

INTERNATIONAL JOURNAL OF LEGAL ENFORCEMENT

ISSN: 2582 8894|UIA: AA1003/2020



Volume 1 Issue 2

|June 2021|

Website: www.internationaljournaloflegaleenforcement-ijle.com

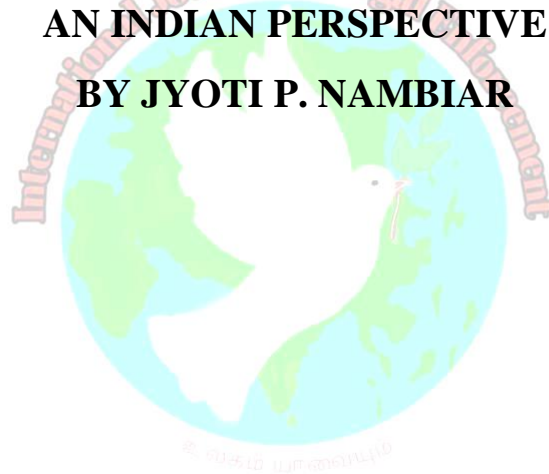
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“Dharma is to protect the Needy”

Research Article on
THE SPRINGBOARD DOCTRINE
A CRITICAL STUDY OF TRADE SECRET PROTECTION WITH
AN INDIAN PERSPECTIVE
BY JYOTI P. NAMBIAR



Abstract

Trade secrets or trade knowledge is that key confidential component of an enterprise which gives it a competitive edge and keeps it surviving in a market place. Confidentiality of trade secret is not only a right of the owner but also an equitable duty of the receiving party to not violate it. Any exposure or leak of trade secret of other for one's own benefit to reach at a better incentive is considered as an act of spring boarding. Spring boarding not only breaches trust of the former employer upon the employee but also puts the former employer at a disadvantageous and dangerous position in the market place with his competitive edge being exposed to his competitors. Until recently law makers did not take the acts of spring boarding seriously but the Ld. Courts have come up with a solution. The Courts have established the "Doctrine of Springboard" which entails that no person shall expose, use, leak or misuse any information received by him in confidence, even in absence of expressed contract. Even though attempts are being made by world legislations to codify the Doctrine of Springboard, Ld. Courts from time and again have developed and expanded the scope of the doctrine for protection of trade secrets of enterprises

Keywords: Confidentiality, Confidential Information, Common Law Doctrine, Trade knowledge, Breach of Trust, Non-disclosure agreement

INTRODUCTION

In this world of cut throat competition and race to reach the finish line before others, subsistence of businesses not only requires an innovative idea but also longest protection of that idea from the world. It is the idea for a business or any part of a business, either in terms of its innovative process, or finances, customer list, product pricing, recipes, vendors, marketing strategies that gives that business a competitive edge, a factor that makes it different and stand-apart from its competitors. It is that idea or knowledge which not only makes it profitable business but also lets it acquire a unique position in the market place. Such knowledge is an intellectual property of the trade/firm because it is an innovative output of a persons or a set of person's mind, research and brainstorming. Naturally, when such an innovation or idea forms an important component of a business, it is imperative that such idea is protected as a secret because if such knowledge becomes public knowledge, the business will lose its competitive edge. Such protected, undisclosed and confidential information which form an important component in a trade or business is called a *Trade Secret*.

As per Black's Law dictionary Trade secret includes "A secret formula or process not patented, but known only to certain individuals using it in compounding some article of trade having a commercial value."¹ Trade secrets are confidential and have an economic value. It can be an idea in terms of a formula, recipes, marketing strategies process(es), device(s), customer identities or any other crucial business information which is saved as confidential to sustain an advantage over the trader's/businesses competition. In case a Trade secret is revealed to either to the public or to any competitor, use and misuse of the secret can be done by them to gain benefit and will render the disclosing business at a loss. Therefore, companies try their best to protect their secret by strict policing systems and by limiting the number of people who know the secrets. The employees of the trade/business are the ones who have firsthand information of the trade secret; therefore, they are trusted to maintain their loyalty to the Company. The Company/trade bestows its confidence and trust upon their employees to not disclose their trade secret to any third party. Confidentiality is the crux of sharing trade secrets

¹ Henry Campbell Black, Black's law dictionary, Page 1666, , Revised Fourth Edition (definition of Trade Secret)

and for this purpose usually companies make their employees sign a “Confidentiality Agreement/Non-disclosure Agreement” and/or a “Non- Compete Agreement” or clause.

