



**Trade Secrets and Unfair  
Competition Concept**

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“शिक्षा मानव को बन्धनों से मुक्त करती है और आज के युग में तो यह लोकतंत्र की भावना का आधार भी है। जन्म तथा अन्य कारणों से उत्पन्न जाति एवं वर्गगत विषमताओं को दूर करते हुए मनुष्य को इन सबसे ऊपर उठाती है।”

— इन्दिरा गांधी

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*“Education is a liberating force, and in our age it is also a democratising force, cutting across the barriers of caste and class, smoothing out inequalities imposed by birth and other circumstances.”*

—Indira Gandhi

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Block

# 1

## **TRADE SECRETS AND UNFAIR COMPETITION CONCEPT**

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## MIP-107 TRADE SECRETS, COMPETITION LAW AND PROTECTION OF TCE

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Trade Secrets, 'Undisclosed Information' is a form of Intellectual Property Right which required protection under TRIPS. Trade Secrets are very important aspects of a commercial enterprise. Competition as we understand is healthy for a business enterprise. It has often been described as a public good that can potentially spur economic efficiency, growth and competitiveness. Competition also serves to diffuse socio-economic power and broader economic, social and political participation while providing opportunities for new entrepreneurs. Traditional Cultural Expressions covers an enormous variety of customs, traditions, forms of artistic expressions, knowledge, beliefs, products, processes of production and space that originate in many communities throughout the world.

Although there is not a wide definition of TCE, but expressions of folklore or 'traditional cultural expressions' depend upon the context and the purpose for which the definition is developed. A number of expressions like verbal expressions, musical expressions, expressions by action such as dances, plays and shows, tangible expressions such as production of folk art can be covered under the umbrella of traditional cultural expression.

In this course there are three blocks.

Block 1 – Trade Secrets

Block 2 – Competition Law

Block 3 – IP and Protection of Traditional Cultural Expression

**Block 1** of this course concentrates extensively on trade secrets. The Block explains the rationale for the protection of trade secrets, protection against trade secrets in India and the judicial approach. It also further explains the reasons for protection against the unfair competition concept.

**Block 2** of this course deals with the competition concept. The Block explains the concept of competition, the need for the enactment of the Act, the previous act and the amendments thereof. It also discusses the interaction between Competition Law and Intellectual Property Rights.

**Block 3** of this course concentrates extensively on Traditional Cultural expression. The Block explains the terms 'Traditional Cultural Expression' and 'expression of folklore'. It further discusses topics on the protection of traditional cultural expression, The international traditional cultural expression, The international efforts for the protection of Traditional Cultural Expressions. It also discusses issues like the efforts made by WIPO and UNESCO for the protection of TCE.

Dear Learners, this course is of 4 credits

1 credit = 30 hrs of study

4 credits =  $30 \times 4 = 120$  hrs of study, which means, you have to spend 30 hrs of study which includes reading, discussing, writing for each block.

Good luck and happy learning.

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## **BLOCK 1 TRADE SECRETS AND UNFAIR COMPETITION CONCEPT**

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Block 1 of this course concentrates extensively on Trade Secrets and Unfair Competition. Trade Secrets or "Undisclosed Information" is a form of Intellectual Property, which requires protection under the Agreement on trade related aspects of Intellectual Property Rights. These are undoubtedly valuable commercial aspects for a commercial enterprise.

This Block consists of four units. **Unit 1** of this Block concentrates on the concept of trade secret and modes of guarding Trade Secrets. In this unit issues like the significance of trade secrets, wherein the distinction between trade secrets and confidential information is established. It also explains the distinction between trade secrets and know how. Other topics like modes of protection of Trade Secrets wherein confidentiality Agreements and use and disclosures by competitor and third parties are dealt in. It also explains the exception to liability.

**Unit 2** of this Block explains Trade Secrets vis-à-vis Paris Convention and TRIPS Agreement.

**Unit 3** of this Block discusses how trade secrets can be protected in India. In this unit protection of trade secrets under national laws are discussed. In this unit the role and approach of the judiciary is also discussed.

**Unit 4** of this Block concentrates extensively on the protection against unfair competition in India. Topics like Unfair Competition and the National and International protection against unfair competition is dealt in this unit. It also discusses the legal framework against unfair competition in India, wherein the MRTP Act-1969, the Competition Act, 2002, the Consumer Protection Act, 1986 are dealt in. The unit furthermore explains the judicial perspective on specific categories of unfair trade practice which causes confusion like passing off, misleading representation discrediting competition etc.

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# UNIT 1 · CONCEPT OF TRADE SECRET AND MODES OF GUARDING TRADE SECRETS

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## Structure

- 1.1 Introduction
- 1.2 Objectives
- 1.3 Significance of Trade Secret
- 1.4 What is a Trade Secret?
  - 1.4.1 Trade Secret and Confidential Information
  - 1.4.2 Trade Secret and Know-how
- 1.5 Modes of Protection of Trade Secrets
  - 1.5.1 Confidentiality Agreements
  - 1.5.2 Use and Disclosures by Competitors and Third Parties
  - 1.5.3 Exceptions to Liability
- 1.6 Summary
- 1.7 Terminal Questions
- 1.8 Answers and Hints
- 1.9 References and Suggested Readings

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## 1.1 INTRODUCTION

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“Undisclosed information” (i.e. trade secrets) is one of the categories of intellectual property, required to be protected under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Article 39 enjoins its Members to protect “undisclosed information” and “data submitted to governments or governmental agencies” through effective measures. This is the first time that the protection of “undisclosed information” has been expressly brought under the purview of an international agreement on intellectual property rights (IPRs). Trade secrets and know-how are valuable commercial assets for a commercial enterprise. The protection of confidentiality and business secrecy, and prohibition on exchanges of confidential information between competitors are part of commercial activities. Competitive strength usually depends on innovative techniques and accompanying know-how in the industrial and/or commercial field. However, such techniques and know-how are not always protectable by patent law, because the patents are available for inventions in the field of technology meeting the criteria of novelty and inventive step, and not for innovation. Often the trade secret is backed up by trademarks, patents, copyrights and designs, but it is the trade secret that is very significant to an enterprise. Secrecy in itself can confer commercial advantages over rivals, and often the continued commercial success of a business can depend on an adequate protection of its secret. The cases in instance are that of the formula for Coca-Cola and the Hyderabad fish cure for asthma. Economic value of trade secrets and know-how is comparable to patents in terms of investment as well as the competitive advantage they afford to a firm. A trade secret provides the lead-time advantages to the holder.

A trade secret cannot be registered like any other industrial property and its value lies so long it is kept secret. A trade secret, even if disclosed accidentally or reverse engineered loses all the protection.

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## 1.2 OBJECTIVES

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After reading this unit, you should be able to:

- know the importance of trade secrets to a business enterprise;
- explain what constitutes a trade secret;
- distinguish between technical and business trade secrets;
- difference between a trade secret and know-how;
- know the modes of protecting a trade secret;
- explain the Confidentiality Agreements and their significance in protecting trade secrets;
- analyse the importance and reach of Obligation of confidentiality in employer-employee agreements; and
- know the liability of competitors or third parties for using the trade secret.

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## 1.3 SIGNIFICANCE OF TRADE SECRET

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Trade secrets protection covers business information of various natures, including mere commercial data as well as technical know-how. Such information may be of considerable economic value, particularly, but not exclusively, in process industries, such as chemicals production.

The protection of know-how as well as other business information may be of importance for large as well as small and medium enterprises, both in developed and developing countries. A distinct advantage of trade secrets protection is that no registration is necessary to acquire the relevant rights, and that protection lasts as long as the information is kept secret. These features make this form of protection particularly suitable to small and medium companies in developing countries. However, enforcement costs will be high as once the information is leaked out, it is difficult to retrieve it and also difficult to prove that it was illegally accessed.

Trade secret acts as an incentive to develop incremental innovation of technology not meeting the non-obviousness standard of patent law, or where patents and copyrights are unavailable, ineffectual or unattractive. Right in trade secret, in certain circumstances, can last longer than patents, the period of which is limited only to 20 years. The term/duration of the trade secret is as long as its owner is successful in keeping it secret. So in essence, if the secret is guarded successfully, it can be held for unlimited period of time. Scientific discoveries, which are of increased importance, also face difficulties of patent protection since they are not patentable, and can be protected by trade secrets. Moreover, where a technology does not fall clearly within the traditional IPRs, viz., patents or copyright, trade secrets become handy. Furthermore, inventions (protected as utility model or patent), trademarks, industrial designs, artistic or literary works, when they have not yet been made public, are kept as trade secrets until used or published as such, or during the process of registration or grant of the relevant IPRs. A substantial part of economically meaningful technology, particularly new and high technology (cutting-edge technology) which is prone to reverse engineering, such as

biotechnology, computer program microchips, computer-aides designs, is kept as trade secrets. Trade secret protection may also be applied in relation to traditional knowledge (TK), i.e., traditional secrets kept by native and indigenous communities that may be of technological and economic value. Control over the knowledge, and regulation of the manner in which it may be acquired, used and passed on, will in turn make it possible to arrange contracts for the licensing of secret TK and derive profits from its commercial exploitation.

As confidential information and knowledge increasingly drives business success, companies are honing their policies and practices to safeguard confidential information of commercial value against accidental, inadvertent or willful misappropriation, misuse, sabotage, loss or theft. Secret information or data needs proper protection and management if it is to be leveraged for competitive advantage. Once confidential information is disclosed to competitors, its value is lost forever. Only with due effort to keep information confidential or secret does such an intellectual asset becomes property that may be licensed as a trade secret or used to obtain protection for another type of marketable intellectual property asset. There is no violation of secrecy where a trade secret has been obtained in the course of legitimate trade activity, provided that the person obtaining the secret did not use the dishonest means to do so, or did not negligently disregard the dishonesty of such means. "Dishonest means" in commercial practices would include practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties, who knew that such practices were involved in the acquisition.

A trade secret is difficult to identify with precision because, unlike other IPRs, it has been traditionally protected not by registration but by contractual restrictions on use, disclosure or so on. Also the nature of trade-secret and know-how is, of course, such that once it has been given, it cannot be taken back. Any party licensing know-how is therefore at risk. Its value depends on the ability of the system to enforce these rights. Thus, trade secrets need to be protected as a part of measures guarding against unfair competition. It is, however, important to know that what constitutes a trade secret because the mechanism to be devised for its protection depends upon that.

Significance of trade secrets in the industrial economy has increased greatly in the past few years, mainly for two reasons: First, other forms of intellectual property like patent, trademark and copyright have an element of uncertainty as compared to trade secret. Secondly, trade secrets have gained importance because, in many fields, technology is changing so rapidly that it has surpassed the existing laws intended to encourage and protect inventions and innovations. Another significant factor which has enhanced the value of trade secrets is the relative ease of creating and controlling trade secret rights. There are no bureaucratic delays and no multiyear waits for government grants, such as those for patents. Trade secret rights, in contrast, can be established by the explicit conduct or agreement of the interested parties. A trade secret right starts upon the creation of the idea in some concrete form, and continues as long as secrecy is maintained. Protection of information such as ideas or information which does not qualify to be protected as intellectual property within the legal framework Intellectual Property Laws of the land can be protected by trade secrets. They also have the advantage of being lasting forever, again, as long as secrecy is maintained.

Of course, trade secrets have negative aspects. They are a volatile form of property, and they terminate when secrecy is lost. Also, they require constant vigilance to protect them. Nevertheless, trade secrets play a major role in protecting innovations and establishing rights to use new technology without going through the rigours of patents procedures.

**Self Assessment Question**

**(Spend 3 minutes)**

1) What is the importance of a trade secret to a business enterprise?

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**1.4 WHAT IS A TRADE SECRET?**

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The term “trade secret” is often used in relation to confidential information associated with industrial and commercial activity. A legal definition of trade secret rarely exists, though several countries describe it by subject matter and differentiate between manufacturing secrets and commercial secrets. The classification of some forms of confidential information as trade-secret is important because the protection afforded by the law and the applicability of criminal law may depend upon it. The manufacturing secret is related to information of purely technical character, like production methods, chemical formulae, blueprints or prototypes. Such information could constitute a patentable invention, but generally, patentability of the information in question, in particular novelty in a patent law sense, is not required for the secret to be protectable. Commercial secrets include sales methods, distribution methods, contract forms, business schedules, details of price agreements, consumer profiles, advertising strategies and list of clients. Usually, the subject matter of trade secrets is rather broadly defined, and the final determination of what information can be a trade secret will depend on the specific circumstances of each individual case. It can be a formula, a plan, a sketch or something of that kind, which is the result of work done by the maker upon materials which may be available for the use of anybody. What makes it confidential is the fact that the maker has used his brain and thus produced a result which can only be produced by somebody who goes through the same process.

There are several ways to determine what information constitutes a trade secret: the extent to which the information is known to the public or within a particular trade or industry, the amount of effort and money expended by the trader in developing the secret information, the value of that information to the trader and to his competitors, the extent of measures taken by the trader to guard the secrecy of the information and the ease with which the information could be acquired by others. From a subjective point of view, the holder of information must have a considerable interest in keeping certain information as a trade secret. From an objective point of view, the information must, in order to qualify as a trade secret, be known to a limited group of persons only, that is, it must not be generally known to experts or to competitors in the field. Therefore, external publications or other information that is readily available will not be considered secret. For example, the use of disclosure of a trade secret by a person who has acquired it in a legitimate business transaction and without any negligence is not deemed unfair. On the other hand, absolute secrecy is not a requirement, for the information might also be discovered independently by others. Also business partners can be informed without loss of secrecy if it is obvious that the information has to remain secret. Factors that indicate whether the information has the necessary degree of confidentiality to constitute a protectable trade secret are whether it contains material that is not confidential if looked at in isolation, whether it has necessarily to be acquired by employees if they are to work efficiently and whether it is restricted to senior management or is also

known at the junior level. Still, the most solid proof is the strict confidentiality of the information and the contractual duty to keep it secret.

According to Lord Greene's language in *Engineering Co. Ltd. v. Campbell Engineering Co. Ltd.*, [1963], the confidential information "must not be something which is public property and public knowledge" Thus to be confidential, the information, even if in the public domain, the compilation of the same and the conclusions drawn from it need not be in the public domain. Information may also comprise of several items, retrieved from the general pool of information, but its uniqueness lies in its separate and identifiable collection, which makes it confidential. Thus, a data prepared in the digital form of the clients can also be a trade secret. Further, every part of the information need not be completely confidential to qualify for protection as a trade secret and the extent of the security measures taken by the owner of trade secret need not be absolute, but must be reasonable under the circumstances.

### 1.4.1 Trade Secret and Confidential Information

A trade secret has been differentiated from confidential information as information which, if disclosed to a competitor, would be liable to cause real (or significant) harm to the owner of the secret. It must be information used in the trade or business, and the owner must limit the dissemination of it or at least not encourage or permit widespread publication. Thus the information must remain outside the public domain if it is to be protected. The confidential information "must not be something which is public property and public knowledge."

