

# 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?