However, despite strict policing, limited sharing and signing of agreements, sometimes trade secrets are used by third parties or ex-employees to benefit themselves. They use the Trade secret as an opportunity to jump to their benefit or “*springboard*” to their benefit by exploiting someone else’s labor of work.

To stop and cease “springboarding”, the Hon’ble Courts have evolved a doctrine wherein it prevents employees from using or exploiting information which they have received in confidence from their erstwhile employers during their course of employment. This principle is not limited to only use or misuse of confidential information by the former employees but also prevents them from soliciting clients and co-employees. This doctrine is called the **Springboard Doctrine**. It ensures that the employee or any third party does not perform an act of springboard by using the confidential information in any way which hinders or hampers the rights, labour, handwork and interest of the person/firm/trade from where he is receiving the confidential information.

This theory, as mentioned above, is a product of the judiciary. In matters of springboarding the Courts grant an injunction and consequential remedies in favour of the Plaintiff and against the Defendant. It injuncts, desists and stops the former workers from using any information received in confidence. **Lord Roxburgh** has explained the rationale behind the doctrine of springboard in an English case titled **Terrapin Limited v Builders’ Supply Company (Hayes) Ltd**² whose relevant paragraph is reproduced below,

“as I understand it, the essence of this branch of the law, whatever the origin of it may be, is that a person who has obtained information in confidence is not allowed to use it as a spring-board for activities detrimental to the person who made the confidential information, and spring-board it remains even when all the features have been published or can be ascertained by actual inspection by any members of the public... I think it is broadly true to say that a member of the public to whom the confidential information had not been imparted would still have to prepare plans and specifications. He would probably have to construct a prototype, and he

² (1967) RPC 375 at [391]

would certainly have to conduct tests. Therefore, the possessor of the confidential information still has a long start over any member of the public.”³

Trade secrets are intellectual property of a firm or business. They are a product of intellectual output and research of an individual or a group and have an economic value. It has factors of being either new or innovative, unique or offbeat. They are the private properties of a firm/business to the exclusion of others. However, despite fully filing all the basic ingredients of Intellectual Property, Trade Secrets is still struggling to get the legal protection and legal recognition which it requires.

Lesser recognition to Trade secrets – A hidden Intellectual property

“Springboarding” by either ex-employees or any third party to gain financial and/or other benefits from someone else’s idea, design or process has become a major impediment for businesses. Trusting the organization and its employees sometimes comes at a heavy loss for a firm. On top of it, unlike other intellectual property, Trade secrets as an “intellectual property” came into recognition after some initial years. Even after recognition, some countries lack comprehensive legislation which protects trade secrets as a separate Intellectual property, different from patents or trademarks. For example, there is no separate procedure for registration of trade secrets, there is no special protection by statutes for trade secrets, there is neither any specific punishment nor any specific relief in cases of infringement. This is because Trade Secrets are lesser known (and considered) intellectual property.

In some countries, Trade Secrets are protected as Patents and in some countries, it is just a contractual obligation. This is because recognition of Trade Secrets as a hidden intellectual property law came much later. It is one of the newest entrants into the jurisprudence of Intellectual property. However, though countries are in deliberation, contemplation and process of codifying law on protection of Trade Secrets, the judiciary has been playing an active role to a certain extent to protect Trade Secrets of businesses/trades/firms by evolving, interpreting expanding and enumerating the Doctrine of Springboard.

Socio-legal-economic problems associated with non-recognition of Trade Secrets

³ Terrapin Ltd v Builders’ Supply Company (Hayes) Ltd, (1967) RPC 375 at [391]

As mentioned above, in such a situation the businesses have no option but to resort to signing of Confidentiality Agreement/Non-disclosure Agreement” and/or a “Non-Compete Agreement/Clause with their employees. But this comes under the area of contract law and not IP law. Being only considered as contractual breach, the defendant will only be punished with monetary damages and no penal provisions shall be imposed.

While assessing the socio-legal-economic problems associated with non-recognition of Trade Secrets, one must look from different points of view.

1. FIRSTLY, from the point of view of small businesses and enterprises, it can be seen that this problem of non-recognition gives huge corporations a leverage to seek trade secrets of emerging, small businesses as they have the means to pay monetary fine.