Thus, to be confidential, the information, even if in the public domain, the compilation of the same and the conclusions drawn from it need not be in the public domain. Information may also comprise of several items, retrieved from the general pool of information, but its uniqueness lies in its separate and identifiable collection, which makes it confidential.

A trade secret has been differentiated from confidential information as: "information which, if disclosed to a competitor, would be likely to cause real (or significant) harm to the owner of the secret, it must be information used in the trade or business, and the owner must limit the dissemination of it or at least not encourage or permit widespread publication."

According to the American Law Institute's Restatement of Law of Torts (1939), "A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers ... It differs from other secret information in a business ... in that it is not simply information as to single or ephemeral events ... A trade secret is a process or device for continuous use in the operation of the business." (Section 757(b)).

The Uniform Trade Secrets Act, 1989 (of the US), in Section 1(4) states,

"A trade-secret means information, including a formula, pattern compilation, program, data, 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.

Thus, the “novelty” of the information is not essential, but it should be inaccessible. The information should be crucial to the holder due to its potential value. Under the Unfair Competition Prevention Act of Japan, a trade secret is defined as any information relating to a production method, a sales method or any other information on technology or business that is unknown to the public.

The Delhi High Court, in *American Express Bank Ltd. v. Priya Puri* [(2006) III LLJ 540 (Del)] defined trade secret as ‘... formulae, technical know-how or a peculiar mode or method of business adopted by an employer which is unknown to others.’ Section 2(3) of Indian Innovation Bill defines Confidential Information as: “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.” 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 is, nevertheless, difficult to define precisely what a trade secret is, except that it is something out of the ordinary, not easily available to others. Trade secrets consist of virtually any information developed by a company through its efforts, unknown to others in competing businesses, which gives it an advantage over its competitors. It would include things, which are potentially patentable, but the owners of the secret, for some reasons, are unwilling to apply for a patent, which are, nevertheless, essential for the exploitation of the patent. However, it is wider than this and would include things, which are not patentable such as a discovery or a method of doing business or those not meeting the criterion of patentability, viz., being new, non-obvious and industrially applicable (useful).

It is also difficult to identify trade secret with precision because of the mode of its protection through contractual restrictions on use, disclosure etc. and not by registration. Also, the nature of trade secret and know-how is, of course, such that once it has been given, it cannot be taken back. Any party licensing know-how is, therefore, at a risk. Its value depends on the ability of the system to enforce these rights. The holder of the trade secret does not enjoy any monopoly right over the information; others may discover the elements of a trade secret through their independent R&D.

Thus, a trade secret should be inaccessible, though need not be novel, but should be crucial to the holder. Trade secrets that are voluntarily revealed, insufficiently guarded or reverse engineered, lose all protection and become subject to free competition. “Reverse engineering” is applied to technology that may be disclosed by the goods manufactured by that technology and placed on the market. Producers who attempt contractually to limit the reverse engineering of unpatented innovation run the risk that courts will hold such restrictions unenforceable. Furthermore, unlike other IPRs, whose holders enjoy the exclusivity of the right during its tenure, i.e. patent or copyright, in the case of trade-secret, if the information is disclosed by accident or uncovered through legal means by third parties, the law does not provide any remedy. Patents protect against “reverse engineering”.

## 1.4.2 Trade Secret and Know-how

In many jurisdictions, like India, the term “trade secret”, quite often, is used indistinctively with know-how. In India, trade secrets, know-how and confidential information are used interchangeably. But know-how also does not have a clear meaning. *It may refer to disembodied information in the form of technical knowledge of industrial significance*, which has been built up in an organisation, and it is not in the public domain. Here again, novelty is not required. This type of know-how is protectable as a trade secret. *It may also be embodied in the skill and experience built up by individual employees* in relation to the practical implementation of techniques or processes, and “it indicates the way in which a skilled man does his job”. Know-how of this kind does not constitute a trade secret. This makes the scope of know-how broader than trade secret.

Trade secrets may be technical and business secrets. *Technical secrets* relate to the production of goods and services and consist in an invention, a manufacturing process, chemical formula, or in engineering and design drawings, and the know-how of the first kind. They also consist of craft secrets and recipes-associated generally with cosmetic, food and pharmaceutical trades. Most common example of it is that of Coca-Cola.

*Business secrets* are generated by a firm about its own activities, and include information on cost and pricing data, sales statistics, lists of customers and sources of supply, market projections and details of its promotional strategies and expansion plans. Such information may provide to a firm competitive and comparative advantage over its rivals. Articles 39 of the TRIPS Agreement, covers both technical and business secrets in its ambit.

### Self Assessment Question

(Spend 3 minutes)

2) What constitute a trade secret?

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## 1.5 MODES OF PROTECTION OF TRADE SECRETS

Trade secrets lose all protection if they are not kept secret. Owner of the trade secret is responsible to take “reasonable steps” to keep it secret, and that justifies its protection as secrecy under the national law. For this purposes, various modes, including statutory means, are adopted to protect trade secrets against unauthorised use and disclosure. Some countries have special provisions for the protection of trade secrets either under specific legislation on unfair competition or as part of another law. Some countries, like common law countries, treat trade secrets as an aspect of tort law. Still other countries have enacted criminal, administrative, commercial or civil law provisions prohibiting the unauthorised use or disclosure of business secrets.

However, criminal provisions are less important in practice since normally knowledge of the secrecy, as well as malicious or fraudulent intent, have to be proved. Yet if the disclosure of a trade secret constitutes a criminal offence, it will normally constitute an act of unfair competition as well. Furthermore, since employees, consultants, independent contractors and parties of joint ventures are often privy to trade secrets, several aspects

of civil law concerning employment contracts and general contract law are also relevant, depending on the circumstances of the case. Finally, it is not unusual to have combinations of the above means available. For example, violation of trade secrets could result in unfair competition or tort liability, as well as in criminal sanctions. On the other hand, in situations where non-competitors have intimidated or influenced agents or employees, or have otherwise induced them or other persons bound to secrecy to disclose the secret information, only tort law might be applicable.

Trade secrets can be protected through agreements by imposing contractual restrictions and through other technological or industrial means, such as encryption, safes, division of work. In order to protect trade secrets and confidential information, watertight agreements should be agreed upon, and they should be supported by sound policies and procedures. To protect confidential information in the hands of employees in this information age, it's imperative that a business protects its new formula, product, technology, customer lists, or future business plans through techno-legal methods. In the global marketplace, Indian corporations are often required to comply with foreign laws and are likely to be exposed to liabilities for violation of confidential information or trade secrets of their business partners or third parties. For example, the U.S. Economic Espionage Act, 1996 imposes criminal liability (including fines and prison sentences) on any person who intentionally or knowingly steals a trade secret, knowingly receives, or purchases a wrongfully obtained trade secret. The standards for protection have to be tailored to address the risks associated with rapid advancement in technology and communications. However, one constant factor is the presence of a corporate culture imbued with information protection values. The employees of an organisation are privy to confidential information and trade secrets on a daily basis. In the absence of any specific Indian statute conferring protection on such information in the hands of employees, recourse has to be taken to common law rights and contractual obligations. Data that is confidential should be clearly indicated as such in all communications. Appropriate security procedures must be established and followed by the company and access to specific sensitive areas of workplace restricted or limited to certain senior employees only.

### **1.5.1 Confidentiality Agreements**

To prevent the misuse of trade secrets, it is generally prudent business practice to enter into non-disclosure agreements. Trade secrets are commonly protected through non-disclosure agreements. Disclosure of trade secrets is quite common through employees in breach of contract of employment. Even in countries where specific provisions on wrongful or unfair disclosure apply, trade secrets are commonly protected through contracts. Employment contracts may serve to reinforce and supplement the protection afforded to trade secrets under the law on unfair competition or common law of torts. If the information is disclosed in breach of a contract (e.g. licensor-licensee relationship) or quasi contractual relationship (e.g. principal-agent relationship) or fiduciary or trust relationship (e.g. solicitor, director, auditor), that can be protected under the law, which will set the legal dimensions of contractual and quasi contractual relationship. In a contractual relationship, parties to the contract are free to make provision regarding the confidential information – non-disclosure or non-competition clause. The contracts could be of service or work and the clauses may operate even after the termination of the contract. A fiduciary relationship equally imposes an obligation on the trustee to act in the best interest of the beneficiary.

Employment contracts frequently incorporate specific clauses prohibiting the disclosure of business or trade secrets, like undertakings not to compete or not to indulge in

similar business for a specific time or territory, but such clauses are invariably subject to the scrutiny of the courts. They must not be too restrictive of the professional abilities of the employee in the future. Restrictions have to be reasonable in time and space; otherwise it will be in restraint of trade, which the courts would strike down. Criminal law, as well as civil and labour law, could also create relevant duties in employment relations, for example, it can prohibit disclosure of secret information by employees. Such clauses may be very important in situations where the employee is not bound by contractual stipulations, or where the use of such information by former employee is not related to a competitive action. If the former employee can be regarded as a competitor of the former employer, for example it has set up a company or an industry of his own in the same sector, a breach of confidence by the former employee will normally be an act of unfair competition. For example, inducement of customers of the former employer to become clients of the employee in his new position will probably be deemed unfair, particularly if the employee misuses lists of customers or internal business details in order to make better offers. Similarly, if the data stored on computers have been unauthorisedly used by the former employee in breach of confidentiality clauses in the contract, make him liable. It will also be in violation of the customer privacy policy. However, there can also be wrongful misuse of confidential information if special knowledge of the employer's activities in relation to clients' affairs is made use of to persuade those clients to transfer their business to another.

The national courts, while deciding on the issue of a preceding breach of confidentiality, take into account the ambit of dishonest commercial practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition.

Trade secrets are important in transfer of technology agreements. Unpatented technology plays a significant role in contemporary economic activity. In fact, unpatented and secret technology has become important components of patent licensing. In order to guard against accidental disclosure or reverse engineering of trade secrets, the owners generally insert restrictive clauses to know-how transactions to preserve the market value of such a technology and limitations on the availability of the pertinent know-how. Since the transfer of technology may involve the leakage of proprietary information, licensing contracts may include provisions in which the licensee promises the confidentiality of the licensor. The trade-secret protection is designed to guarantee the licensor's rights to its technology. But in trade secret and know-how licenses, the licensor and licensee can become potential rivals. There are no international rules on the breach of such covenants, except governmental agreements.

### 1.5.2 Use and Disclosures by Competitors and Third Parties

Generally, there is no protection for use or disclosure of a trade secret against third parties, i.e., persons not in contractual relations with the lawful user of the information who has acquired the information by lawful means. Third parties, however, will be liable if they know about the confidential nature of the information or were grossly negligent in failing to know that *dishonest commercial practices* were involved in the acquisition of that information. What constitutes knowledge or gross negligence has to be defined and provided in the national laws of the countries, while protecting trade secrets. It must be emphasised that third parties are liable only when the information is not only known, but also known to be confidential in character.

Competitors are usually very interested in acquiring the trade secrets of their rivals. However, as trade secrets themselves are not fully equivalent to exclusive rights under

industrial property law, the determination of the unfairness of competitors who use or disclose the trade secrets of others is based on the means of acquiring the information. For example, the rules concerning the protection of trade secrets will not apply where a trade secret is obtained in the course of a legitimate trade activity, provided that the person obtaining the secret did not use dishonest means to do so, or did not negligently disregard the dishonesty of such means. Thus, competitors who have not indulged into any unfair means or influence to bring about the disclosure of the secret information, but have merely taken advantage of the breach of contract of a former employee or partner of the competitor, may seldom be held liable. On the other hand, the competitor's awareness that the disclosure of the trade secret by the former employee or partner would be a breach of contract is regarded a sufficient ground for determining liability of the competitor or a third party. In some jurisdictions, such as in Mexico, it is an offence to use a trade secret which has been disclosed by a third party where the person to whom the secret was disclosed knew that the third party was not authorised to disclose the secret. In any case, competitors are not allowed to interfere recklessly with the contractual relations of others. For example, if a competitor has bribed or coerced a former employee to disclose a competitor's trade secret, he will be liable for unfair competition.

**Self Assessment Question**

**(Spend 3 minutes)**

3) When are the third parties liable for using a trade secret?

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**1.5.3 Exceptions to Liability**

Disclosure of trade secrets is not actionable in all cases and courts have carved out a number of defences.

*General knowledge exception*

In common law, by a long-established principle of public policy, a former employee is free to utilise the general skill and knowledge acquired during his or her employment. Similarly, in America, the Economic Espionage Act does not apply to individuals who seek to capitalise on their lawfully developed knowledge, skill or abilities. The exclusion applies not only to the exploitation of the information for the employee's own benefit, but also to the employee's use of it for other employers.

The clear test for distinguishing between trade secrets on the one hand and general knowledge and skill on the other is: If the information in question can be regarded as a separate part of the employee's stock of knowledge, which a man of honesty and intelligence would recognise to be the property of his former employer, then an injunction could be granted.

*Parallel development*

The owner of a trade secret does not possess a monopoly on the data that comprises the trade secret. Other companies and individuals have the right to discover the elements of trade secret through their own research and hard work. Thus, it is a defence if the defendant demonstrates that he independently developed the trade secret.

### ***Reverse engineering***

The Legislative Comment to UTSA states, "Discovery by reverse engineering", that is, starting with the known product and working backward to find the method by which it was developed, is considered proper means. Therefore, to avoid a successful claim by the defendant that he discovered the trade secret by reverse engineering, prosecutors should establish the means by which the defendant misappropriated the trade secret. For example, if the prosecution could show that the defendant unlawfully obtained access to the trade secret, it would refute his claim that he learnt the trade secret through reverse engineering. Further, a defendant cannot defeat a prosecution by claiming that the trade secret could have been discovered by reverse engineering.

### ***Innocent acquisition of information***

Information which the defendant acquired innocently, that is, without knowing that it was a trade secret belonging to a person who did not consent to the defendant's acquisition of it is not a trade secret under English law. However, under American law, a person who learns of a trade secret innocently, without notice, is liable after receipt of notice unless he can prove that he has in good faith paid value for the secret or has so changed his position that to subject him to liability would be inequitable.

### ***Public interest exception***

It is well established that no liability attaches to the use of information, which was in the public interest to use or disclose. Thus, a defendant in proceedings for breach of confidence shall not be liable to the plaintiff in respect of any disclosure or use of information by the defendant in breach of an obligation of confidence if (a) the defendant raises the issue of public interest in relation to that disclosure or use; and (b) the plaintiff is unable to satisfy the court that the public interest relied on by the defendant under that sub-section is outweighed by the public interest involved in upholding the confidentiality of the information.

### ***Statutory obligation/Exercise of power***

If the information is used or disclosed in accordance with a statutory obligation or power, the defendant is not liable. For instance, if the information is disclosed pursuant to a court order, or otherwise for the purpose of legal proceedings, it comes within the exemption. Similarly, the use or disclosure in the interests of national security or for the prevention, investigation or prosecution of crime is permissible. However, the disclosure must be to someone who has a "proper interest" or authorised to receive the information in question.

