal Law:** Under Article 219, anyone who violates a trade secret and thereby causes great losses to the right holder is guilty of a criminal offense.
- (c) **PRC Contract Law:** Article 43 provides that parties to a negotiation have a duty to protect trade secrets obtained through the negotiation whether or not a contract is signed. In the breach, the other party may bring a case of trade secret violation.
- (d) **Supreme People's Court Interpretation on Some Issues Concerning the Application of Law in the Trial of Civil Cases Involving Unfair Competition (the SPC Interpretation):** Articles 9-17 are provisions to be observed by the courts when hearing civil cases involving trade secrets.

Based on the above, trade secrets are protected in the following ways:

- (a) **Administrative Actions:** A party that suffered a loss of a trade secret may work with the Administration for Industry and Commerce (AIC) to bring an administrative action against the infringer.
- (b) **Civil Actions:** A party may also bring a civil action against the infringer.
- (c) **Criminal Actions:** The Public Security Bureau (PSB) may investigate, and the People's Procuratorate (PP) may prosecute a crime involving trade secrets. In the alternative, such a crime may also be privately prosecuted, meaning that the owner of the trade secret may directly initiate a criminal case in a People's Court against a defendant without involving the PSB and the PP.¹⁷

7.4 Remedies against Misappropriation of Trade Secrets

For the purposes of curbing infringements upon trade secrets, protecting the legitimate rights and interests of the owners of trade secrets and maintaining the order of the socialist market economy, an owner of a trade secret has several options if he can successfully prove that the information was indeed a trade secret. In China, the holder of trade secret can seek legal redress for trade secret infringement by initiating:

- (a) Criminal Action
- (b) Administrative Action
- (c) Civil Action

For the above three different types of actions, the definition of trade secret and trade secret infringement are the same.

(a) Criminal Action

Article 219 of the Criminal Law of China criminalizes trade secret misappropriation when it causes loss to trade secret right holder including both owner and licensee. According to article 219 of the Criminal Law, whoever commits any of the prescribed acts and thus causes serious losses to a trade secret owner will be punished by a fine, or a fine and up to three years' imprisonment or criminal detention and can be elevated if the misappropriation causes 'particularly serious consequences' to trade secret right holder, to imprisonment of three to seven years and a fine. The prescribed acts include any of the following:

- (a) Acquiring a trade secret of another by theft, inducement, duress, or other illegal means;
- (b) Disclosing, using, or allowing others to use a trade secret of another acquired by the above illegal means;
- (c) Disclosing, using, or allowing others to use a trade secret in breach of an agreement or a confidentiality obligation imposed by a legal owner; or
- (d) Acquiring, using, or disclosing a trade secret by a third party, when he knew or should have known that the trade secret has been misappropriated in any of the ways as mentioned above.

The Supreme People's Court and Supreme People's Procuratorate of China issued a judicial interpretation that sets forth the specific thresholds for determining whether losses are 'serious' or "exceptionally serious. It defined and interpreted 'great loss' as loss of RMB 500,000 or more and "particularly serious consequences" as loss of RMB 2,500,000 or more.

(b) Administrative Action

On November 23, 1995, the State Administration for Industry and Commerce issued regulations entitled 'Certain Provisions on the Prohibition of Misappropriation of Trade Secrets' as a guide for enforcing trade secret rights through administrative proceedings in local government agencies called Administration for

¹⁷ Available at: http://www.ipr2.org/storage/IPR2_Patent_Roadmap-EN-update_Feb_2010691.pdf (Retrieved on March, 2015)

Industry and Commerce.¹⁸ These regulations provide an alternative burden-shifting formulation favouring the trade secret owner under certain circumstances.

