Balancing Legitimate Interests in the Trade Secret System under the WTO TRIPS Agreement

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TRIPS Negotiations in Uruguay Round on Trade Secrets

• India and others opposed inclusion of trade secrets arguing that these are not intellectual property, but compromised.
  • Every other IPR in TRIPS has in-built balance through conditions of protection and defined exceptions and limitations.
  • We compromised when Control of Anti-Competitive Practices also included in Part II under Standards – a long time demand of developing countries in UNCTAD – and the protection of undisclosed information was linked to unfair competition under Article 10bis of the Paris Convention.

• India, being a common law jurisdiction, had long followed UK jurisprudence on unfair competition, and had both civil and criminal law to protect aspects of trade secrets, as defined in the TRIPS Agreement.
  • India has no separate law to protect trade secrets, nor is one on the anvil (TPR 2021)
    • But IT Act, 2000 (since amended) recognises third party liability for misappropriation
Relevant TRIPS provisions on trade secrets

• Key provisions are in Part II - Article 39.1 and 39.2 of the TRIPS Agreement.
• These provisions have to be read with other relevant provisions that are in other Parts, for example:
  • Preamble: IPRs are private rights
  • Part I: Freedom to choose appropriate legal means of implementation; Non-discrimination (national treatment and m.f.n.)
  • Part II: Reversal of burden of proof in process patent infringement – protection of manufacturing and business secrets
  • Part III: Articles 41-50 (no obligation under border measures or criminal procedures)
  • Part V: Application of WTO dispute settlement understanding (minus NVSCs)
  • Part VI: Transition periods subsist for least-developed country Members
  • Part VII: Security exception
• Doha Declaration on the TRIPS Agreement and Public Health
How does TRIPS define the subject matter of trade secrets?

• Undisclosed information that:
  
  (a) **is secret** in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;

  (b) **has commercial value** because it is secret; and

  (c) **has been subject to reasonable steps** under the circumstances, by the person lawfully in control of the information, **to keep it secret**.

• These are also the condition for protection.
What is the protection afforded to/or what are the rights of trade secret owners under TRIPS?

• In the course of ensuring effective protection against unfair competition [...], Members shall protect undisclosed information [as trade secrets] by affording natural and legal persons
  • 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
      • Footnote 10: 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.

• It would appear that a separate trade secret law is not an obligation
  • But it is not clear how common law developing countries implement the ‘gross negligence’ standard
Mechanisms for balancing interests in trade secret protection

• Acts not contrary to honest commercial practices permitted:
  • Independent creation
  • Reverse engineering

• When definition of trade secret is not met:
  • Evidence that it is generally known or readily accessible in the relevant circles; lack of commercial value; absence of reasonable steps by owner to keep it secret.

• Breach of contract/confidence vs. restraint of trade (void in India)

• Some say that robust disclosure requirements under patent law may balance aspects of trade secret protection for the same invention

• While non-voluntary patent licences are permitted on any grounds whatsoever, the patented invention must be reverse-engineered without the cooperation of the patent owner.
  • In this sense, no CL/waiver is useful for trade secrets since this is already allowed.
  • Even while TRIPS is silent, in some Members, under limited circumstances, disclosure is required in public interest, including under competition law, by national authorities
    • This could be decided by or subject to adjudication by judicial authorities
    • Could this be done during a deadly infectious pandemic?