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## **1.6 SUMMARY**

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- Trade secrets are valuable commercial assets for an enterprise. They provide the lead-time advantage to the owner over his rivals as well as incentive to develop incremental innovations of technology not meeting the standards of patent law. Technology which is not protectable by other IPRs, can be guarded through trade secrets.
- A trade secret relates to information which is not disclosed. Often trade secret is backed up with other IPRs, such as patents, trademarks, designs etc., but trade secret remains important because of its leverage in the commercial success of the enterprise. Secrecy in itself can confer commercial advantages over rivals.

- Trade secrets are not fully equivalent to other IPRs, viz., patents, trademarks, copyrights etc. which confer exclusive rights on the holder. A trade secret cannot be registered like any other industrial property and hence it is the responsibility of the holder to guard it against any disclosure.
- A trade secret accidentally leaked or reverse engineered lawfully lose all protection. The duration or term of a trade secret is as long as it is kept secret successfully by its owner. Hence, if the secret is guarded successfully, it can be held for unlimited length of time. This is in contrast to other IP rights, which have limited duration.
- It is difficult to define precisely a trade secret except that it is something out of the ordinary, not easily available to others. The term 'trade secret' is often used in relation to confidential information associated with industrial and commercial activity. But trade secret differs from confidential information, as it relates to the information which if disclosed to a competitor, may cause real or significant harm to the owner of the secret.
- Trade secret is also different from know-how, which also does not have clear meaning. But information or know-how in the form of technical knowledge of industrial significance built up in an organisation without any identifiable novelty, which is not in the public domain, can constitute a trade secret and protectable.
- Trade secrets are protected in some jurisdictions under the special legislation, administrative or criminal law. In some jurisdictions they are protected under contract or tort law.
- The most common method of protection of trade secrets is through contracts by having confidential clauses. Any breach of the contractual stipulations is actionable under the law. But restrictions against disclosure are to be reasonable and not be in restraint of trade, which may be struck down by the courts.
- Third parties to the contract are not liable for the use or disclosure of a trade secret unless they have knowingly acquired the information from a party under a contract of confidentiality.
- General exceptions to liability against disclosure are: general knowledge, parallel development, reverse engineering, public interest etc.

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## 1.7 TERMINAL QUESTIONS

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- 1) Explain the rationale and significance of protection of a trade secret.
- 2) Define a trade secret. Is there any difference between confidential information and a trade secret?
- 3) Discuss the importance of 'confidentiality agreements' in the protection of trade secrets.

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## 1.8 ANSWERS AND HINTS

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### Self Assessment Questions

- 1) A trade secret provides the lead-time advantage to the owner over his rivals as well as an incentive to develop incremental innovations of technology not meeting the standards of patent law, or where patents or copyrights are unavailable, ineffectual or unattractive, such as in the case of biotechnology, computer software. Scientific

discoveries, which are not patentable, can be protected by trade secrets, or a technology, which does not fall clearly within the traditional IPRs, can be protected by trade secrets, like computer programs.

- 2) There is no precise definition of a 'trade secret', but it relates to information which, if disclosed to a competitor, would be liable to cause real or significant harm to the owner of the secret. It may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over his rivals who do not know or use it. A trade secret should be inaccessible, though need not be novel, but crucial to the holder.
- 3) Third parties or competitors are not liable for the use or disclosure of a trade secret, unless they have acquired or used the trade secret without the consent of the owner in a manner contrary to 'honest commercial practices', i.e. that they have accessed the undisclosed information knowingly, or having reason to know, from a person who is under a contract of confidence related to that information.

### Terminal Questions

- 1) Refer to Section 1.3
- 2) Refer to Sub-sections 1.4.1 and 1.4.2
- 3) Refer to Sub-section 1.5.1

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## 1.9 REFERENCES AND SUGGESTED READINGS

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- 1) WIPO, *Intellectual Property Reading material*, 1998.
- 2) David I. Bainbridge, *Intellectual Property*, 3rd edition, Pitman Publishing, London, 1996.
- 3) Allison Coleman, *The Legal Protection of Trade Secrets*, Sweet & Maxwell, London, 1992.
- 4) Terrence F. MacLaren (Ed.) *Worldwide Trade Secrets*, Vol. 3 (1996, Clark Boardman Callagen, N.Y.).
- 5) Francis Gurry, *Breach of Confidence* (1984).

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## UNIT 2 TRADE SECRETS: PARIS CONVENTION AND TRIPS AGREEMENT

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### Structure

- 2.1 Introduction
- 2.2 Objectives
- 2.3 Paris Convention
  - 2.3.1 International Instrument on the Protection of Secret Information
- 2.4 TRIPS Mandate on Trade Secrets
  - 2.4.1 Article 39(2)
  - 2.4.2 Article 39(3)
- 2.5 Summary
- 2.6 Terminal Questions
- 2.7 Answers and Hints
- 2.8 References and Suggested Readings

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### 2.1 INTRODUCTION

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The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) brings for the first time “undisclosed information” (i.e. trade secrets) under the purview of an international agreement on intellectual property rights. Article 39 of the TRIPS mandates the Members to protect “undisclosed information.” Though such information has often been referred to as ‘trade secrets’ or ‘know-how’, Article 39 does not use these terms nor does it provide a definition of “undisclosed information”. The difficulty of finding a common and acceptable understanding of what these notions mean favoured the adoption of more neutral terminology that does not characterise the contents of information, but only its “undisclosed” nature. “Undisclosed information” or trade secret covers any information of commercial value, including technical know-how, data of commercial value, and test and other data submitted to the government for the approval of pharmaceutical and chemical products for agriculture.

Article 39 reads as follows:

- 1) In the course of ensuring effective protection against unfair competition as provided in Article 10*bis* of the Paris Convention (1967), Members shall protect undisclosed information in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3.
- 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\* so long as such information:

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\*[Footnote 10 to the TRIPS Agreement provides]: ‘For the purpose of this provision, “a manner contrary to honest commercial practices” shall mean at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition.’

- 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.
- 3) Members, when requiring, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilise new chemical entities, the submission of undisclosed test or other data, the origination of 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 to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.

Article 39 is based on and develops the discipline of unfair competition contained in Article 10*bis* of the Paris Convention, particularly in the case of undisclosed information. The International Convention for the Protection of Industrial Property (Paris Convention) does not refer to “undisclosed information” but covers unfair competition (Article 1(2)) in its ambit, and Article 10*bis* of that Convention requires protection against unfair competition.

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## 2.2 OBJECTIVES

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After reading this unit, you should be able to:

- explain the nature and scope of protection of trade secrets under international conventions/agreements;
- explain how Article 39 of the TRIPS is different from Article 10*bis* of the Paris Convention;
- describe the contents of secret information as defined in international instrument;
- explain constitutes undisclosed information under the TRIPS Agreement;
- describe the extent of duty of the governments to protect the test data on pharmaceutical and agro-chemical products;
- acquainted with the liability of third parties in accessing the trade secrets of the creators.

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## 2.3 PARIS CONVENTION

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It is generally accepted that unfair competition is one of the disciplines of intellectual property. But such protection does not bestow exclusive rights. Even though considered to be a part of intellectual property (Art. 1(2) of TRIPS), it does not imply property rights in undisclosed information. There is only possession or *de facto* control of that information. Article 39(1) of the TRIPS Agreement provides that, “In the course of ensuring effective protection against unfair competition as provided in Article 10*bis* of the Paris Convention (1967), Members shall protect undisclosed information...” Article 39(1) of the TRIPS Agreement has linked the protection of trade secrets with Article 10*bis* of the Paris Convention, i.e., the protection to be conferred on trade secrets is to be based on the discipline of unfair competition. Thus, trade secrets need to be protected as a part of measures guarding against unfair competition.

But Article 10bis contains no reference to the protection of confidential information as an aspect of unfair competition. Article 10bis defines 'unfair competition' as follows:

**Article 10bis**  
**Unfair Competition**

- 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.
- 3) The following in particular shall be prohibited:
  - i) all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
  - ii) false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
  - iii) indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

Article 10bis of the Paris Convention provides a general criterion for honest practices in clauses (2) and (3). In clause (2), it defines 'unfair competition' as "any act of competition contrary to honest practices in industrial or commercial matters." It enlists three particular practices that are to be prohibited, i.e., acts in the nature of confusing or misleading the customer and discrediting the competitor. The discipline of unfair competition provides a remedy against acts of competition contrary to honest business practices. The ordinary meaning of 'unfair' is 'not equitable or honest or impartial or according to rules'. The protection against unfair competition does not exclude the legitimate exploitation of externalities emerging from competition in the market, it does not deal with the protection of market interests, but rather of market behaviour.

By including trade secrets, Article 39 of the TRIPS Agreement can be considered an extension of Article 10bis. Any infringement of another's trade secrets, under Article 39, constitutes an act *contrary to honest practices* and thus comes within the purview of Article 10bis of the Paris Convention.

### **2.3.1 International Instrument on the Protection of Secret Information**

Article 10bis of the Paris Convention provides the basic framework for the protection of trade secrets against unfair competition. But Article 10bis, apart from giving certain examples of acts of unfair competition, does not relate to trade secrets or elaborate an act of competition contrary to honest practices. However, the "Model Provisions on Protection Against Unfair Competition", adopted by the World Intellectual Property Organisation (WIPO) in February 1996, while elaborating Article 10bis, has defined when the use of secret information will constitute an act of unfair competition.

## WIPO Model Provisions on Unfair Competition in Respect of Secret Information

### Article 6

- 1) [General Principle]: Any act or practice, in the course of industrial or commercial activities, that results in the disclosure, acquisition or use by others of secret information without the consent of the person lawfully in control of that information (hereinafter referred to as “the rightful holder”) and in a manner contrary to honest commercial practices shall constitute an act of unfair competition.
- 2) [Examples on Unfair Competition in Respect of Secret Information]: Disclosure, acquisition or use of secret information by others without the consent of the rightful holder may, in particular, result from
  - i) industrial or commercial espionage;
  - ii) breach of contract;
  - iii) breach of confidence;
  - iv) inducement to commit any of the acts referred to in items (i) to (iii);
  - v) acquisition of secret information by a third party who knew, or was grossly negligent in failing to know, that an act referred in items (i) to (iv) was involved in the acquisition.
- 3) [Definition of Secret Information]; For the purposes of this Article, information shall be considered “secret information” if
  - i) it is not, as a body or in the precise configuration and assembly of its components, generally known among or really accessible to persons within the circles that normally deal with this kind of information in question;
  - ii) it has commercial value because it is secret; and
  - iii) it has been subject to reasonable steps under the circumstances by the rightful holder to keep it secret.
- 4) [Use or Disclosure of Secret Information Submitted for Procedure of Approval of Marketing]: Any act or practice, in the course of industrial or commercial activities, shall be considered an act of unfair competition if it consists or results in (i) an unfair commercial use of secret test or other data, the origination of which involves considerable effort and which have been submitted to a competent authority for the purposes of obtaining approval of the marketing of pharmaceutical or agricultural chemical entities, or (ii) the disclosure of such data, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.\*

Article 6 of the Model Provisions talks about trade secrets and defines when the use of secret information will constitute an act of unfair competition, which is closer to Article 39 of the TRIPS Agreement. However, para (4) of Article 6 of the Model Provisions is in derogation of Article 39(3) of the TRIPS Agreement, and is directed at entrepreneurs who make use of the information, which they have received via the authorities, and is not so much directed at the authority, which should ensure the relevant protection.

\* WIPO (1996), Model provisions on Protection Against Unfair Competition.

Article 39(3) provides: “Members, when requiring, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilise new chemical entities, the submission of undisclosed test or other data, the origination of 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 to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.”

**Self Assessment Question**

**(Spend 3 minutes)**

1) Define ‘secret information’ that will amount to an act of unfair competition.

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**2.4 TRIPS MANDATE ON TRADE SECRETS**

Article 39.1 of the TRIPS Agreement establishes the main rule applicable in the field of undisclosed information (i.e. trade secrets). It provides the context for the interpretation of paragraphs 2 and 3 of the Article 39. The initial wording of Article 39.1 – “In the course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention...”, makes it clear that the protection to be conferred on trade secrets under paragraphs 2 and 3 is to be based on the discipline of unfair competition as enunciated in Article 10bis of the Paris Convention. By including trade secrets, Article 39 of the TRIPS Agreement can be considered an extension of Article 10bis. Any infringement of another’s trade secrets, under Article 39, constitutes an act *contrary to honest practices* and thus comes within the purview of Article 10bis of the Paris Convention. But Article 10bis, apart from giving certain examples of acts of unfair competition, does not relate to trade secrets or elaborate an act of competition contrary to honest practices.

**2.4.1 Article 39(2)**

Article 39(2) reads: “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...” Thus, this provision provides a framework of protection of trade secrets. The persons in control of trade secret “shall have the possibility of preventing” certain acts of disclosure, acquisition and use of information, but only when such acts have been made without their consent and “in a manner contrary to honest commercial practices”. This clearly indicates that the right to prevent such acts only arises when the means used are not right, that is, there is not an absolute protection against non-authorized disclosure, acquisition and use of trade secret, but only against acts made in a condemnable manner.

The concept of ‘honest’ is inherently a flexible notion and subject to the values of a particular society at a given time. The footnote to Article 39(2) indicates certain practices that ‘at least’ are to be considered as “contrary to honest practices”, and thereby reduces the possible divergences in interpretations. Practices listed are “such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who know, or were grossly negligent in

failing to know, that such practices were involved in the acquisition.” According to the footnote, practices “*contrary to honest commercial practices*” may take place in the framework of or in relation to a contractual relationship (breach of a contract, breach of confidence and inducement to breach). In comparison, Article 10*bis* of the Paris Convention, gives a general criterion for honest practices in clauses (2) and (3). Whereas clause (2) considers any act of competition contrary to *honest practices* in industrial and commercial matters as an act of unfair competition, clause (3) particularly prohibits:

- i) all acts ... as to create confusion by any means whatever, with the establishment, the goods, or the industrial or commercial activities, of a competitor;
- ii) false allegations ... as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
- iii) indications or allegations ... to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quality of the goods.

“Exploitation of a secret without the consent of the owner is improper (contrary to honest practices) even though it may not cause any harm to the “owner” of the secret. The proper means of acquisition of trade secrets include authorisation from the owner (e.g. license), and independent discovery by “reverse engineering” based on observation of the item in public use or display. Indeed, public use or putting a product embodying an engineering secret on the market indicates that the secret can be first discovered by the competitors and then gradually destroyed.

Article 39, though requires members to protect trade secrets, does not give a definition, but provides a description of trade secret in Para 2. In order to establish whether protection is to be conferred, it should be proven that the relevant 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”.

Thus, to be protectable, the information should “not be generally known” or “readily accessible” to most or every competitor in the business that normally deal with that kind of information. Thus, this provision does not disallow reverse engineering. Furthermore, to be protectable, the confidential information (i.e. trade secret) must have actual commercial value, which means that any business-related information is covered as a trade secret. It is up to the national courts to determine when a given information is deemed to possess ‘commercial value’. The adoption of reasonable steps to preserve secrecy is one of the conditions of protection of confidential information. Article 39(2) fails to specify the type of steps that can be taken, such as encryption, safes, division of work, contractual restrictions etc.