It is noted here that law for Trade Secrets is a bigger bane for small enterprises. This is because in most countries where there exists no legislation for Trade Secrets protection, their Patent acts come into rescue. That is, Trade Secrets are protected as Patent, due to lack of any other appropriate legislation. In such a case one guarantee, other than guarantee of protection under the Patents acts, comes another guarantee of being expensive. Applying for Patents is a costly affair for which small trades and enterprises do not have the resources. At the end their Trade Secret neither gets protected as a Patent due to lack of resources nor gets registered as a Trade Secret due to lack of legislation. At the end, their idea, innovation, recipe, design etc. shall remain unprotected and vulnerable.

2. SECONDLY, from the point of view of emerging and established businesses and enterprises they always have fear of a personality cult of their employees who may leak, use or misuse their confidential trade knowledge.

One of the best examples of this scenario is the case of Tesla v. Zoox last year about a trade secret theft which concluded after Zoox settled to pay an undisclosed sum to Tesla for using their Confidential Knowledge. In this matter, Zoox was planning to launch a vertically integrated taxi service with its engine, a self-driving software among other things. Tesla sued Zoox for their ambitious plan because Tesla alleged that four former employees of Tesla had made personal copies of Tesla’s confidential data and designs and have leaked them to Zoox on the basis of which Zoox is launching its so-called ambitious plans. Tesla alleged allegations of confidential information theft upon Zoox.

This instance shows that one of the best businesses in the world, Tesla, is also facing trade secrets violation and even the employers of big business are not immune to the acts of spring boarding by their erstwhile employees.

Not protecting Trade secrets discourages trade and innovation. It discourages flourishing of new trades and makes them function under fear and anticipation. Fear is not great for heights. Fear is not great for development. Fear is not great for ambition and innovation. Thus, to promote development and innovation it is essential to protect trade secrets of a firm. The protection of Trade Secrets has become more important today due to globalization where there is a constant flow of ideas, goods, services, employment across nations.

- Apart from the above, less or no recognition of protection of Trade Secrets by the way of legislation or judiciary of one country hampers its prospective economic and business integration with other countries who consider Trade Secrets protection as a crucial element.

Since Trade Secrets is just an emerging IP law, all the countries do not have any legislation or jurisprudence to protect Trade Secrets. This poses a bigger problem when overseas trading business is conducted either in MNCs, by contractors, or sub-contractors. Due to lack in local legislations, even if there is leaking of Confidential Information there is no legislation to punish the defaulting discloser. This hampers economic and business integration between countries. Companies start to resist before they outsource or contract with the countries with no recognition of trade secrets for the simple reason that theirs will not be protected.

India is facing this problem where developed economies such as the USA and the UK approach outsourcing work to Indian contractors as their independent contractors. However, in the last few years it has been seen that because there is no specific law which protects Trade Secrets in India, clients from overseas resist before assigning jobs to their Indian counterparts.

How the above socio-legal-economic problems is leading to “springboarding”

Lack of preventive and deterrent legislation leads to spring boarding. Since there is no legislation to impose criminal and civil liability on the violators of confidentiality, erstwhile employees or leakers find it easy and compelling to springboard and use the trade secret for their benefit.

OBJECTIVE OF THIS PAPER

BASED ON THE ABOVE SOCIO-LEGAL-ECONOMIC PROBLEM FIND A PLAUSIBLE SOLUTION

It is always easy to talk about the problem for hours and difficult to find good and probable solutions to the problem. This paper attempts to find a solution to the problem of spring boarding. For finding the resolve one must dissect and understand the problem in depth for which understanding of the subject is imperative. Thus, the second objective of this paper is to underline the origin, rationale, legislations, judgments pertaining to and revolving around the subject of Trade Secrets and Spring boarding. After understanding the said topics/issues, third objective is to understand laws relating to Trade Secrets of different countries, after which comparison shall be made with Indian law. Then one can come to the point of detecting the lacunas and omissions of Trade Secrets law in India and after analysis finally solutions can be reached. This is how this paper attempts to achieve its objective i.e. by the way of step-by-step detailed thinking and analysis in a systematic method.

HYPOTHESIS

It is hypothesized that after comparing laws of different countries and after analyzing trade and business problems that have cropped up with respect to springboard in today's globalized world, one can understand where does Indian law stands in protecting Trade Secrets of firms. After getting to know of Indian law's loopholes, omissions and standpoint, it is hypothesized that a list of suggestions for betterment of law can be derived, which this paper attempts to arrive at.

DATA COLLECTION METHOD

The research is doctrinal in approach and secondary data shall be used by the author. International law such as the TRIPS Agreement and WIPO regulations shall be referred. Statutes and legislations of different countries to compare this emerging area of law will be studied. The author has adopted an applied and problem-oriented approach wherein research is made in a direction to answer the problems revolving around the illegality of springboarding. Further, most importantly, judgments and established case laws by Hon'ble Lordships in USA, UK and Indian courts shall be referred to immensely by the author.

