

## Legal Issues in IP & Customers

### Issue: Can Customer Data be Protected as Trade Secrets?

## Trade Secrets

- ❖ Any secret business information which provides a trader competitive edge over others is considered a “trade secret”.
- ❖ It could be a formula, computer program, process, method, device, technique, pricing information, customer lists, or other information that has been kept secret.
- ❖ Three characteristics of trade secrets:
  - It must not be generally known or readily accessible by people who normally deal with such type of information.
  - It must have commercial value as a secret.
  - The lawful owner must take reasonable efforts to maintain its secrecy
- ❖ “Trade secrets” are confidential, but at the same time they are also commercial.

## Relevant Legal Provisions

- ❖ Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs), 1995:
  - Article 1 (2) – *“For the purposes of this Agreement, the term “intellectual property” refers to all categories of intellectual property that are the subject of Sections 1 through 7 of Part II.”*
  - Article 39 (1) – *“In the course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention (1967), Members shall protect undisclosed information...”*

## Relevant Legal Provisions (Contd.)

- Article 39 (2) – *“Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices (10) so long as such information:*
  - (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;*
  - (b) has commercial value because it is secret; and*
  - (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.”*

## Relevant Legal Provisions (Contd.)

- ❖ Paris Convention for the Protection of Industrial Property, 1967

- Article 10bis –

- (1) *“The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.*
- (2) *Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.”*

## Protection of Trade Secrets in India

- ❖ There is no statutory definition of “trade secrets” under Indian laws.
- ❖ Lack of specific law leads to condoning misappropriation of trade secrets.
- ❖ There is a lacuna in protection of trade secrets which are vital to businesses.
- ❖ Lacuna in law results in reliance on subjective interpretation of other laws.
- ❖ Protection of trade secrets under the current law lacks uniformity.

## Protection under Common Law

- ❖ Protection of trade secrets based on common law principles.
- ❖ The protection of “trade secrets” is an aspect of breach of confidence.
- ❖ Law of breach of confidence is concerned not with the acquisition of information, but with its subsequent “use or disclosure”.
- ❖ Springboard Doctrine:
  - ***Fairfest Media Ltd v. LTE Group Plc.*, [2015 (2) CHN (CAL) 704]**

*“a person who has obtained information in confidence is not allowed to use it as a springboard for activities detrimental to the person who made the confidential communication.”*

## Protection under Common Law (Contd.)

### ❖ Remedies under Common law:

- Injunction
- Return of confidential and proprietary information
- Damages

### ❖ Limitations under Common law:

- No standard for “Degree of Confidentiality”;
- Limitation of “Springboard Doctrine”
- Lacuna in “Third party liability”;
- Lacks “foreseeability” of the problems.



## Protection of Trade Secrets under Indian Law

- ❖ Indian Contract Act 1872
- Section 27 – *Agreement in restraint of trade, void.*
  - Courts have interpreted the Section 27 of the Contract Act to include agreement which can protect trade secrets in the form of nondisclosure and non- compete agreements.
  - The restraint if put for protection of “trade secrets” or confidential information for the purpose of flourishing of trade then it is considered as valid restraint.
- ***Niranjan Shankar Golikari v. Century Spinning & Manufacturing Company Limited [AIR 1967 SC 1098]***
  - The Supreme Court held that the plaintiff’s interest in the secret manufacturing process should be protected by restraining the defendant from divulging trade secrets to competitors. The court granted an injunction as sought by the employer against the employee. That court reasoned that the clause was restricted to the period of the service and also to the work that was substantially similar to the one carried out by the covenanter. Therefore, it was necessary and reasonable for the protection of the employer’s interest.

## Protection of Trade Secrets under Indian Law (Contd.)

### ❖ Right to Information Act, 2005

- Section 8(1)(d) – *“information including commercial confidence, trade secrets or intellectual property, the disclosure of which would harm the competitive position of a third party, unless the competent authority is satisfied that larger public interest warrants the disclosure of such information.”*

### ❖ The Competition Act, 2002

- Section 3(5) – *“Nothing in this section shall restrict- (i) the right of any person to restrain any infringement of, or to impose reasonable conditions, as may be necessary for protecting any of his rights which have been or may be conferred upon him under- (a) The Copyright Act, 1957(14 of 1957); (b) The Patent Act, 1970 (39 Of 1970);...”*

## Protection of Trade Secrets under Indian Law (Contd.)

### ❖ Indian Penal Code, 1860

- *Sections 405 - 409 which relate to criminal breach of trust*
- *Section 418 - 420 which relate to cheating*
- The above can be invoked to seek appropriate remedy against a grave offence.

### ❖ Indian Evidence Act, 1872

- *Section 101-103 which relate to burden on proof would be applicable.*

### ❖ The Information Technology Act 2000

- Section 43 – *Penalty and Compensation for Damage to Computer, Computer System, etc.*

### ❖ The Copyright Act, 1952

- Section 2 (o) – “*“literary work” includes computer programmes, tables and compilations including computer databases.*”

## Relevant Case Laws

❖ ***Burlington Home Shopping Pvt. Ltd. v. Rajnish Chibber and Anr.* [61 (1996) DLT 6]**

*“...David Bainbridge has in Software Copyright Law (at p.48) dealt with computer database in the following terms: “A computer database is a collection of information stored on computer media. The information may be a list of clients and their addresses.”*

*“In theory, copyright and trade secret law protect different elements of compiled business data, with copyright protecting the expression in these compilations and trade secret law protecting the underlying data. In fact, copyright and trade secret protection for compilations of business data frequently converge. Copyright protection for business directories often extends to the underlying data, and trade secret protection may extend to particular expressive arrangements of data.”*

*“restrained...from carrying on any business including mail order business by utilising the list of clientele/customers included in the database exclusively owned by the plaintiff.”*

## Relevant Case Laws (Contd.)

❖ ***Diljeet Titus v. Mr. Alfred A. Adebare & Ors.* [(2006) 32 PTC 609 Del]**

*“The customer database is protected by copyright as an original literary work, assuming a modicum of skill and judgment is involved in compiling the database.”*

❖ ***American Express Bank Ltd. v. Ms. Priya Puri* [(2006) III LLJ 540 Del]**

- Court observed that creating a database of the clients/customers and then claiming confidentiality about it, will not permit creation of a monopoly about such customers.
- Court held that details of customers are not trade secrets or property.

## Relevant Case Laws (Contd.)

❖ ***Navigators Logistics Ltd. v. Kashif Qureshi and Ors.* [2019 IAD (Delhi) 418]**

*“Every customer list cannot qualify as confidential information or a trade secret unless the confidentiality around such a list is of economic value/business value/commercial value.”*

❖ ***Bombay Dyeing and Manufacturing Co. Ltd. v. Mehar Karan Singh* [2010 SCC OnLine Bom 1243]**

*“Court observed that something which is known outside the business or to those inside the business i.e. the employees and for guarding which no steps have been taken and for developing which no effort or money has been extended, cannot be a trade secret.”*

# THANK YOU!

## Questions?

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