**Self Assessment Question**

**(Spend 3 minutes)**

- 2) Explain the practices that are considered as “contrary to honest practices” under Article 39(2).

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### 2.4.2 Article 39(3)

The confidentiality of test data raises up controversial issues for trade secret protection. The concept of protecting undisclosed data having high commercial value has gained momentum in recent times. Conventionally this data was protected as trade secrets under the common law. Para 3 of Article 39 requires members to protect against unfair commercial use of the undisclosed test or other data on pharmaceutical and agricultural chemical products, which utilises new chemical entities, and origination of which involves a considerable effort, submitted to governments or governmental agencies, except where necessary to protect the public. A basic premise for the application of Article 39(3) is that a Member imposes an obligation to submit data as a condition to obtain the marketing approval of pharmaceutical or agricultural products. This provision does not apply when it is not necessary to submit such data, for instance, when marketing approval is granted by the national authority relying on the existence of a prior registration elsewhere. The authority in this case takes the decision on the basis of the registration granted in that country.

The subject-matter of the protection under this provision is 'undisclosed' information contained in written material, which details the result of scientific health and safety testing of drugs and agrochemicals, in relation to human, animal and plant health, impact on the environment and efficacy of use. This information is not 'invented' or 'created' but developed according to standard protocols. The protected data may also include manufacturing, conservation, and packaging methods and conditions, to the extent that their submission is needed to obtain marketing approval. Protection of exclusive data in the form of publicly undisclosed information, known also as data exclusivity, emanates from the protection of the data in the form of trade secrets based on the principles of equity and good faith.

The data to be protected must relate to a "new chemical entity". The TRIPS Agreement does not define what should be meant by "new chemical entity". Members may apply a concept similar to one applied under the patent law, or consider that a chemical entity is "new" if there were prior application for approval of the same drug. Article 39(3) does not clarify either whether newness should be absolute (world-wide) or relative (local). Based on the ordinary meaning of the terms used, this provision would not apply to new use of known products, nor to dosage forms, combinations, new forms of administration, crystalline forms, isomers, etc., of existing drugs, since there would be no novel chemical entity involved.

Article 39(3) does not define any substantive standard for granting protection (like inventive step or novelty), but simply mandates protection when obtaining the data involved "a considerable effort". A reasonable understanding would be that the "effort" involved should not only be significant in economic terms but also from a technical and scientific point of view, including experimental activities.

The protection to be granted under Article 39(3) is twofold: against "unfair commercial use" and against disclosure of the relevant protected information. There are, however, different views on the interpretation of the extent of the obligation to protect test data against 'unfair commercial use'. According to one view, the sole or most effective method

for complying with this obligation is by granting the holder of data a period of exclusive use thereof, as is being done in some developed countries, like the United States provides five year period for data exclusivity under the Hatch-Waxman Act, 1984. Under this interpretation, national authorities would not be permitted, during the exclusivity period to rely on data they have received in order to assess subsequent applications for the registration of similar products (particularly in the case of pharmaceuticals, to find out the bioequivalence of generic drugs). The rationale behind this position is that equity demands that protection be provided for data, on which the holder/submitter would have spend substantial amount to produce. Disclosing this data to the public or allowing its use by another applicant unfairly denies the owner of the data the value of its efforts and grants an economic advantage to later applicants for marketing approval, enabling them to avoid the cost of developing test data for their own products. It is a case of undue enrichment by the later applicant. Not providing protection to data will discourage the owner of data to introduce their state-of-the-art products in the country's market where there is no data protection provided by law.

According to another view, Article 39(3) does not require the recognition of exclusive rights, but protection in the framework of unfair competition rules. Hence, a third party should be prevented from using the results of the test undertaken by another company as background for an independent submission for marketing approval, if the respective data had been acquired through dishonest commercial practices. But, a governmental authority would not be prevented from relying on the data presented by one company to assess submissions by other companies relating to similar products. The rationale behind this position is grounded on the pro-competitive effects of low entry barriers for pharmaceutical product, which will increase the generic competition, that is likely to increase the affordability of drugs at low prices.

Protection of undisclosed data, however, has to be ensured against disclosure by governmental authorities, subject to two exceptions mentioned in Article 39(3): (i) when disclosure is necessary to protect the public; and (ii) when steps are taken to ensure that the data will not be used in a commercially unfair manner. Accordingly, disclosure may be permissible, for example, to allow a compulsory licensee to obtain a marketing approval, particularly when the license is aimed at remedying anti-competitive practices or at satisfying public health needs.

But, unlike other provisions in the TRIPS Agreement (viz Article 44 – where the judicial authorities are empowered to issue injunctions by ordering a party to desist from an infringement of an intellectual property right), such a use of undisclosed test data or other data in public interest has not been made subject to compulsory licensing (Article 31), that is, the person using such data under a compulsory license is not required to compensate the trade secret owner similar to a patent holder. Nor does this provision specify any time frame for an obligation of non-disclosure. Thus, the obligation of confidence cannot be considered absolute in relation to government or governmental agencies but it should be reasonable under the circumstances. By implication, Article 39 also entertains the occasions when confidentially acquired information may be used or disclosed, such as in the public interest, under the court order, or if the use of a trade secret involves use of ingredients in a manner or in proportion forbidden by law, the holder of the trade secret may be unable to obtain an injunction against the unauthorised acquirer and user of the trade secret. In sum, Article 39(3) has three broad limitations: It applies only to pharmaceutical and agro-chemical products; protection is extended only against unfair competition uses; and the government authority is exempted from the requirement of confidentiality in the public interest.

Article 39 does not provide protection against third parties, i.e., persons not in contractual relations with the lawful user of the information who has acquired the information by lawful means. Third parties, however, will be liable if they know about the confidential nature of the information or were grossly negligent in failing to know that *dishonest commercial practices* were involved in the acquisition of that information. What constitutes knowledge or gross negligence has to be defined and provided in the national laws of the members, while protecting trade secrets. Similarly, Article 39 does not grant protection against the accidental disclosure of the information, or use of such information from any publicly available material, including embodiment in a product. Trade secrets are commonly protected through contracts. In a contractual relationship, parties to the contract are free to make provision regarding the confidential information -non-disclosure or non-competition clause. The contracts could be of service or work and the clauses may operate even after the termination of the contract. A fiduciary relationship equally imposes an obligation on the trustee to act in the best interest of the beneficiary. These clauses in an agreement are subject to the scrutiny of the court. Restrictions have to be reasonable in time and space; otherwise it will be in restraint of trade, which the courts would strike down. Owner of the trade secret is responsible to take "reasonable steps" to keep it secret, and that justifies its protection as secrecy under the national law. Footnote 10 to Article 39 foresees a preceding breach of confidentiality, which should be taken into account in deciding the ambit of dishonest commercial practice by the national court in accordance with its law.

In India, trade secret protection is still in a nascent stage, with no special legislation codifying the principles of trade secret law. Though, the equitable principle of fiduciary relationships has been codified in the Securities Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, which renders the use and disclosure of confidential information by an insider subject to prosecution under the Securities Exchange Board of India Act, a third party who makes use of this information is not liable. There is no law to protect the data exclusivity. The Government of India appointed the Satwant Reddy Committee in 2004, which in its report in 2007, did not favour for a separate law in this regard and recommended for three years of data exclusivity. No further action has been taken by the government in this regard.

**Self Assessment Question**

**(Spend 3 minutes)**

3) What is the rationale and exceptions to the protection of test data?

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**2.5 SUMMARY**

- Article 39 of the TRIPS Agreement is, in fact, an extension of Article 10bis. Any infringement of another's trade secrets, under Article 39, constitutes an act *contrary to honest practices* and thus comes within the purview of Article 10bis of the Paris Convention.
- Article 10bis, apart from giving certain examples of acts of unfair competition, does not relate to trade secrets or elaborate an act of competition contrary to honest practices.

- Article 6 of the WIPO's Model Provisions does provide examples on unfair competition in respect of secret information
- Acts contrary to honest commercial practices have been defined as breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition in Article 39.
- Confidential information has been defined as being secret, has commercial value, and has been subject to reasonable steps to keep it secret.
- Governments are under an obligation to protect the test data submitted for market approval in pharmaceutical and agricultural chemical products.
- But this protection is protection is extended only against unfair competition uses, and the government authority is exempted from the requirement of confidentiality in the public interest.
- Many countries, particularly developed jurisdictions, have adopted laws to protect data exclusivity.
- India does not have any specific law on data protection and protection is accorded under the common law principles.

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## 2.6 TERMINAL QUESTIONS

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- 1) Describe the relationship between unfair competition and undisclosed information as stated respectively in Article 10*bis* of the Paris Convention and Article 39 of the TRIPS Agreement.
- 2) What are the essentials of a trade secret as defined in Article 39(2) and when a trade secret loses all protection?
- 3) Describe the ambit of Article 39(3) regarding the protection of test data submitted for the market approval.

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## 2.7 ANSWERS AND HINTS

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### Self Assessment Questions

- 1) Information shall be considered "secret information" if (i) it is generally not known among or really accessible to persons within the circles who normally deal with such information, (ii) it has commercial value, and (iii) it has been subject to reasonable steps under the circumstances by the rightful holder to keep it secret.
- 2) Practices that are enlisted as "contrary to honest practices" under Article 39(2) are: such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who know, or were grossly negligent in failing to know, that such practices were involved in the acquisition. Such practices may take place in the framework of or in relation to a contractual relationship
- 3) The test data has a high commercial value. Disclosing this data to the public or allowing its use by another applicant unfairly denies the owner of the data the value of its efforts and grants an economic advantage to later applicants for marketing approval, enabling them to avoid the cost of developing test data for their own

products. It is a case of undue enrichment by the later applicant. It may be disclosed in the public interest, and when steps are taken against its use in a commercially unfair manner.

### Terminal Questions

- 1) Refer to Section 2.3
- 2) Refer to Sub-section 2.4.1
- 3) Refer to Sub-section 2.4.2

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## 2.8 REFERENCES AND SUGGESTED READINGS

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- 1) WIPO, *Intellectual Property Reading Material*, 1998.
- 2) UNCTAD- ICTSD, *Resource Book on TRIPS and Development*, Cambridge University Press, 2005.
- 3) David I. Bainbridge, *Intellectual Property*, 3rd edition, Pitman Publishing, London, 1996.
- 4) Allison Coleman, *The Legal Protection of Trade Secrets*, Sweet & Maxwell, London, 1992.
- 5) Terrence F. MacLaren (Ed.) *Worldwide Trade Secrets*, Vol. 3 (1996, Clark Boardman Callagen, N.Y.).

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## UNIT 3 PROTECTION OF TRADE SECRETS IN INDIA

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### Structure

- 3.1 Introduction
- 3.2 Objectives
- 3.3 Protection of Trade Secrets under National Laws
- 3.4 Protection of Trade Secrets in India
  - 3.4.1 Contract Act and Protection of Confidential Information
  - 3.4.2 Judicial Approach
    - 3.4.2.1 Supreme Court on Employer-Employee Contracts
    - 3.4.2.2 Approach of High Courts on Confidential Information
- 3.5 Summary
- 3.6 Terminal Questions
- 3.7 Answers and Hints
- 3.8 References and Suggested Readings

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### 3.1 INTRODUCTION

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Competitive strength usually depends on innovative techniques and accompanying know-how in the industrial and/or commercial field. However, such techniques and know-how are not always protectable by patent law. Firstly, patents are in principle available only for inventions in the field of technology and not for innovative achievements concerning the conduct of business, etc. moreover, some technical discoveries or information, while providing a valuable commercial advantage for a particular trader, may lack the novelty or inventive step required to make them patentable. Furthermore, while a patent application is pending, as long as the information has not been disclosed to the public, the owner of the information to be patented ought to be protected against any wrongful disclosure of the information by others, regardless of whether or not the application eventually leads to the grant of patent. All such information can be classified as a trade secret. Although the Paris convention does not mention trade secrets as such, Article 10 *bis* on unfair competition requires protection against any act of competition contrary to honest practices in industrial or commercial matters; the need for protection against any act of competition contrary to honest practices in industrial or commercial matters; the need for protection against wrongful disclosure of undisclosed information (another term for trade secrets) is general recognised.

There are many examples of trade secrets, which are very well guarded. To name just one, the formula of soft drink coca-cola is one of the most successfully guarded trade secret till date. Naturally, lot of efforts are taken to keep this secret, which is quite expensive affair. The trade secrets are also kept at small scale. You may have a bakery in your locality, which bakes the cakes or cookies in unique way. The recipes of these items are the trade secrets of that baker. There are many traditional dishes cooked in a family, whose recipes are passed on from generation to generation, but kept just within the family. All these types of trade secrets are also protected in some national laws.

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## 3.1 OBJECTIVES

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After reading this unit, you should be able to:

- elucidate the protection of trade secrets in different jurisdictions;
- discuss the legal mechanism of protection of trade secrets in India;
- explain the common law remedies to protect the trade secrets;
- explain the Law of Contract to protect the confidential information;
- get a fair view of the judicial position on the protection of trade secrets;
- analyse the importance of non-disclosure agreements in the protection of trade secrets; and
- know the limits of the non-disclosure agreements in the protection of trade secrets.

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## 3.3 PROTECTION OF TRADE SECRETS UNDER NATIONAL LAWS

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Looking into the importance of trade secrets for the business success, they are legally protected in all the major jurisdictions in the world. Except in the United States, where trade secrets are protected as property, in all other jurisdictions they are protected by the legal concepts of tort, unfair competition or unjust enrichment. Third parties can be held liable for the tort of misappropriation for the use of trade secrets. In the United States, the cases of breach of trade secrets are adjudged under the Uniform Trade Secrets Act, 1989 and the Economic Espionage Act, 1996. Among the commonwealth countries, including India, the legal basis of the jurisdiction is derived from contract and equity, and law is mainly judge-made. Contractual protection of trade secrets is limited to the parties to the contract and has no effect against third parties who act in good faith. Rather, the third-party acquisition of secret knowledge becomes actionable only when obtained by improper means.

These countries have recognised that confidential business information, such as customer lists, details of suppliers, pricing policies, product launch time-schedules, management, marketing and advertising know-how are as much protectable as trade secrets relating to manufacturing and product technology. The obligation of confidence does not arise where the information of commercial value is divulged in public interest or in circumstances that negate the duty of holding it confidential. Courts have generally examined trade secret protection keeping in mind the freedom of the individual to support himself and policy of encouraging business enterprises. Courts have examined the reasonableness of the restriction related to subject-matter and the duration.

Remedies for infringement of trade secrets are generally civil law actions for injunctions, damages, taking of accounts and delivery. However, civil remedies, like injunctions and damages against contractual breaches offer neither certainty nor reliability. Except for few jurisdictions, specifically in Europe like the French Code (Art. 418), German Unfair Competition Law (Art. 17), Italian Penal Code (Arts. 622-23), Spanish Penal Code (Art. 499), criminal law protection is not provided to trade secrets. In the United States, a significant number of states have penal liability provisions. The United States passed the Economic Espionage Act (H.R. 3723) in 1996, which creates criminal sanctions for trade secret theft and creates fines and imprisonment for offenders. The intended targets of the legislation are foreign companies which espionage on U.S. companies.