CHAPTER I

MEANING AND SCOPE OF SPRINGBOARD DOCTRINE

Employees are the first persons who come in contact with Trade Secrets of their Employer Company. They have their hands on the secret which can be exploited or/and misused by them. To prevent this from happening, the Courts have come up with the Springboard⁴ Doctrine. The Springboard doctrine declares that any employee who has received exclusive and confidential information from its employee company during his course of employment or business, shall not use, misuse or exploit it in any such way which shall cause prejudice to the rights of its employee company. The Courts via this doctrine injuncts and desists the employees or contractors to use any such confidential information. The reason behind this doctrine is the core principle of IPR law, which is that intellectual property is a product of the knowledgeable outcome of the human (s) mind and they only should have the right to exploit such property and reap benefits, financial and otherwise, of such property.

Doctrine of Springboard is a Common Law Doctrine

The Doctrine of Springboard doctrine is the outcome of judge-made laws, that is, the doctrine is an outcome of judiciary and not an outcome of legislation. Thus, this doctrine is a common law doctrine. This also means that this doctrine can evolve and is evolving. In the matter titled **Bombay Dyeing and Manufacturing Co. Ltd. v. Mehar Karan Singh**, the Hon'ble Bombay High Court has given a very relevant observation where the Ld. Court relied on the decision of an English case titled **Cranleigh Precision Engineering Co. Ltd. vs. Bryant**,⁵ and held that that *"a person, who obtained information in confidence, is not allowed to use it as a springboard for activities detrimental to the persons who made the confidential communication, it was held that breach of confidential information depended upon the broad principle of equity that he who receives information in confidence shall not take unfair advantage of it. Such common law doctrine would, therefore, apply even to the information which has been published or can be ascertained by the public. Such information cannot be used to the prejudice of the person who gave it without the consent of that person."*⁶

⁴ The dictionary meaning of the word "Springboard" as per the Cambridge dictionary is "a board that can bend, helping people to jump higher when jumping or diving into a swimming pool or when doing gymnastics" and "something that provides you either with the opportunity to follow a particular plan of action, or the encouragement that is needed to make it successful"

⁵ (1956) 3 All England Report 301

⁶ **Bombay Dyeing and Manufacturing Co. Ltd. v. Mehar Karan Singh**, MANU/MH/0955/2010

A praise worthy decision of the UK. Court titled **Seager vs. Copydex Ltd.**, is also important to be highlighted here wherein the Ld. Lordships had held that *“even though the Defendants did not infringe the Plaintiffs patent, they were held to have infringed the confidential information they received under common law and that infringed the Plaintiffs rights. The Defendants were held liable in damages for infringing the duty of confidence even though held not to be dishonest and had only subconsciously reproduced the Plaintiffs grip infringing the Plaintiffs common law rights.”*⁷

Doctrine is applicable even in situations when an NDA is absent

The law of Trade Secrets and the doctrine of Spring board is just evolving and there is no legislation which defines its constituents, definition or scope. In absence of any law firms and businesses started the practice of making their employees sign a Non-Disclosure Agreement (NDA) and a Non-Compete Agreement (NCA). A Non-disclosure agreement contains what information shall be considered as “confidential” and what shall happen if such information is leaked or misused. Essentially the matter then becomes a contractual subject matter instead being a subject matter of Intellectual property law. However, as mentioned above, the Doctrine of Springboard is a common law doctrine and keeps on evolving and accordingly the Courts have now recognized that breach of Trade Secrets is not only a matter of breach of contract but also a matter of violation of intellectual property. Thus, now, even if there is no NDA signed between the parties the employee can still not violate confidential information under the Doctrine of Springboard.

The Hon’ble Delhi High Court adjudicated a case titled **John Richard Brady and Ors V. Chemical Process Equipments Pvt. Ltd. and Anr.**⁸ which was essentially a case of injunction for infringement and passing of trademark of the Plaintiff gave an interesting observation about trade secrets law. In this case the defendants had got some diagrams and drawings of the Plaintiff production unit for a limited purpose which the Defendant later tried to misuse for his benefit and the Plaintiff tried to get an injunction against the Defendant. That the Defendant took the plea that there was no agreement which barred the Defendant from using the diagrams or drawings. The Hon’ble Delhi High Court in this matter invoked a wider

⁷ 1967(2) All England Report 415 (CA)

⁸ AIR 1987 Delhi 372

equitable jurisdiction and awarded injunction against the Defendants even in the absence of an expressed contract or agreement.