According to the AUCL, Article 25, in cases of trade secret infringement, AICs have the power to impose penalties and to order the infringer to stop illegal activities. Therefore, owners of trade secrets may work with relevant administrative agencies to initiate administrative actions against the infringers. It states that when someone infringes on another's trade secrets, the trade secret owner can request enforcement by the AIC. The AIC can order the infringing party to stop the infringing acts, order the return of stolen materials and information, order the destruction of any goods made with the trade secret, confiscate the infringer's illegal income, revoke the infringer's operating business license and can impose a fine of RMB10, 000 to RMB200, 000. The AIC does not have the ability to award compensation to an aggrieved owner of a trade secret. It is often stated that the administrative fines are not big enough to act as a deterrent. Aggrieved parties to an administrative action can appeal the decision to the People's Court and higher court simultaneously.

(c) Civil Action

Filing of a civil action is the most common approach used by owners of trade secrets in trade secret misappropriation matters. Unlike administrative agencies, a People's Court does not have discretion over whether to take on a case when there is a defendant, and the plaintiff stated a cause of action.¹⁹

To initiate a civil action, the rights holder files a complaint and accompanying documents with a People's Court that has jurisdiction. The court sitting at the place of infringement, or the place where the defendant is located, have jurisdiction over a trade secret case. The rights holder may also file other requests at, before, or after the time of filing the complaint such as:

- (a) An application for an evidence preservation order;
- (b) An application for an asset preservation order; and
- (c) An application for a preliminary injunction

In trade secret cases, available civil remedies include:

- (a) **Monetary Damages:** According to Article 17 of the SPC Interpretation, courts can determine the amount of damages in trade secret cases using the same methods of calculation adopted in patent infringement cases:
 - (i) on the basis of the right holder's lost profits or the infringer's gains because of infringement;
 - (ii) if the right holder's lost profits and the infringer's gains cannot be determined, the amount can be based on a reasonable license fee multiplied by a multiple between 1 and 3.
 - (iii) if both a) and b) above cannot be determined, the court can order a statutory amount in the range of RMB 10,000 and RMB 1,000,000

If damages to the trade secret owner are difficult to calculate, the court may instead base its damages calculation on the profits realized by the infringing party resulting from the infringement. A party found liable for infringement is also liable to pay the reasonable costs that the trade secret owner incur in investigating the case.

- (b) **Injunctive Relief:** Injunctions are the most feasible and helpful remedy for a trade secret owner looking to stop infringement. A plaintiff can obtain a preliminary injunction if he can prove that: the information is a trade secret, the defendant's acts are causing irreparable harm, and the plaintiff is likely to prevail on the merits of the case.

- (c) Pre-trial Remedies such as asset preservation order and preliminary injunction

VIII. Trade Secrets Law in India

There are no specific laws in India to protect trade secrets and confidential information. Nevertheless, Indian courts have upheld trade secret protection on the basis of principles of equity, and common law action of breach of confidence and contractual obligation. This is evident from Section 27 of the Indian Contract Act, 1872 which is a provision relating to restraint of trade. Indian Contract law besides bringing disclosure of trade secrets under breach of contract offers remedies to encourage of creative and innovative abilities.²⁰ The protection afforded by law is based on the principle that various facets of a product may be protected by different forms of IP. The remedies for breach of confidence include action for an account of earnings from the

¹⁸ Ryan Ong, Trade Secret Enforcement in China: Options and Obstacles, available at: <http://www.chinabusinessreview.com/trade-secret-enforcement-in-china-options-and-obstacles/> (Retrieved on March, 2015)

¹⁹ Hailing Shan, Protection of Trade Secrets in China 95 (Kluwer Law International, Netherland, 2008)

²⁰ Pollock, F., and Mulla, D.F., *Indian Contract and Specific Relief Acts* 818-822 (N.M. Tripathi Pvt. Ltd., Bombay, 2004)

use of the information; action for damages and an injunction for the prevention of misuse. For an action to succeed it would be necessary to show that there was information of confidential nature which was shared under an obligation of confidence with the person proceeded against and that there was an actual or threatened use or disclosure of the information. If the information has already become a part of public knowledge, no action may lie. Since the information alleged to be confidential may be of value to the plaintiff only for a certain period, interim injunction will ordinarily be granted only for a specified period depending upon the circumstances and the nature of the confidential information. Concerning balance of convenience the following factors are considered:

- (i) Whether the effect of an injunction against would be disclosure be disastrous to defendants,
- (ii) Whether the terms of injunction are such that it is extremely difficult for the defendants to know what they may do and what they may not do,
- (iii) Whether it is certain based upon the material before the court that even if successful at the trial, the plaintiff would obtain an injunction rather than damages.