In a case for breach of confidential information, a plaintiff needs to prove that:

- a) the information is of a confidential character,
- b) imparting of information occurred in an occasion of confidence; and
- c) information used in an unauthorised way to cause detriment to the plaintiff.

The belief of the “owner” about the confidential character of the information is important. Moreover, where the “owner” proves to the satisfaction of the court the misappropriation of his trade secret, it generally limits the injunctive relief to the estimated period for reverse engineering. In the United Kingdom case, *Northern Office Micro Computer (Pty) Ltd. v. Rosenstein* ([1982] FSR 124), Marais, J. while recognising that computer programs which are not common place should be eligible for protection as trade secrets, said that the protection given by the law of trade secrets in the context of ex-employees should be of a limited nature and the employer’s “lead-time”, the time to develop the program, should be all that was protectable.

After the conclusion of TRIPS Agreement, many countries have adopted specific laws to protect confidential information/trade secrets related to test data, particularly by European countries, United States and Australia. Argentina has also adopted a law in 1996 on this matter. Among the Asian countries, Korea, Japan, Thailand and China have enacted special legislations in this regard. In India, the common law remedies under the law of torts, contract and equity are available for breach of trade secrets or confidential information.

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### 3.4 PROTECTION OF TRADE SECRETS IN INDIA

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In India, confidential information and trade secrets are protected under the common law and there are no specific statutes that specifically govern the protection of the same. Remedies, however, are available under the law of torts and law of contracts. Unlike American position on the tort of misappropriation to impose liability on third parties for the use of trade secrets, in India the tort of misappropriation has not gained judicial recognition so far. There is no specific provision under any law to protect the test data, submitted to the government.

In order to meet its obligations under Article 39(3) of the TRIPS Agreement, the Government of India, in February 2004 appointed the Satwant Reddy Committee, which submitted its report in May 2007. The Committee acknowledged that: (a) data protection is relevant for any product at the stage of market approval whether or not it is patent protected; (b) it is a protection provided in return of submission of proprietary test data required for market approval; and (c) it protects against unfair commercial use and disclosure. It recommended three years of data exclusivity in the case of agro-chemicals; and suggested two alternative models in the case of pharmaceuticals. It, however, recommended that there is no need to change the laws that govern drug registration in the country. It recommended against allowing pharmaceutical companies exclusive rights to clinical trial and other test data they submit when registering a new drug for sale in the country. Instead, it proposed that data be treated as a trade secret under common law.

Indian courts have protected misuse of confidential information either based on the violation of a contract or on violation of IPRs. Most of the cases tried by the courts till recently were based on violation of contractual relationships. The courts have largely followed the British practice based on the rules of equity and contract. Since the trade secrets are between the parties standing in contractual, quasi contractual or fiduciary

relationship, with varied forms of contract, such as non-competition or non-disclosure agreements, any contravention would be actionable. Trade secrets are considered to be the master's property and the holder can part with this property under a non-disclosure or non-competition agreement. As in other common law countries, in India, remedy for civil action in the case of breach of trade secret or disclosure of information lies under the law of contract and the Specific Relief Act, 1963. No remedy under the criminal law is available.

### 3.4.1 Contract Act and the Protection of Confidential Information

Section 27 of the [Indian] Contract Act, 1872 states:

Every agreement by which any one is restrained from exercising a lawful profession, trade or business of any kind, is to that extent void.

Exception 1 - One who sells the goodwill of a business may agree with the buyer to refrain from carrying on a similar business, within specified local limits, so long as the buyer, or any person deriving title to the goodwill from him, carries on a like business therein; provided that such limits appear to the Court reasonable, regard being had to the nature of the business.

Most of the cases on trade secrets are considered under this provision to determine the validity of such contracts in terms of Section 27. A contract, which has for its object a restraint of trade, is *prima facie* void, unless a particular contract can be distinctly brought within exception (1) of Section 27 of the Contract Act.<sup>1</sup> Indian courts have recognised that confidential business information, such as customer lists, details of suppliers, pricing policies, product launch time-schedules, management marketing and advertising know-how are as much protectable as trade secrets relating to manufacturing and product technology. Trade secrets are considered the master's property, and therefore there is no rule of public interest, which invalidates an agreement that prevents their transfer against the master's will. However, the validity of such agreements has to be examined at the altar of Section 27 of the Indian Contract Act, 1872 ("the Contract Act"), which states that every agreement by which a person is restrained from carrying on any trade, business or profession, is invalid.

#### Self Assessment Question

(Spend 3 minutes)

- 1) What is the legislative framework to protect confidential information among the major jurisdictions of the world?

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### 3.4.2 Judicial Approach

Practically all the cases that have come before the Indian courts are related to employment

<sup>1</sup> *Hariprasad v. Benibai* 1970 J.L.J. 191 at 192. The plaintiff purchased the flour mill of the defendants on the condition that they would not run any flour mill from their premises - contract held to be in restraint of trade.

contracts, hence the courts have referred Section 27 of the Indian Contract Act and laid down the limits of its application.<sup>2</sup> Post employment negative covenants in agreements that prevent a past employee from seeking employment in similar business organisations have not been encouraged by courts in India unless some element of secrecy is involved.<sup>3</sup> There is also no specific provision of law that protects the employers in such situations.

In *Gopal Paper Mills v. S.K.G. Malhotra*<sup>4</sup>, the Calcutta High Court held that a covenant of restraint in a contract would be valid if designed to protect the legitimate-proprietary interest of the covenantee. An employer may protect his trade secrets against their disclosure or revelation by an employee. The law will not allow a covenant merely to *avoid competition*, unless it is ancillary to the main covenant and necessary to make it effective, or a restraint wider than the protection the proprietary interest requires. It can be upheld only if it is reasonable and is consistent with interests of public.<sup>5</sup> In this case the plaintiff was running a scheme to train graduates fresh from universities in the business of manufacture of paper for their agreeing to serve the plaintiff for 17 years after the completion of apprenticeship of 3 years. The defendant employed under this scheme, failed to continue with the plaintiff, who sought an injunction restraining the defendant, during the continuance of the agreement of employment, from giving his services or advice to any person or company other than the plaintiff. The court, while holding the non-competition clauses in the agreement void, stated that the master is entitled to be protected in regard to his interests in trade secrets and secret process of manufacture. That protection is secured by restraining the employee from divulging those trade secrets or putting them to the use of the servant. The master is also entitled to be protected against invasion of his customers or clientele but the master is not entitled to be protected against competition.<sup>6</sup>

Section 27 is not attracted unless the contract is one-sided; it is attracted to restrictions operating after the termination of the contract.<sup>7</sup> A restriction on an outgoing partner not to do business, in which he had specialized during the subsistence of partnership, has been held not to be valid.<sup>8</sup> In *Gujarat Bottling Co. Ltd. v. Coca Cola Co.*,<sup>9</sup> where there was a franchising agreement between the parties, restricting the GBC from dealing with competing goods, the Supreme Court of India ruled that the negative stipulation in the contract, aimed to promote the sale and which was operative only during the period the contract was subsisting, was not in restraint of trade. The Court made a distinction between covenants in a franchise agreement, which is a commercial agreement and the one between a vendor and a purchaser or partnership agreements.

### 3.4.2.1 Supreme Court on Employer-Employee Contracts

The Supreme Court, while looking into employer-employee contracts, has made a distinction between restraints applicable during the term of the contract of employment

<sup>2</sup> See, the cases, *Niranjan Shankar Golakari v. Century Spinning & Mfg. Co. Ltd.*, AIR 1967 SC 1098 (contract not in restraint of trade); *Krishan Murgai v. Superintendence Co. of India Pvt. Ltd.*, AIR 1980 SC 1717 (contract in restraint of trade); see also, *Konrad Wiedemann GmbH v. Standard Castings Pvt. Ltd.* (1985) (10) ICLR 243 (divulging confidential information, held in breach of contract); *Taproge GmbH v. IAEC India Ltd.* AIR 1988 Bom 1957 (restriction for five years after contract was over, held invalid; see, MacLaren, *supra* note 8.

<sup>3</sup> *Michael Heath Johnson v. Subhash Chandra and Ors.*, 60 (1995) DLT 57; *American Express Bank Ltd. v. Ms. Priya Puri*, (2006) III LLJ 540 Del.

<sup>4</sup> AIR 1962 Cal 61.

<sup>5</sup> *Vancouver Malt and Sake Brewing Co. Ltd v. Vancouver Breweries, Ltd.*, AIR 1934 PC 101 at 104.

<sup>6</sup> *Gopal Paper Mills v. S.K.G. Malhotra*. AIR 1962 Cal 61, at 66.

<sup>7</sup> *V.V. Sivaram and Ors. v. Foseco India Limited*, 2006(1) Kar LJ 386

<sup>8</sup> *Premji Damodarv. Govindji & Co* AIR 1943 Sind 197 at 210-211.

<sup>9</sup> (1995) 5 SCC 545.

and those that apply after its cessation. Covenant applicable to the employee against non-disclosure or non-competition are applicable during the subsistence of the contract, while the employee is in service. But where an employee does not leave the service but is removed from service by the employer, the post service covenant prohibiting him from starting similar business of his own or joining service with other competitive firm will not be enforceable against him.

In *Krishan Murgai v. Superintendence Co. of India Pvt. Ltd.*,<sup>10</sup> the defendant was trained by the plaintiff company (appellant) in the techniques for quality testing and control. The company possessed trade secrets in the form of these techniques and clientele. As per clause (10) of the employment agreement, defendant was restrained to serve any other competitive firm or to start his own business in similar line for a period of *two* years after leaving the job with the plaintiffs. As defendant's services were terminated by the plaintiffs (and he did not "leave" the job), this clause was termed to be void.<sup>11</sup>

Negative stipulation that the employee would not, during contract period, engage in trade or business or would not get himself employed by similar or substantially similar duties is not in restraint of trade, unless contract is unconscionable or excessively harsh or one-sided. In *Niranjan Shankar Golkari v. Century Spinning and Manufacturing Co. Ltd.*,<sup>12</sup> the Supreme Court enumerated the tests to determine the validity of agreements in terms of Section 27. In this case, respondent company, in the business of manufacturing tyre cord yarn, entered into an agreement with a foreign producer (from Holland and Germany), wherein the foreign producer agreed to transfer their know-how to the respondent company on the condition of maintaining secrecy of all technical information until the termination of the agreement and during *three* years thereafter. The respondent company was required to obtain corresponding secrecy arrangements with its employees. The appellant was appointed by the respondent company for a period of five years and according to the terms of the contract (clause 17), "he shall not serve anywhere else even if he leaves the service of the respondent before the expiry of the said period." The appellant, in breach of contract, left the job and got an employment with another company. The Supreme Court held that the restriction as to time, nature of employment and area could not be said to be too wide, unreasonable or unnecessary for the protection of the interests of the respondent.

Justice Shelat held the agreement to be valid. The defendant was accordingly restrained from serving anywhere else for the duration of the agreement. The restriction imposed in the present case was limited as to time, the nature of employment and as to area, and cannot therefore be said to be too wide or unreasonable or unnecessary for the protection of the interests of the respondent Company. The Court held that there is an implied term in a contract of employment that a former employee may not make use of his former employer's trade secrets. But subject to this exception, he is entitled to compete. Hence, even if the contract of employment had contained a covenant not to compete in respect of future contracts, such covenants would have been an unreasonable restraint of trade and void. However, several United States courts have recognised the "inevitable disclosure" rule, which permits a former employer to enjoin an employee from working for a direct competitor where the "new employment will inevitably lead the employee to rely on the former employer's trade secrets".

<sup>10</sup> AIR 1980 SC 1717, at 1721, 1728.

<sup>11</sup> The Delhi High Court held similarly in *Ambiance India Pvt. Ltd. v. Shri Naveen Jain*, 122 (2005) DLT 421 and held the contract in restraint of trade; See also *Control Print (India) Limited v. Sanjay Sribastab and Ors.*, (2006) 2 Cal LT 145 (HC); *Pepsi Foods Ltd. and Ors v. Bharat Coca-Cola Holdings Pvt. Ltd. & Ors.*, 81 (1999) DLT 122.

<sup>12</sup> AIR 1967 SC 1098 at 1104.

Where it is proved that the employer is justified in apprehending that the employee may, on joining the service of his competitor, divulge the special knowledge and secrets in business gained by him while in employer's service, after receiving special training, injunction to enforce negative contract which is restricted as to time, nature of employment and area, can be issued by the court in order to protect employer's interest.<sup>13</sup> If, under a contract of employment the employee binds himself not to take other employment during the subsistence of the contract, interim injunction in terms of negative covenant can be granted against the employee, provided the negative covenant is at the discretion of the court and it should be reasonable. Such negative covenant is not hit by Section 27 of the Contract Act.<sup>14</sup> As such, post-employment negative covenants in agreements that prevent a past employee from seeking employment in similar business organisations, have not been encouraged by Indian courts, unless some element of secrecy is involved. There is no specific provision of law that protects an employer in such situations.

**Self Assessment Question**

**(Spend 3 minutes)**

2) According to the Supreme Court decisions, when can a contract of confidentiality will be held valid?

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**3.4.2.2 Approach of High Courts on Confidential Information**

The Supreme Court's landmark decisions in *Krishan Murgai* and *Niranjan Shankar Golkari cases* have laid down the general judicial approach on the employer-employee contracts on non-disclosure. It is clear from these cases that although an employer is not entitled to restrain his servant after the termination of employment from offering competition, he is entitled to reasonable protection against exploitation of trade secrets. This approach has been further clarified and widened by different high courts, where the parties are not only in contractual relationship but also placed in a fiduciary relationship.

The Delhi High Court in *Ambiance India Pvt. Ltd. v. Naveen Jain*<sup>15</sup> held that the agreement between the parties prohibiting the employee for two years from taking employment with any present, past or prospective customer of the employer is void and hit by Section 27 of the Contract Act. This stipulation was *prima facie* against public policy in India and an arm-twisting tactic adopted by the employer. In *Control Print (India) Limited v. Sanjay Sribastab and Ors.*<sup>16</sup>, the Calcutta High Court had the occasion to decide on the violation of the service contract, with restrictive stipulations. The plaintiffs (appellants) were carrying on business of marketing and servicing of coding and marking machines commonly known as Ink Jet Printers, sold under the name of "Videojet". They were also marketing accessories, consumables and spare parts used for such marking and coding machines, and provided service support. They were the distributors of the "Videojet", USA. The defendants were the employees of the plaintiffs and entered into a service contract with restrictive stipulations that they shall not, at any time during the continuance or after resignation/termination of employment, divulge to any person, firm company or organisation, any knowledge, information, formula,

<sup>13</sup> AIR 1967 SC 1098 at 1105.

<sup>14</sup> *Bhavesh Bhatt v. Cyrus N. Baxter and Anr.*, (1990) 92 Bom LR 474; (1990) 3 Bom CR 713 at 716.

<sup>15</sup> 122 (2005) DLT 421.