Doctrines within the Doctrine

1. Doctrine of Confidentiality

Confidentiality is based on the principle of equity i.e. confidentiality via a vis privacy is an implied (or sometimes expressed) obligation on others not to violate it. Confidence stands as a cousin of trust and when a party violates the trust by exposing the confidential information, he can be sued for breach of trust, even in cases of absence of expressed contracts.

2. Doctrine of privity of contract does not apply in cases of breach of NDA

Under contract law doctrine of privity of contract is followed that is upon breach of contract, the cause of action exists only between the parties to the contract and no third party can be sued for any violation if he has not signed the contract. However, doctrine of privity of contract does not apply in cases of doctrine of confidentiality.

That is, if there is an NDA signed between the employer and the employee and the employee breaches the agreement and exposes the confidential information/trade secret to a third party, not only the erstwhile employee will be liable for breach of contract but also the third party will be liable to abet breach of contract and for deceitfully receiving stolen information.

3. Contractual obligations – “A contract speaks for itself”

In absence of an expressed legislation, contracts are the strongest weapon that the employer is equipped with. Thus, if the NDA or the Non-Compete agreement is clear, unambiguous, comprehensive and covers all aspects of law relating to confidentiality and covers all tracks of possible exposure, the percentage of receiving an injunction and further damages from the Courts becomes much more because the contract itself dictates the rights and liabilities of the parties.

Being a common law doctrine, it has its own evolution timeline. Over the world the law on protection of Trade Secrets is still developing. What journey has been undertaken is mentioned in the next chapter.

CHAPTER II

EVOLUTION OF LAW TRADE SECRETS AND SITUATION TODAY

If we trace back to the first ever trade secret which was protected by a trade, we can go back till the Roman times when “Roman courts recognized lawsuits for an *actio servi corrupti*, literally, an action for corrupting a slave. The *actio servi corrupti* was used to protect slaveholding tradesmen or landholders from the harm caused by rivals “corrupting” a slave, usually through bribery or intimidation, and causing that slave to turn over confidential information. Anyone found guilty of corrupting a slave was liable to the slave owner for twice the amount of damages”⁹ Similarly a 500 year recipe of alcoholic beverage now known as Bénédictine, was created in the year 1510. The secret of Bénédictine’s recipe is still a mystery. In recent times the famous drink brand Coca-cola has been preserving its trade secret for more than a century from its inception in the year 1886.

One similarity in all the above famous and successfully protected trade secrets is that they have been protected since time when there was no thought given to protect their interests by the way of law. Yet they have been successfully preserved by the owners and management. However, the same is difficult in today’s time of globalized world and intervention of Courts to protect their interests/secrets is necessary.

One of the first cases of for protection of Trade secrets and which established doctrine of Springboard came in the 1967 in UK case titled

Terrapin v Builders Supply Co (Hayes)¹⁰.

Facts – The Plaintiff had certain designs for which the Defendants provided prefabricated portable buildings and technical knowledge of building to the Plaintiff. The Plaintiff then conducted certain modifications and detailing to the final product and shared the modifications in confidence to the Defendant. The contract between the parties concluded.

⁹ Van Lindberg, Intellectual Property and Open Source, Chapter 6, Page 119, O’Reilly Publication

¹⁰ [1967] RPC 375

Thereafter, the Defendants put their designs of portable buildings with similar modifications and specifications which the Plaintiff has shared with them on the market as a competitor. The plaintiff sued the Defendant for injunction and damages.

Held and Effect – It was held by the Hon'ble English Court that the Defendant has misused general manufacturing information provided to him in confidence and such act constitutes breach of his duty of confidence. Lordship Mr. Justice Roxburgh granted injunction in favour of the Plaintiff making it one of first cases which led to establishment of doctrine of Springboard.

Following, the judgment of *Terrapin v Builders Supply Co (Hayes), Ltd.* Courts over other jurisdictions also started taking the same view. Indian Courts as well adopted the same approach. With development in international law specifically post the world war periods, international organizations also formulated provisions mandating the member states to adopt legislations to protect trade secrets and to prevent spring boarding in their local territorial jurisdiction.