By way of relief, the damages or compensation is determined on the basis of the market value of the confidential information based on a notion of sale between a willing seller and a willing purchaser. This method may be more appropriate for confidential information relating to industrial designs or processes or business secrets. Trade secrets are protected forever if kept confidential. If the confidentiality of the information is breached, it is no more a secret.²¹

IX. Trade Secrets and Innovation Laws

To protect the vast repository of ‘undisclosed information’ and knowledge kept as trade secrets by their practitioners, India should consider a pro-active sui generis legislation as provided under Article 10bis of the Paris Convention and Article 39(2) and 39(3) of TRIPS Agreement, 1995. Thus, a formal legislation on the lines of Uniform Trades Secrets Act, 1970 (UTSA) needs to be implemented in India. Such legislations will deter the illegal transfer of trade secrets by people who had access to them as part of their employment duties. These steps along with provisions under breach of contract or NDAs and NCCs would go a long way in developing a culture of respect in industrial circles towards trade secrets and undisclosed information as proprietary assets of their owners. In absence of legislation, it is perhaps the only area where India is lagging behind as far as IPR is concerned. In this context, Indian Government has taken a step ahead by releasing a draft National Innovation Act (NI Act), 2008 to boost research and innovation. The legislation is released by the Department of Science and technology and aims at building a comprehensive framework to encourage innovation. Promotion of innovation was one of the policy objectives of the Science and Technology Policy, 2003 which intended a comprehensive national system of innovation covering science and technology as also legal, financial and other related aspects.²² The proposed National Innovation Act if passed by the Parliament will become a realization of the policy objective. The proposed legislation will be effective in promoting excellence in technology, education, and science as it boosts research and innovation with specific safeguards to protect confidential information, trade secret and 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. But the title of the draft Act indicates that, it is primarily concerned with development and encouragement of innovation in India. Under the draft NI Act, trade secret and confidential information are elucidated in Chapter VI titled as “Confidential and Confidential Information and Remedies and Offences”. The chapter explicates on Obligations of Confidentiality and remedies to protect and preserve confidentiality. The obligations to maintain confidential information under the draft statute rest on the contractual terms and conditions, government recommendation and any right arising in equity. The draft NI Act casts an obligation of confidentiality to parties contractually set out the terms and conditions governing rights and obligations in respect of confidential information and prevents misappropriation.²³ 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 the public domain.²⁴

The remedies to protect and preserve confidentiality and misappropriation include granting mandatory protective orders in connection with discovery proceedings, holding in-camera hearings, sealing the confidential

²¹ Malathi Lkshamikumar et al., *Utility Models: Protection for Small Innovations*, 46 (2) *Journal of Indian Law Institute* 322-332 (2004)

²² Kamakhya Srivastava, *Indian Innovation Act: Trade Secrets and Confidentiality*, available at: <http://ipfrontline.com/2008/10/indian-innovation-act-trade-secrets-and-confidentiality/> (Retrieved on March, 2014)

²³ Section 8 of draft NI Act, 2008

²⁴ Id., Section 9

information including confidential filings or records of the action, and ordering any person.²⁵ The exception to misappropriation of confidential information enumerates that confidential information shall not have been misappropriated if available in the public domain and held to be in the public interest by a court of law.²⁶ The remedy under the draft NI Act includes preventive or mandatory injunction restraining misappropriation of confidential information²⁷ besides the mandatory damages.²⁸

X. Conclusion

In this era of globalization, multinational corporations want assurances that the national law will protect their secrets in order to invest in their country; and legislation in this regard may also specify how a court must conduct its proceedings because litigation in this aspect is a delicate that might either kill the plaintiff's economic benefits derived from the secret or his prospects of competition if the information is leaked even by mistake to some other person.