<sup>16</sup> (2006)2CALLT145(HC), 2006(4)CHN674

processes, methods, compositions, ideas or documents, concerning the business and/or affairs of the Company or any of its dealings, transactions or affairs which they may acquire during the course of or incidental to employment. They were further bound for a minimum period of one year after leaving appellant's employment not to take any employment in any capacity with any other entity in similar/comparable/competitive products and/or services of the appellant's.

Defendants left the job of the appellant and started their own company, in the names of their wives, in the same line of business as of the plaintiffs. Plaintiffs alleged violation of their trade secrets related to: (a) Mode and manner of servicing of Ink Jet Printer; (b) Use of the Tool kits required for servicing and repairing of Ink Jet Printer; and (c) Plaintiffs' data bank containing list of existing and prospective customers. The court held that "in the arena of advance science there are certain fields where an employee can get a special knowledge by virtue of his engagement in course of employment which he could not have otherwise acquired and in those fields an employer can by agreement with his employee demand that after relinquishment of the job he would be restrained from utilising such knowledge against the interest of the employer", but in the present case, the plaintiffs failed to prove that the respondents really got certain secret information as regards those machines by virtue of their employment which are not available to any outsider.

In *Sandhya Organic Chemicals P. Ltd v. United Phosphorous Ltd.*<sup>17</sup>, the court held that the *former employee* cannot be restrained for all times to come from using his knowledge and experience which he gained during the course of his employment, especially when he was not in the service of the employer, i.e., after termination of service. In *Tractors and Farm Equipment Ltd. v. Green Field Farm Equipment Pvt. Ltd. And Ors.*,<sup>18</sup> the applicant/plaintiff was carrying on business in the field of Tractors, Farm Equipments, etc. for the last several decades and had a separate R & D department and are regularly inventing new model tractors, having contact or collaboration through foreign companies under contract for service to bring out innovative design. They developed a tractor, with new look, with the expertise of UK Company – a project called – Hunter Tractor design. The team members of R & D Department were associated with various inputs for proceeding with the style and design of Hunter Tractor. The defendant/respondent, former employee of the plaintiff was given special training in the Project to manufacture tractors. In view of his direct involvement as Senior Member R & D, he had all the information relating to the project including the drawings, digital photographs/images, etc. He was under a covenant of three years (clause 8 of the contract), not to disclose confidential information after the cessation of service. He left the service of the plaintiff and joined a rival company. His new employer came up with a plan to manufacture identical tractors in shape and configuration. Court found the infringement of the plaintiff's copyright and breach of confidential information, in violation of the conditions stipulated in the employment contract.

In *Puneet Industrial Controls Pvt. Ltd. v. Classic Electronics*,<sup>19</sup> the plaintiff engaged in the manufacturing and selling broad range of electric goods, manufacturing and selling broad range of electronic relays used for the protection and automation of electrical installations used by major chemical plants, thermal power stations and defense electronic installations, apart from many other equipments. The products of the plaintiffs enjoyed very high reputation in the market. The plaintiffs have been improving upon the products and the design, lay out and the unique electrical/electronic circuits and drawings/

<sup>17</sup> AIR 1997 Guj 177

<sup>18</sup> 2006 (32) PTC 343 (Mad)

<sup>19</sup> MANU/DE/0284/1996; (1997)Sup ArbLR 195 Delhi.

photographs depicting the same constitute "artistic work" within the meaning of Section 2(c)(i) of the Copyright Act, 1957. The electronic/electrical circuits are encompassed within the component call 'EPOXY' and this was a "trade secret" and "confidential proprietary information" of the plaintiffs. The defendant was working with the plaintiff from April 1991 and was a close relation, and trusted by the plaintiff. He was fully trained in the business, including the 'EPOXY'. He started his own business in the middle of 1994 in the same line as of the plaintiff, using the trade secret and drawings of the plaintiff. The Delhi High Court found the violation of the plaintiffs' trade secret and drawings by the defendant and decided against him. The plea that the plaintiff had not shown to be the original authors, was not maintainable and therefore, injunction was granted.

In *Pramod Sisamkar and Uday Narayanrao Kirpekar v. Garware Plastics and Polyester Ltd.*<sup>20</sup>, the respondent (plaintiff) brought a case against petitioners (defendants) on the ground that the petitioners left the service in contravention of the terms and conditions of service agreement. Respondent claimed that petitioners were under possession of some documents of company which they required to handover at the time of leaving the company. It was also alleged that the petitioners had gained special technical know-how by the special training in the company which they carried with them and used in the other company which they joined. Respondent files a criminal case for criminal breach of trust and cheating punishable under Sections 408 and 420 of the I.P.C. Clause 11 of the Agreement of service imposed a duty of confidentiality on the appellants. Clause 18(a) restrained them to carry on of their own accord or in partnership with others or be employed in any other concern manufacturing plastic products and materials, thermo plastic and thermosetting. They were restrained to do so for the remainder of their contract period and three years thereafter. On leaving the employment, employee had to pay liquidated damages equal to the amount of six months salary. But the respondent failed to give specifications of the documents in possession of petitioners. Relating to the technical know-how which the petitioners gained during their special training in service in the plaintiff's company, the court observed that no offence can be said to be committed by the petitioners by merely carrying the said technical know-how in their hands. It is only when that technical know-how is used by them in contravention of the aforesaid provisions of their Agreement of Service that it can be said that any offence as alleged against them under Sections 408 and 420 I.P.C. is prima facie committed by them.

Instances of breach of confidentiality by employees have been successfully argued as a misuse of IPRs as one of the grounds. In *Burlington Home Shopping Pvt. Ltd. v. Rajnish Chibber*<sup>21</sup>, the plaintiff, who were into mail order shopping business, had developed a list of clientele/customers database by investing considerable amount of money, labour and time. The defendant, who was their one-time employee, left with some database and established himself as a competitor of the plaintiff company. The court ruled that plaintiff had copyright over database, which involved confidential information of the plaintiff, under Section 2 (o) of the Copyright Act and granted injunction restraining the defendant from using plaintiff's database.<sup>22</sup> In a similar case, *Mr. Diljeet Titus, Advocate v. Mr. Alfred A. Adebare and Ors.*, the court held that the plaintiff had the copyright over its client list; defendants were found to be in breach of copyright of the plaintiff and breach of confidentiality and an injunction was granted against the defendant. In another unreported case, a software professional who was an employee

<sup>20</sup> 1986(3) BomCR411.

<sup>21</sup> 6 [1995] DLT 35.

<sup>22</sup> 2006 (32) PTC 609 Del.

of the plaintiff company (an Indian company), left and joined a multinational company. Few months later, he reproduced a program similar to what he developed for the Indian company. The Indian company sued the software professional alleging violation of copyright and breach of confidentiality. The district court granted the injunction restraining the MNC and the software professional from using the programme developed for the Indian company.

In *American Express Bank Ltd. Ms. Priya Puri*<sup>23</sup> the plaintiff alleged that the defendant, its ex-employee had disclosed confidential information and trade secrets to a competitor for her own benefits and thereby violated the customer privacy policy of the bank; and sought an injunction against the defendant from joining the competing bank and also from using or disclosing any information and from endeavouring to solicit or induce away any of its customers. The court while declining an injunction, observed that “routine day-to-day affairs of employer which are in the knowledge of many and are commonly known to others cannot be called trade secrets” and held that a customer database couldn’t be a trade secret. The court held that the version of the plaintiff that the defendant had taken alleged confidential information is not believable and that the “rights of an employee to seek and search for better employment cannot be curbed by an injunction even on the ground that she has confidential data in the present facts and circumstance”.

Sometimes, Indian courts have protected confidential information even without any specific contract. In *Anil Gupta and Anr. v. Kunal Dasgupta and Ors*<sup>24</sup>, the plaintiff had come up with a concept of a TV reality show concerning match-making - “Swayamvar”. A concept note embodying this idea was given in confidentiality to the representatives of Zee TV. Later plaintiff came across newspaper report about defendants plan to launch a reality show “Shubh Vivah” based on plaintiff’s concept. Plaintiff filed a suit against defendants alleging breach of confidential communication. The court held that the concept developed and evolved by the plaintiff upon material which may be available for use by the general public, is the result of his hard work. What makes it confidential is the fact that the plaintiff has used his brain and produces a result in the shape of a concept. The court held that such information did constitute “confidential information” and observed that in such a situation the defendant must be placed under special disability in the field of competition to ensure that he does not get an unfair start. It restrained the defendant from airing the programme “Shubh Vivah” based on the plaintiff’s concept.<sup>25</sup>

Main civil remedies available in a case for breach of trade secrets or confidential information have been damages, injunction, accounts and profits. The major drawbacks associated with an action for breach of confidence are that an adequate remedy is unavailable against the person to whom the information is disclosed, as the holder of the secret may be unable to prevent the continuing use of the confidential information by such person(s). Although damages may be sought against the confidants, they generally do not have the economic capacity to pay adequate damages. The question of liability of third parties assumes importance in this connection, depending on the national law.

The law on trade secrets, as developed by courts, is so far mainly confined to contractual relationships between private parties, but there is no legal mechanism to protect data

<sup>23</sup> (2006) III LLJ 540 Del.

<sup>24</sup> 97 (2002) DLT 257.

<sup>25</sup> See also, *Zee Telefilms Ltd. v. Sundial Communications Pvt. Ltd. and Ors.*, 2003 (5) Bom CR 404; Bombay High Court held that the defendants therein had not only committed breach of copy right but misused the confidential information also.

submitted to government or government agencies, as required under para (3) of Article 39 of the TRIPS Agreement.

**Self Assessment Question**

**(Spend 3 minutes)**

3) What is the judicial trend in cases related to confidential information/trade secrets related to IPRs?

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**3.5 SUMMARY**

- Trade secrets are legally protected in all the major jurisdiction of the world. Some countries have adopted specific legislations to protect trade secrets.
- Among the common law countries, it is protected under the law of torts, contract, unjust enrichment and rules of equity.
- Courts have generally examined trade secret protection keeping in mind the freedom of the individual and the interests of the business.
- Courts have examined the reasonableness of the restriction related to subject-matter and the duration.
- Remedies for infringement of trade secrets are generally civil law actions for injunctions, damages, taking of accounts and delivery.
- India does not have any specific statute to protect trade secrets/confidential information. Cases are deliberated under the law of contract and torts. The law in this regard is mainly judge-made.
- Section 27 is the most important provision, on which most of the cases have been brought before the Indian courts. The provision is related to contracts in restraint of trade.
- The employer-employee agreements brought before the courts are decided under Exception I to this provision.
- Restrictive covenants in the employment agreements are examined in the context of time, area and their reasonableness. Restrictions as to time, nature of employment and area should not be too wide, unreasonable or unnecessary for the protection of the interests of the employer.
- Supreme Court has laid down very clearly that the employer is not entitled to restrain his employee after the termination of employment from offering competition, but he is entitled to reasonable protection against the exploitation of trade secrets.
- India does not have any law to protect test data submitted to the government for market approval, as required under Article 39(3) of the TRIPS Agreement. Most of the developed countries have specific legislations in this regard.

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### 3.6 TERMINAL QUESTIONS

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- 1) How the trade secrets are generally protected in the major jurisdictions of the world?
- 2) Explain the approach of the Supreme Court on the restrictive clauses in the contracts of employment.
- 3) Discuss the legislative framework on the protection of trade secrets in India and the main thrust of the judicial approach.

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### 3.7 ANSWERS AND HINTS

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#### Self Assessment Questions

- 1) Trade secrets are legally protected in all the major jurisdictions in the world. Except in the United States, where trade secrets are protected as property, in all other jurisdictions they are protected under law of tort, unfair competition or unjust enrichment. Except for few countries, particularly in Europe, criminal law protection is not provided to trade secrets. Remedies for infringement of trade secrets are generally civil law actions for injunctions, damages, taking of accounts and delivery. But these civil remedies, like injunctions and damages against contractual breaches offer neither certainty nor reliability.
- 2) The Supreme Court enumerated the tests to determine the validity of agreements in terms of Section 27 in two of its landmark judgements. It has made a distinction between restraints applicable during the term of the contract of employment and those that apply after its cessation. Covenant applicable to the employee against non-disclosure or non-competition are applicable during the subsistence of the contract, while the employee is in service. But where an employee does not leave the service on its own but is removed from service by the employer, the post service covenant prohibiting him from starting similar business of his own or joining service with other competitive firm will not be enforceable against him.
- 3) The Indian courts have normally held the sanctity of the non-disclosure agreements, provided they are reasonable in time and space. But, in the absence of any such agreement, if the defendant had the access to the confidential information in a fiduciary capacity, or had the knowledge of the secret information, the courts have held in favour of the creator/holder of the information. The courts have even held the right in an idea divulged to the respondent in confidence, which was later used by the receiver to the detriment of the creator of the idea.

#### Terminal Questions

- 1) Refer to Sections 3.3 and 3.4
- 2) Refer to Sub-section 3.4.2
- 3) Refer to Section 3.4 and Sub-section 3.4.2

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### 3.8 REFERENCES AND SUGGESTED READINGS

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- 1) S.K. Verma, "Legal Protection of Trade Secrets and Confidential Information" 44 JILI 336 at 347 (2002).
- 2) Vandana Pai & Ramya Seetharaman, "Legal Protection of Trade Secrets" (2004) 1 SCC (J) 22 at 26.
- 3) Terrence F. MacLaren (Ed.) *Worldwide Trade Secrets*, Vol. 3 (1996, Clark Boardman Callagen, N.Y.).
- 4) David I. Bainbridge, *Intellectual Property* 243 (3rd ed. 1996, Pitman Publishing).
- 5) W.R. Cornish, *Intellectual Property*.

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# UNIT 4 PROTECTION AGAINST UNFAIR COMPETITION IN INDIA

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## Structure

- 4.1 Introduction
- 4.2 Objectives
- 4.3 International Protection Against Unfair Competition
- 4.4 National Protection Against Unfair Competition
- 4.5 Legal Framework Against Unfair Competition in India
  - 4.5.1 MRTP Act, 1969
  - 4.5.2 Competition Act, 2002
  - 4.5.3 Consumer Protection Act, 1986
- 4.6 Judicial Perspective on Specific Categories of Unfair Trade Practices
  - 4.6.1 Causing Confusion – Passing off
  - 4.6.2 Misleading Representation
  - 4.6.3 Discrediting Competitors – Comparative Advertising
  - 4.6.4 Trade Secrets
- 4.7 Summary
- 4.8 Terminal Questions
- 4.9 Answers and Hints
- 4.10 References and Suggested Readings

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## 4.1 INTRODUCTION

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In the modern trade practices in the age of globalisation with increasing mergers and acquisitions (M & A), there is always a need to protect the markets and the consumers from the anti-competitive practices of the big enterprises. The competitors sometimes resort to means and practices which are not fair means of trade. This can be in the form of causing confusion among the customers, misleading the customers, discrediting the competitors, free riding on the reputation of the competitor. Competition is now universally acknowledged as the best means of ensuring that consumers have access to the broadest range of services at the most competitive prices. Producers will have maximum incentive to innovate, reduce their costs and meet consumer demand. Competition thus promotes allocative and productive efficiency. But all this requires healthy market conditions and governments across the globe are increasingly trying to remove market imperfections through appropriate regulations to promote competition.