INTERNATIONAL LAW AND ORGANISATIONS

Trading began immensely after the industrial revolution and development in transport, communication and technology. The world community also took note of the increasing need to protect trade knowledge of firms and companies and incorporated provisions in their Covenants, Articles and Recitals. The major international laws which protect trade secrets are-

1. World Trade Organization

The World Trade Organization mandates that all the member countries shall draft legislations for their local jurisdictions as per the rules incorporated in Trade-Related Aspects of Intellectual Property Rights agreement (herein now referred to as the "TRIPS") which includes provision for protection of trade secrets.

2. TRIPS AGREEMENT

Section 7 Article 39 of the TRIPS Agreement reads as,

"1. In the course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention (1967), Members shall protect undisclosed information 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 (10) so long as such information:

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

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

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

3. Members, when required, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilize new chemical entities, the submission of undisclosed test or other data, the origination 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.”¹¹

That even though India is part of the WTO as well as the TRIPS Agreement, India has failed to follow the dictates of provision – Section 7 Article 39 as India still does not have a domestic legislation to protect Trade Secrets and to prevent springboarding.

3. PARIS AGREEMENT

Article 39 (b) of the Paris Convention states that,

The signing countries have to protect any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition. Further Article 39

¹¹ TRIPS AGREEMENT, Part II — Standards concerning the availability, scope and use of Intellectual Property Rights, Section 7. Protection of undisclosed information Article 39

(b) (3) lists the acts which shall be prohibited which impliedly applies for the protection of industrial and business knowledge secrets.

4. NAFTA

The North American Free Trade Agreement (NAFTA) under Chapter Seventeen titled Intellectual Property contains Article 1711 with marginal note "Trade Secrets". Even though India is not a signatory to NAFTA, all the signatory countries have legislations to provide protection to trade knowledge to firms when any party deals/does business with them.

CHAPTER III

INDIA AND LAWS OF SPRINGBOARDING

The Doctrine of Springboard in India are protected either through **Section 27 of the Indian Contract Act or by applying equitable doctrine of breach of confidentiality**. Apart from these protection of trade secrets India is through its Common Law doctrine of spring board. However, Section 27 of the Indian Contract Act provides only a limited remedy wherein it only bars persons from disclosing any information which he acquires as a result of a contract. The other method for protecting Trade secrets in India is by making the employees sign a Non-Disclosure Agreement which defines their liability in cases of breach. However, in such a case also the liability shall be only civil liability and no criminal liability can be attracted. The other allied acts which can be used to take recourse are the Civil Procedure Code 1908, Specific Relief Act, Competition Act, Information Technologies Act etc. However, the same problems are faced by violated parties if they take shelter of allied acts as well, there no criminal liability imposed upon the violator and he may get away with the paying just a fine or compensation.

Thus, in summary, the following reliefs are available in Indian jurisdiction now

1. Recourse under section 27 of the Indian Contract Act
2. Signing of NDA and seeking injunction or specific performance under the Specific relief act
3. Seek interim injunction under Order 39 Rule 1 & 2 CPC
4. Data theft under Information Technology Act
5. Relief under the Competition Act

An attempt has been made by Indian legislature to formulate law to prevent springboarding and to protect trade secrets by drafting the **National Innovations Act, 2008**

where an entire Chapter VI talks about CONFIDENTIALITY AND CONFIDENTIAL INFORMATION AND REMEDIES AND OFFENCES” but no action has been taken yet by the Government to notify the Act. Further yet another chance is the recent National IPR Policy in 2016, under this policy, under the head of Legal and Administrative Framework, the idea as to “A policy for the protection of Trade Secret”, was highlighted and it’s been two years since meeting and no initiative steps are taken so far¹²

ROLE OF INDIAN JUDICIARY

Following the doctrine of springboard established by your Lordships in the matter of **Terrapin v Builders Supply Co (Hayes)** has been carried forward by the Indian judiciary. As already mentioned, the Indian judiciary has been its own jurisprudence when it comes to cases of springboarding such as in **John Richard Brady case** where the judiciary held that there was no need for a formal NDA between the parties to establish a cause of action for breach of confidentiality. Common law doctrine of Springboard allows relief to the Plaintiffs even in absence of an NDA or contract. Similar observation has been given by the Bombay High court in the **Bombay Dyeing case**.

In a matter titled **Mr. Anil Gupta and Anr. v. Mr. Kunal Dasgupta and Ors**¹³ the Delhi High Court was encountered with a case related to “concept note”. The allegation of the Plaintiff was that he had narrated a concept of “Swyaamwar” for a reality show in while a bride will choose her groom in traditional manner in form of a Swyaamwar. The idea was narrated to the Defendant. The Defendant after a few months launched his own TV reality show, “Shubh Vivah” based on the concept of the Plaintiff, shared to him in confidence.