It is also, therefore, concluded from the present work that the TRIPS agreement is a blue-print on the Intellectual Property Rights and regulations. It intends to recognize and protects the Intellectual Property Rights across the world. All the member states of the TRIPs agreement have adopted the provision of the agreement either by amendments to the existing laws or by enacting new legislations. India, being a member state, did follow the suit by amending its patent law, copyright law and by enacting new legislation on trademarks, geographical indications, industrial designs and integrated circuits. However, still there is no law on the trade secrets and confidential information. It is the only area where India is lagging behind as far as Intellectual property rights are concerned.²⁹

In response to the TRIPs agreement, Indian Government has taken a step ahead by releasing a draft National Innovation Act, 2008 to boost research and innovation. The draft Act proposed by the Department of Science and Technology has a three-pronged approach. Firstly it undertakes to encourage innovation through an Innovation support system facilitated by the public, private or public-private partnership. The second approach is evolving into a National Integrated Science and Technology Plan. The third objective is the codifying and consolidating the law of confidentiality in aid of protecting confidential information, trade secret, and innovation. Conversely, in China, the authorities and courts, usually take trade secret theft claims very seriously as they understand the value of trade secrets and the damage that unauthorized use or disclosure can cause to a business, be it a small or large business.

Surprisingly, in many cases it was found that key and often senior employees of businesses in China and India are not aware of country's strong laws regarding trade secret protection, as well as the potential remedies that can be imposed by the courts and authorities for illegal use of trade secrets. It is hoped that regular training programs, as well as the publicizing of major trade secret cases, will lead to employees better understanding of this area of the law, leading to less trade secret theft occurring.

Trade secret protection is no longer a national legal issue. The transnational trade and investment scenario has created the underpinnings for new legal developments in the protection of industries and business secret information.³⁰ When entering foreign jurisdictions or markets, it is imperative to become familiar with the prevalent law and practices so as to avoid divulging and forfeiting trade secret protection, potentially worldwide. Industrialized nations were reluctant to invest abroad and expose their "secret knowledge" until some level of trade secret protection was recognized among the members of the international community. Trade and investment agreements turned out to be the spark of the current stage in trade secret protection.³¹ TRIPS and NAFTA are just minimal legal standards for trade secret protection, leaving to individual countries enough room to approach the issue. The theoretical approaches from which trade secret protection arises, then, creates differences in national law. Therefore, international lawyers should be aware of those potential differences in order to render accurate, legal opinions.³²

²⁵ Id., Section 10

²⁶ Id., Section 11

²⁷ Id., Section 12

²⁸ Id., Section 13

²⁹ Gaurav Wahie, Evaluating Trade Secret under the IPR Paradigm: The Hypothesis of Trade Secrets as Rights Analyzed in the Pure Hohfeldian Sense, *available at*: <http://www.legalservicesindia.com/articles/tradesecrets.htm> (Retrieved on April, 2014)

³⁰ Edwin Lai, The Economics of Intellectual Property Protection in the Global Economy, 2001, *available at*: <http://www.dklevine.com/archive/refs4122247000000000481.pdf> (Retrieved on March, 2013)

³¹ Mark A. Lemley, The Surprising Virtues of Treating Trade Secrets as IP Rights, 61 *STAN. L. REV.* 311, 312-14 (2008)

³² Deepa Varadarajan, Trade Secret Fair Use, 83 *Fordham L. Rev.* 1453 (2014), *available at*: <http://ir.lawnet.fordham.edu/flr/vol83/iss3/9> (Retrieved on March, 2013)