The acts of unfair competition not only adversely affect the competitors, which tend to lose their customers and market share; but also affect consumers as they are likely to be misinformed and misled and tend to suffer economic and personal prejudice.

### UNFAIR COMPETITION

Unfair competition means adoption of practices such as collusive price fixing, deliberate reduction in output in order to increase prices, creation of barriers to entry, allocation of markets, tie-in sales, predatory pricing, discriminatory pricing, etc.

Protection against unfair competition has been recognised as one of the main objectives of intellectual property system. It, however, does not grant exclusive rights to the owners with respect to the subject concerned, like in the case of patents, trademarks, etc. In fact, it prohibits any act of competition that is contrary to honest practices in industrial or commercial matters, referred to as “unfair competition”. The following acts of unfair competition are closely related to IP and are directly relevant to consumer protection:-

- all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor
- false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor
- indications or allegations the use of which in trade is liable to mislead the public as to the nature, manufacturing process, characteristics, suitability for their purpose or quantity, of the goods.

Whatever form unfair competition may take, it is in the interest of the honest and legitimate entrepreneur, the consumer and the public at large that they should be prevented from it as early and as effectively as possible. Free and fair competition between enterprises is considered to be the best means of satisfying supply and demand in the economy as well as of serving the interests of consumers and economy as a whole. This stimulates innovation and productivity and leads to the optimum allocation of resources in the economy; reduces costs and improves quality; as well as accelerates economic growth and development.

Further, fair play in the market place cannot be ensured only by the protection of industrial property rights. A wide range of unfair acts, such as misleading advertising, violation of trade secrets, etc., are usually not dealt with by specific laws on intellectual property. Thus, it is necessary to enforce unfair competition law to supplement the intellectual property laws and to grant fair protection to consumers.

Most of the countries have devised some kind of safeguard against unfair business practices, by taking different approaches. While in other areas of intellectual property law, such as patents, trademarks, designs, it is generally agreed that the protection is best afforded by a comprehensive statute, the legal basis for the repression of unfair competition can range from a succinct general tort provision to a detailed regulation through a special statute. More recently, many countries have adopted special legislation on the subject or replaced earlier laws on unfair competition.

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## 4.2 OBJECTIVES

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After reading this unit, you should be able to:

- know the significance of competition for trade in general and consumer in particular;
- explain what constitutes as an ‘unfair competition’;
- know the significance of ‘unfair competition’ in intellectual property system;
- explain the scope of protection against ‘unfair competition’ under the Paris Convention;
- analyse the legal framework of India against ‘unfair competition’; and
- explain the judicial approach against unfair completion in India.

## 4.3 INTERNATIONAL PROTECTION AGAINST UNFAIR COMPETITION

Article 1(2) of the Paris Convention mention the repression of unfair competition along with patents, utility models, industrial designs, trademarks, trade names, geographical indications of source and appellations of origin among the objects of protection of industrial property protection, and Article 10*bis* contains an express provision on the repression of unfair competition. Those countries, which are party to the Paris Convention, provide some form of legal basis for the protection against unfair competition.

Article 10*bis* of the Paris Convention mandates parties to ensure effective protection against unfair competition. Article 10*ter*(1) of the Convention further provides for the parties to ensure “appropriate legal remedies”. Article 10*bis*(2) of the Paris Convention defines ‘unfair competition’ as “[a]ny act of competition contrary to honest practices in industrial or commercial matters.” This definition leaves the determination of the notion of “commercial honesty” to the national courts and administrative authorities. Member-States of the Paris Union are also free to grant protection against certain acts even if the parties involved are not competing against each other.

Article 10*bis*(3) of the Paris Convention gives three examples of cases that “in particular” have to be prohibited.

### Article 10*bis*

#### Unfair Competition

(3) The following in particular shall be prohibited:

- i) all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
- ii) false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
- iii) indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

The examples given in Article 10*bis* are not to be seen as exhaustive, but as the minimum protection that has to be granted by all member-States. The first two examples – creating confusion and discrediting – can be regarded as belonging to the traditional field of competition law, namely that of competitor protection. The third one – misleading the public – was added by the 1958 Revision Conference in Lisbon, and takes into account the interests of both – competitors and consumers. According to Para (1) of Article 10*bis*, the Members of the Paris Union have to provide effective protection against unfair competition. Although they are not obliged to introduce special legislation for the purpose, they must provide effective safeguards against all acts “contrary to honest trade practices” and specifically against the practices referred to in Article 10*bis*(3).

Apart from Articles 10*bis* and 10*ter*, the Paris Convention contains several provisions relevant to the protection against acts of unfair competition in a broader sense, especially those concerning trademarks and trade names. For example, Articles 6*sexies* and 8 provide for the protection of service marks and trade names respectively. The protection of indications of geographical origin, to the extent that it is not provided by Article 10*bis*(3), results from Articles 9 and 10. The Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods and the Lisbon Agreement for the

Protection of Appellations of Origin and their Registration, along with bilateral treaties, specifically provide for the international protection of geographical indications.

**Article 9**

**Marks, Trade Names: *Seizure, on Importation, etc., of Goods Unlawfully Bearing a Mark or Trade Name***

- 1) All goods unlawfully bearing a trademark or trade name shall be seized on importation into those countries of the Union where such mark or trade name is entitled to legal protection.
- 2) Seizure shall likewise be effected in the country where the unlawful affixation occurred or in the country into which the goods were imported.
- 3) Seizure shall take place at the request of the public prosecutor, or any other competent authority, or any interested party, whether a natural person or a legal entity, in conformity with the domestic legislation of each country.
- 4) The authorities shall not be bound to effect seizure of goods in transit.
- 5) If the legislation of a country does not permit seizure on importation, seizure shall be replaced by prohibition of importation or by seizure inside the country.
- 6) If the legislation of a country permits neither seizure on importation nor prohibition of importation nor seizure inside the country, then, until such time as the legislation is modified accordingly, these measures shall be replaced by the actions and remedies available in such cases to nationals under the law of such country.

**Article 10**

**False Indications: *Seizure, on Importation, etc., of Goods Bearing False Indications as to their Source or the Identity of the Producer***

- 1) The provisions of the preceding Article shall apply in cases of direct or indirect use of a false indication of the source of the goods or the identity of the producer, manufacturer, or merchant.
- 2) Any producer, manufacturer, or merchant, whether a natural person or a legal entity, engaged in the production or manufacture of or trade in such goods and established either in the locality falsely indicated as the source, or in the region where such locality is situated, or in the country falsely indicated, or in the country where the false indication of source is used, shall in any case be deemed an interested party.

Article 10bis is a part of TRIPS Agreement and Article 39(1) requires Members to provide effective protection against unfair competition while protecting 'undisclosed information'. Article 22 [Protection of Geographical Indications] of the TRIPS Agreement requires Members to provide legal means to prevent use of geographical indications that (1) misleads the public, or (2) constitutes an act of unfair competition within the meaning of Article 10bis of the Paris Convention.

**Self Assessment Question**

**(Spend 3 minutes)**

- 1) Mention the acts that are termed as "unfair" in Article 10bis of the Paris Convention.

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## 4.4 NATIONAL PROTECTION AGAINST UNFAIR COMPETITION

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Several countries have enacted specific legislations or specific provisions in general statutes such as the Civil or Criminal Code to provide protection against unfair competition often modeled on Article 10bis(2) of the Paris Convention. Many of these countries have also enacted additional legislation concerning acts relating to certain products (food, drugs, etc.), the media (television) or marketing practices (gifts, bonuses). In a group of countries, such protection is usually to be found in the general tort law. Among the common law countries, the actions for passing-off and for violation of trade secrets developed by the courts remain the main basis for the protection of competitors. For the protection of consumers, again many countries have enacted separate sets of laws regulating specific cases of undesirable market behaviour, such as misleading advertising, price comparisons, lotteries, games and bonuses; those laws are essentially independent of the protection of competitors under civil or common law principles. Yet, in many countries now, the protection is provided under the special laws, tort law as well as case law.

Despite the difference in approaches to deal with unfair trade practices, all countries that have introduced effective safeguards against unfair competition take particular care over the enforcement of the law, and courts enjoy considerable discretion in applying the law. The success of an unfair competition law depends largely on the courts.

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## 4.5 LEGAL FRAMEWORK AGAINST UNFAIR COMPETITION IN INDIA

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Although the Indian law does not provide any blanket prohibition against, or remedy for, damage caused to the business reputation or goodwill of a competitor by unfair competitive acts, yet the tort of 'passing-off' appears to advance the law towards the tort of unfair competition, as expressly recognised under the American law of tort. Thus, in addition to giving protection under the passing off action in situations where the unfair competition is based on a *misrepresentation*, relief is also made available where unfair competition is based on a *misappropriation*. The Indian courts are constantly extending the limits of the tort of passing off to provide a broader basis of relief through the mechanism of restraining and penalising unfair conduct in the market place. In addition, criminal sanctions and administrative enforcements are available under the Consumer Protection Act 1986, as also under the competition law – earlier under the Monopolies and Restrictive Trade practices Act, 1969 [MRTP Act – repealed and replaced by the Competition Act, 2002] and now to some extent under the Competition Act, 2002. In addition, criminal and civil remedies are also available under the Copyright Act and the Trademarks Act against unfair practices. Common law actions of passing off under the law of torts and breach of confidence under law of contract are widely used against unfair trade practices. The common law remedies are broadly based on the English cases.

### 4.5.1 MRTP Act, 1969

The MRTP Act, 1969 had three thrust areas: regulation of concentration of economic power, competition law, and consumer protection. The Act was amended in 1984 and a new was inserted Chapter V-B (Sections 36A-36E) in order to protect consumers against false or misleading advertisements or other similar unfair trade practices on the recommendations of the Sachar Committee. It was specifically directed against the advertisements and sales promotion techniques employed by traders and businessmen

in marketing their products, which dupe or mislead the consumers. Section 39A defined the 'unfair trade practice' as "a trade practice" which, for the purpose of promoting sale, use or supply of any goods or for the provision of any services adopts any unfair method or unfair or deceptive practice...," and thereby cause loss or injury the consumers of such goods or services, whether by eliminating or restricting competition or otherwise. The trade practices listed thereto were:

- False representation and misleading advertisement of goods and services.
- Falsely representing second-hand goods as new.
- Misleading representation regarding usefulness, need, quality, standard, style etc of goods and services.
- False claims or representation regarding price of goods and services.
- Giving false facts regarding sponsorship, affiliation etc. of goods and services.
- Giving false guarantee or warranty on goods and services without adequate tests,

The Supreme Court in *Lakhanpal National Ltd. v. MRTP commission* [AIR 1989 SC 1692] reiterated the rationale of this provision for the purposes of protecting the consumers from misleading advertisements and baseless representations about the quality, standard and performance of products put on sale. In this case the Court held that the appellant's advertisement, though erroneous, did not have the effect of causing confusion to consumers and therefore Section 36A was not attracted. The Court pointed out that the MRTP Act focuses on the effect of representation made by the manufacturer on a common man. Does it lead such a person in the position of a buyer to a wrong conclusion? The issue is not merely whether the representation is correct or incorrect in the literal sense. The real inquiry is whether a reasonable person on reading the advertisement would form a belief different from what the truth is. This should be viewed objectively. The test by which the representation is to be judged is to see whether the discrepancy between the fact as represented and the actual fact is such as would be considered material by a reasonable person.

In *Society for Civic Rights v. Colgate Palmolive (India) Ltd* [unreported 19 June 1991, Inquiry No. 41/84], the MRTP Commission ruled on a complaint under Section 36A. The complaint was that the respondent's (Colgate) advertisement announcing a contest, under the guise of educating families in dental health care, fell within Section 36A (3)(b) ["the conduct of any contest, lottery, game of chance or skill, for the purpose of promoting, directly or indirectly, the sale, use or supply of any product or any business interest] of the MRTP Act since it served solely the respondent's interest and caused serious injury to the consumers of such goods or services. The Commission found that the fact that a large number of consumers were persuaded to part with their money in the hope of winning a prize was prejudicial to the public interest. The respondents were directed not to repeat such contest in the future. The Commission also observed that it was not necessary to prove actual loss or injury to consumers. Further, a trade practice which adopted one or more of the practices specified in Section 36A had the innate capacity to cause loss or injury to consumers.

The MRTP Commission had also held that the matters related to IPRs fall within its purview and the Commission has complete and unfettered jurisdiction to entertain a complaint in regard to that and deal with it. If there was a misuse of an idea generated by the complainant on the part of the respondent, by manipulation, distortion, contrivances and embellishments, the respondent lends itself open to action under Section 36A(1) for having indulged in unfair trade practice.<sup>1</sup>

<sup>1</sup> *Manjula Bhardwaj v. Zee Tele Films Ltd.*, (1996) 20 CLA 229; *Dr. Vallat Peruman v. Godfrey Phillips (India) Ltd.*, (1995) 16 CLA 201.

### 4.5.2 Competition Act, 2002

The Act has replaced the MRTP Act and now fully operation. Section 3 (5) of the Act provides that “nothing contained 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” the different IP laws as listed therein: (a) the Copyright Act; (b) the Patents Act; (c) the Trademarks Act; (d) the Geographical Indications of Goods (Registration and Protection) Act; (e) the Designs Act; (f) the Semi-conductor Integrated Circuits Layout-Design Act. But exercise of IPRs may be challenged by competition law if the exercise of those rights is to the detriment of public interest or consumer interest. Though these terms have not been defined but the Competition Commission may examine IPR related cases if the market does not assign a fair and efficient value to IP. What is required is to give equal weight to risks of under-protection and overprotection of IPRs.

Hence, In India, the Government has formulated a Competition Policy which protects the interests of consumers and producers by promoting and sustaining a fair competition. But competition law should also address unfair competition under geographical indications. The competition law, at present is at a nascent stage and will develop with time.

### 4.5.3 Consumer Protection Act, 1986

Consumer protection laws find a place in most of the countries and are designed to ensure fair trade competition and the free flow of truthful information in the marketplace. The laws are designed to prevent businesses that engage in fraud or specified unfair practices from gaining an advantage over competitors and may provide additional protection for the weak and those unable to take care of themselves. Consumer protection laws are a form of government regulation which aims to protect the rights of consumers. For example, a government may require businesses to disclose detailed information about products — particularly in areas where safety or public health is an issue, such as food. Consumer protection is linked to the idea of “consumer rights” (that consumers have various rights as consumers), and to the formation of consumer organisations which help consumers make better choices in the marketplace. Consumer interests can also be protected by promoting competition in the markets which directly and indirectly serve consumers, consistent with economic efficiency, but that is mainly regulated by competition law.