Justice Vijender Jain of Hon’ble Delhi High Court relied on the judgement of **Terrapin v Builders Supply Co (Hayes)** to evoke the doctrine of confidentiality and found force in the argument and thereby restrained the Defendants and granted injunction in favour of the Plaintiff.

However, there are a few cases where the Ld. Courts could have utilized the doctrine of springboard established by the English courts and could have expanded on it, however, they refused and restrained themselves to only taking backing of Section 27 of the Indian Contract Act. One such instance can be cited in the matter of **Zee Telefilms Ltd. And Film and Shots**

¹² Author. R Vigneshwaran, An Alarming Need for Trade Secret Legislation in India, Journal. Amity Journal of Management Research, 3 (2), (97-105) ©2018 ADMAA

¹³ [97(2002) DLT 257]

vs Sundial Communications Pvt. Ltd¹⁴ and in the matter of Akuate Internet Services Pvt. Ltd. & Anr v. Star India Pvt. Ltd.¹⁵

Recently the Hon'ble Delhi High Court in **Claudio De Simone & Ors. Versus Acital Pharmaceutical SRL. & Ors.** Also took a different view that confidential information and trade secrets are not considered as Intellectual property in Indian law.

COMPARATIVE STUDY B/W LAWS OF SPRINGBOARDING (INDIAN LAW AND OTHER NATIONAL LAWS)

Even though India does not have legislation to protect trade secrets, yet, there are other nations which have successfully drafted appropriate legislations for themselves. A comparison between major players in protecting their nation's enterprises' trade secrets along with the protection Indian legislature has provided is enumerated below,

S.no	USA	EU	INDIA	OTHERS
1.	Statutes	Statutes	Statutes	Statutes
	<ul style="list-style-type: none"> - Reinstatement of Torts - Uniform Trade Secret Act - Economic Espionage Act, 1996 	<ul style="list-style-type: none"> - European Patent Convention 	<ul style="list-style-type: none"> - National Innovations Act, 2008 but has not been notified 	<ul style="list-style-type: none"> - Canadian law has its basis on English common law. - Japan implemented its first trade secret law on 1st June 1991 - Singapore has no expressed legislation, focuses only on common law.

¹⁴ 2003 (5) BomCR 404

¹⁵ Case Nos. FAO(OS) 153/2013

				- China has Anti-Unfair Competition Act to protect trade secrets
2.	Also focuses on common law	Also focuses on common law	Focuses only on common law	

CHAPTER IV

IMPORTANT CASE LAWS

As it is now clear that doctrine of springboard is a common law doctrine, numerous Learned Courts have given numerous judgments establishing and exploding the scope of the Doctrine of Springboard to protect Trade Secrets. A few landmark judgments are mentioned below,

1. **Saltman Engineering Co v Campbell Engineering Co**¹⁶

U.K. Court

Facts – The Plaintiff was into manufacturing business in leather works. The Plaintiff had provided certain diagrams/designs to the Defendant in confidence via a contract. After the finished goods were delivered by the Defendant, the Defendant used the diagrams of the Plaintiff and used their information to enter into the market. The Plaintiff sued the Defendant. The Defendant argued that there was no contract which disabled the Defendant to use the diagrams of the Plaintiff.

Held - Lord Greene observed that *“it would not matter the least bit whether there was a contract or whether there was not a contract”*.¹⁷ The factor which mattered was that the Defendant knew that he was receiving the diagram in confidence and that the Defendant knew that the diagrams belonged to the Plaintiff. Hence, the matter was a clear case of breach of confidence.

¹⁶ Saltman Engineering Co. v. Campbell Engineering Co. Limited, (1948) 65 RPC 203.

¹⁷ Ibid

Implication of the case – This was the first case where the word “consent” was used in matters of confidential information. The Court held that if the Defendant received the information, directly or indirectly, **without consent of the Plaintiff**, it will be a case of breach of confidentiality and the Defendant is not empowered to use such information.

2. **Coco v. AN Clark**¹⁸

U.K Court

Facts – Following the decision of Lordships in Saltman Engineering, another landmark judgment was laid by the UK Court of High Court of Justice.

The Plaintiff had shared confidential designs of a moped engine to the Defendant as they were about to get into agreement where the Defendant would manufacture the engine. However, the parties went their ways. Defendant however, used the designs of the Plaintiff company for his benefit.