In India, in order to protect the consumers from the unfair trade practices of the trade and industry, in 1986, the Consumer protection Act was enacted, as the MRTP Act could not provide the desired protection to consumers from defective goods, defective services, excessive pricing and unscrupulous dealings. The Act, which was amended in 2002, provides a three-tier quasi-judicial machinery – District Forum, State Commission and National Commission, for redressing consumer grievances. The meaning of the expression “unfair trade practice” for the purposes of the Consumer Protection Act is the same as in the MRTP Act [Section 3, Consumer Protection Act]. But for a complaint under the Consumer Protection Act, it is necessary that the complainant must have suffered a loss or damage as a result of any unfair trade practice, which was not the requirement under the MRTP Act. With the repeal of the MRTP Act, this lacuna has been created in the law. Consumer is defined as someone who acquires goods or services for direct use or ownership rather than for resale or use in production and manufacturing. Consumer protection can also be asserted via non-government organisations and individuals as consumer activism.

**Self Assessment Question**

**(Spend 3 minutes)**

2) What are the principal statutes against unfair competition in India?

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## **4.6 JUDICIAL PERSPECTIVE ON SPECIFIC CATEGORIES OF UNFAIR TRADE PRACTICES**

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### **4.6.1 Causing Confusion – Passing Off**

The action of passing off is a branch of law of torts, but has got the statutory recognition under the Trademarks Act, 1999. Section 27(2) of the Act provides – “Nothing in this Act shall be deemed to affect rights of action against any person for passing off goods or services as the goods of another person or as services provided by another person, or remedies in respect thereto”. Passing-off is a common law remedy being in substance an action for deceit, that is, a passing off by a person of his own goods as those of another. Passing off action is not based on proprietary interest in the get-up but in the business goodwill associated therewith. The plaintiff in an action of passing off has to establish that his products have derived from advertising a distinctive character recognised by the market. The principle of law is that no one has any right to represent one’s goods as the goods of another person and sell them in the market for one’s aggrandizement. This rule is a special instance of the general rule that any misrepresentation calculated to give one trader the benefit of another’s goodwill is actionable [*National garments v. National Apparels* AIR 1990 Ker. 119]. In an action for passing off, a plaintiff need not to prove any malice unlike in a tort action for injurious falsehood. Likewise, proof of damage as such is also not essential to enable the plaintiff to maintain an action for passing off.

Conventionally, an action for passing off requires proof of reputation, confusion and damage. In *Century Traders v. Roshan Lal Duggar & Co.* [AIR 1978 Del. 250], however, the Delhi High Court termed the action of passing off as an act of “unfair competition” by holding that in order to succeed in a passing off action, it was sufficient for the plaintiff “to establish user of the aforesaid mark prior in point of time than the impugned user by the respondents”.<sup>2</sup> Since then there have been a catena of cases where many cases of trademarks infringement/passing off have been termed as an act of unfair competition. In *Frito Lay India v. Amit Goswamy* [1999 PTC 647 Del.], the plaintiffs contended that the defendant was indulging in dishonest and unfair competition by giving similar disc as free collectibles with its products (potato chips) as was given by the plaintiffs with its products and according to them, the defendant could

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<sup>2</sup> In India, the courts have also provided passing off relief, even if the product is not sold in the market, viz., *Scotch Whisky Association v. Mohan Meakin Ltd* (Bom. High Court, 19 November 1986, unreported).; *Kamal Tradng co. v. Gillette UK Ltd.*, 1987-88 (12) IPLR 135; *Apple Computer Inc. v. Apple Leasing and Industries*, 18 IPLR (1993) 63.. With the passing of the Trademarks Act 1999, the well-known marks are protected in India, and remedy is provided for “reputation without use”.

not be permitted to indulge in the same. On unfair competition the court stated that "what one has to see is that by advertisement and the promotional campaign, the defendant is trying to confuse or mislead the consumer that his product is dissimilar product of the plaintiff... To succeed... the plaintiff must prove that it has built up an intangible property right in the advertised description of its product, or in other words, he has succeeded by such method in giving its product a descriptive character which the market recognises." The court held that the defendant is not guilty of piracy of the disc of the plaintiffs nor there is any unfair competition on the part of defendant in distribution a free disc with its products.

The action of passing off is based on principles of equity. It is well established that the person who seeks relief in equity must come with clean hands and this applies strongly to parties seeking relief against the infringement of trademarks or in passing off action and against unfair competition because a person seeking relief against fraud of others must be free from fraud. It is essential that the plaintiff should not be guilty of any false or misleading representation, although it is not necessary to prove knowledge or intent to deceive. There is a difference in the cases related to infringement of trademarks and passing off. An action for infringement is a statutory remedy, provided under the Trade Marks Act, which confers on the proprietor of a registered trademark for the vindication of the exclusive right to the use of the trademark in relation to those goods or services. The use by the defendant of the plaintiff's trademark is not essential in an action for passing off, but is a *sine qua non* for an action for infringement. But where the evidence in respect of passing off consist merely a colourable use of a registered trademark, the essential features of both the actions might coincide in the sense what would be a colourable imitation of a trademark in a passing off action would also be such an action for infringement of the same trademark. But there the similarity between the two ceases. In an action for infringement, if the essential features of the trademark of the plaintiff have been adopted by the defendant, the fact that the get up, packing and other writing or marks on the goods or on the packets in which the goods are sold show marked differences, or indicate clearly a trade origin different from that of the registered proprietor of the mark, would be immaterial; whereas in the case of passing off, the defendant may escape liability if it can be shown that the added matter is sufficient to distinguish the defendant's goods from those of the plaintiff.<sup>3</sup>

#### 4.6.2 Misleading Representation

Among the various categories of unfair trade practices, false or misleading representations have been given a prominent place. Various forms of such representations are statements, whether made orally or in writing or by visible representation, which, for example, falsely represent that the goods are of a particular standard, quality, grade, composition, style or model, or which falsely represent that the services are of a particular standard, quality or grade, etc. The fact that the advertiser made the representation in good faith is not material to determine whether it is deceptive and misleading. Also, the evidence of actual deception is not necessary. The important factor is to ascertain what impression is likely to be created by the representation upon the consumer.

#### 4.6.3 Discrediting Competitors – Comparative Advertising

The practice of making any statement which gives false or misleading facts disparaging the goods, services or trade of another person is an unfair trade practice. This covers

<sup>3</sup> *Durga Dutt Sharma v. M.P. Laboratories* AIR 1965 SC 980 (difference between an action for infringement of a registered trade mark and an action for passing off); *Cadila Health Care Ltd. v. Cadila Pharmaceuticals Ltd.*, 2001 PTC 300 (SC); 2001 (21) PTC 541 (SC).

comparative advertising by business concerns through which they explicitly or implicitly name competitors or their products. However, it does not forbid the use of truthful comparative advertisements.

A good example of this is found in a decision of the MRTP Commission in *Burroughs Welcome India Ltd.* (1986), where the respondent had issued an advertisement stating that its headache-curing tablets were the safest and did not have the side-effects of Aspirin. The Commission held that this amounted to a clear disparagement of Aspirin and the advertisement was, therefore, an unfair trade practice within the meaning of Section 36A(1)(x) of the MRTP Act. In *PepsiCo Inc. v. Hindustan Coca Cola*<sup>4</sup>, the two main questions raised were related to - whether the defendant be held guilty of disparagement of Pepsi's drinks, and whether comparative advertisements as such amount to infringement of trademark. In this case, Pepsi, which is the registered owner of the trademark PEPSI, PEPSI COLA and GLOBAL DEVICE that is the original artistic device and copyright in the slogan - YEH DIL MANGE MORE used the slogan along with the mark PEPSI for their soft drinks in all their advertisements.

The defendant issued four ads to promote their brands THUMPS UP and SPRITE. These ads were alleged to be in bad as disparaging or infringing their goods or violating their rights and as such injunction was sought against their publication. The defendants claimed that ads were aimed at poking fun at the ads of others which was permissible in law. The first ad aimed at showing the kids' preference changing from Pepsi to Thumps Up and Pepsi was shown as *bachon wali drink* as if Thumps Up was meant for grown ups. In the second ad, the word Pepsi was mouthed and the phrase *yeh dil mange more* used in a mocking and sarcastic manner. The covered drink was described as a sweet drink called *bachon wali* and bottle when revealed, depicted a globe device and mark PEPSI. Ads 3 and 4 were similarly displayed as BACHON WALI DRINK. The court held that by calling the Pepsi Cola drink "Yeh Bachon Wali Hai, Bachon Ko Yeh Pasand Aayegi ... Wrong Choice Baby", the respondents have depicted the commercial in a derogatory and mocking manner. The manner in which the message was conveyed did show a disparagement of the appellants' product. The court held that puffing one's product even by comparing to other's goods and saying his own goods as better was not actionable claim, but when puffing or poking fun denigrates the goods of the competitor, it is actionable.<sup>5</sup> More recently, the controversy between Budweiser soda and bottled water ads (surrogate ads) and Vijaya Mallya's UB Group Kingfisher ads on soda and bottled water became very controversial, where Cricketer Harbhajan Singh was mocked for the Budweiser surrogate ads. Kingfisher ads showed cricketer Mahender Singh Dhoni. On the threat of legal action by the Budweiser manufacturer for disparaging their product, UB Group withdrew their advertisement.

#### 4.6.4 Trade Secrets

Breach of a trade secret also amounts to an unfair trade practice and Members of the TRIPS are required to protect undisclosed information. The law of trade secrets was discussed at some length in *Konard Wiedmann GmbH v. Standard Castings Pvt. Ltd.* ((1985) 10 IPLR 243]. The court while following the principles laid down by the British court in *Saltman Engineering Co. v. Campbell Engineering Co.* [(1948) 65 RPC 203] that even in the absence of a contract of confidentiality, if the defendants are given access to the know-how for a limited purpose, with the knowledge that it contained trade secrets belonging to the plaintiffs, they cannot use it for any extraneous purpose. Similarly, in *John Brady v. Chemical Process Equipment Pvt. Ltd* [AIR

<sup>4</sup> 2001 PTC 699 (Del); appeal decision in 2003 PTC 305 DB.

<sup>5</sup> See also the *Dabur India Ltd. v. Emami Ltd.* 2004 (29) PTC 1 (Del).

1987 Del. 372], the defendant was enjoined from using the plaintiff's trade secrets, the court inferring confidentiality from the relationship between the parties.

Other acts of unfair trade practices are: bargain price or bait advertisement, offering of gifts, prizes etc, sale or supply of goods not complying with safety standards, and the hoarding and destruction of goods, and are prohibited.

In India, statutes pertaining to unfair competition are scattered. To get an overview, references has also to be made to several enactments which deal with standardisation, grading, packaging and branding, prevention of food adulteration, short weights and measures, misleading advertisements, hoarding, profiteering and other similar practices. Also relevant are the several provisions of the Indian Penal Code [Sections 264-267, 272-276 and 479-489], which protect the consumers against false weights and measures; adulteration of food, the law of torts entitles consumers to take action for damages if defective, unfit or dangerous goods are supplied to them [*Donoghue v. Stevenson* (1932) AC 562]. The tort of deceit enables consumers to recover damages for fraud practised on them by others.

Remedies against unfair practices are available under the criminal and civil law. Under the criminal law, the Indian Penal Code {IPC} imposes penalty in the nature of fine and imprisonment. The civil remedies against unfair trade practices are injunction- the 'cease and desist orders', damages and destruction of impugned goods. Under the Consumer Protection Act, the relief may be granted by directing the opposite party to remove the defect; to replace the goods; to refund the money; and to pay compensation for loss or injury suffered by the consumer.

**Self Assessment Question**

**(Spend 3 minutes)**

3) Explain how the comparative advertising can be an unfair trade practice.

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**4.7 SUMMARY**

- Competition is acknowledged as the best means to protect the interests of consumers, which ensure that consumers have access to the broadest range of services at the most competitive prices.
- Competition helps producers to innovate, reduce their costs and meet consumer demands. Competition thus promotes allocative and productive efficiency.
- This requires healthy market conditions through appropriate regulations to promote competition by the governments.
- Protection against unfair competition has been recognised as one of the main objectives of intellectual property system.
- The Paris Convention, while requiring protection for patents, trademarks, utility models, industrial designs, also mandates governments to provide protection against unfair competition.

- Article 10bis enlists, which is a part of the TRIPS Agreement [referred in Articles 39(1) and 22], certain unfair trade practices, which must be stopped by the governments to encourage healthy competition.
- Practically all the countries provide legislative and administrative measures against unfair competition. Some countries have specific legislation, others provide under the common law or as a part of civil and criminal remedies.
- India does not have any specific law on unfair competition and statutes pertaining to unfair competition are scattered.
- Earlier there was Monopolies and Restrictive Trade practices Act, 1969, which had specific provisions against unfair trade practices, which were examined in numerous cases by the MRTP Commission.
- The Consumer Protection Act, 1986 also deals with the unfair trade practices resorted by the parties in trade in goods and services. With the repeal of the MRTP Act in 2002, the Consumer Protection Act is an important legislation in this regard.
- The Competition Act, 2002 does not directly address the issue of unfair competition related to intellectual property related matters (Section 3(5)), but if the market does not assign a fair and efficient value to IP, it can be examined.
- The cases of causing confusion – passing off, misleading representation, discrediting competitors by disparaging advertisements are being dealt under the Trademarks Act as also under the law of torts, for the tort of passing off.
- Breach of trade secret is dealt under the law of contract and as a civil wrong.
- Remedies against unfair trade practices are provided under the civil and criminal law.

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## 4.8 TERMINAL QUESTIONS

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- 1) How the unfair competition affect the interests of consumers and producers? Explain the significance of repression of unfair trade practices in Intellectual property.
- 2) Give a brief account of law against unfair competition in India.
- 3) Discuss the essentials of passing off action with the help of case law as laid down by courts in trademark cases.

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## 4.9 ANSWERS AND HINTS TERMINAL QUESTION

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### Self Assessment Questions

- 1) Any act of competition contrary to honest practices in industrial or commercial matters has been termed as an act of unfair competition. Specific act of unfair competition mentioned therein are in the nature of - creating confusion, discrediting the competitors, and misleading the public
- 2) Principal statute against unfair competition in India is the Consumer Protection Act, which deals with all those cases which were earlier dealt with under the MRTP Act. There is also the Trade Marks Act. The Competition Act may also take up if the IP is undervalued or overvalued and thus results into unfair competition in the market.

- 3) The practice of making any statement which gives false or misleading facts disparaging the goods, services or trade of another person is an unfair trade practice. This covers comparative advertising by business concerns through which they explicitly or implicitly name competitors or their products. However, it does not forbid the use of truthful comparative advertisements.

#### Terminal Questions

- 1) Refer to Section 4.1
- 2) Refer to Section 4.5
- 3) Refer to Section 4.6

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### 4.10 REFERENCES AND SUGGESTED READINGS

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- 1) WIPO, *Intellectual Property Reading material*, 1998.
- 2) S.M. Dugar, *Law of Monopolistic Restrictive & Unfair Trade Practices* (Wadhwa and Company), 2000.
- 3) P. Narayanan, *Intellectual Property Law* (Eastern Book House, 3<sup>rd</sup> edition).
- 4) V.K. Agarwal, *Consumer protection in India*, 1989.
- 5) M.P. Jain, *Restrictive Trade practices in India*, 1987.

Notes:

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