Held – Justice Garry held that trade secret protection by law shall also be available to an oral idea. It also applies to undeveloped ideas. The Court also laid down a triple test to succeed in an action for violation of trade secret being the following

- i. The nature of information has to be confidential
- ii. It must be imparted to the Defendant in confidence
- iii. There must be an unauthorized use of such confidential information

Implication – After the decision of Saltman Engineering, this judgment further pushed for broadening the scope and purview of trade secrets protection.

3. **Inphase Power Technologies v. ABB India Limited**¹⁹

Indian Courts

Facts – The Plaintiff has alleged that the Defendant is selling electrical equipment on the basis of confidential information of the Plaintiff company as former employees, who had access to the confidential information, have leaked as they are working in Defendant company.

¹⁸ Coco v. AN Clark, (1968) F.S.R. 415.

¹⁹ M.F.A No.3009/2016, (KHC)

Held- The Hon'ble Court held that if there is an apprehension that the Defendant, who have employed former employees of the Plaintiff, the Court can grant injunction. The Court also held that where there is a chance of misappropriation of confidential information, Courts can grant injunction against the Defendant.

4. RLA Polymers Pty Ltd v Nexus Adhesives Pty Ltd²⁰

Australian Court

Facts – Defendant, who are former employees, had constituted a company where they used confidential information of the Plaintiff company for their business and financial benefit.

Held – The Australian Court rained heavily on the Defendants and imposed huge damages upon the Defendants for misusing confidential information of the Plaintiff by making a competing product.

5. WYETH v. NATURAL BIOLOGICS INC ²¹

United States Court of Appeal, Eighth circuit

Facts – The Plaintiff, Wyeth manufacturers, alleged that the Defendants illegally acquired the trade secrets of the Plaintiff with respect to production of bulk natural estrogen which is used to treat menopause and are now misusing it.

Held – The Court held that the Defendants have concealed that they have misappropriated the confidential information.

CHAPTER V

ANALYSIS

Trade secrets and knowledge have gained expanded importance in the current situation particularly taking into account the opening up of the world market, globalization and upgraded rivalry and competition around the world. Also, the way that trade/proprietary information is progressively being liked over patent security as a strategy for ensuring undisclosed data has

²⁰ RLA Polymers Pty Ltd v Nexus Adhesives Pty Ltd [2011] FCA 423

²¹ United States Court of Appeals, Eighth Circuit.

added to its importance. Trade secrets and confidential knowledge has obtained extraordinary significance in the current situation because of the rise of various conditions where it is linked over patent assurance. Also, analyzing and taking into account the appropriation of the arrangement of globalization by the Government of India and the current business climate, proprietary advantage certainly needs explicit enactment for its insurance. Further, a particular enactment obtains significantly more significance taking into account the uncertainty that exists in unfamiliar decisions and choices on the issue of trade innovations.

This paper has analyzed the expansive layout of the trade secret security law that exists in the world and in India and features its deficiency. The paper additionally has analyzed the equivocalness of the common law cure that is accessible for encroachment of trade secrets which is shown in the conflicting line of standards set somewhere near the courts. It is analyzed that even though legislation is lacking in most world jurisdictions, common law has come as a rescue to the businesses and enterprises.

CHAPTER VI
CONCLUSION & SUGGESTIONS

India has no expressed legislation for protecting trade secrets. There is no reliable line of standards that has been set down for setting them as a convincing point of reference for Indian Courts to follow. Moreover, in keeping with the mandate of Article 39 of the TRIPS Agreement, it is imperative for India to enact legislation dealing specifically with the issue of trade secrets. In the author's opinion the proposed suggestions which should be incorporated into Indian law:

- Codify and define meaning of trade secrets, confidential information misappropriation, improper use, data theft
- Following the decision of John Richard Brady and extend protection even in the absence of non-compete or non-disclosure agreements.
- Create exception to doctrine of contract of privity by including third party liability and hold those persons also liable who knowingly receive confidential information.
- Overriding effect of the new legislation on other existing laws such as Indian Contract Act and other allied legislations.

- Some special protection to small enterprises who may be bullied by larger enterprises
- Criminal remedies not only in the nature of damages or injunctive relief but also in terms of imprisonment and exemplary damages.

It is distressing to accept the fact that Indian law does not place any sort of relevance upon the growth of new and developing IP laws in the world. A new trade secret legislation is, therefore, the only way to ensure strong and effective IPR protection which would in turn open up new and profitable avenues for the business scenario in India to prosper.

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