TRADE SECRETS VS. PATENTS: CHOOSING THE RIGHT PROTECTION

INTRODUCTION:

The term "intellectual property" conveys its meaning, which is "property of intellect or human mind." In this context, the term "intellect" can be used interchangeably with "creation," "invention," and "human mind." Ideas, knowledge, and information make up the majority of civilisation in the modern world.. The WIPO (World Intellectual Property Organization) defines Intellectual Property (IP) as "IP refers to creation of mind everything from work of art to inventions, computer programs to trademarks and other commercial signs.[1]" The World Trade Organization defines IPR as "IPR are the rights given to persons over the creation of their minds[2]. For a predetermined amount of time, intellectual property rights often grant the inventor the sole right to utilise their product. Patents, copyright, trademarks, trade secrets, industrial design and geographical indications, plant varieties, and digital assets are a few examples of often used intellectual property rights. The Indian Patent Act of 1970 provides protection for patent rights in India. Inventions that are new, non-obvious, and useful in industry may be granted patents under the Act. For a set amount of time after it is granted, a patent gives the creator the sole authority to stop anyone from producing, utilising, importing, or selling the patented innovation. Due to their significant economic potential, trade secrets are quickly emerging as one of the IP options available in the market. The Information Technology has made Trade Secrets exceptionally precious[3]. The link between these two forms of intellectual property protection is examined in this chapter, particularly the tension between the requirement to reveal patents and the wish to keep private information as secret. The knowledge being kept secret is what gives trade secret protection, which might be problematic if the secret is discoverable or reverse-engineered.

PATENTS IN BRIEF:

[1] What is IP, WIPO, available at: https://www.wipo.int (last visited on Apr 28)

[2] What are intellectual property rights, WTO, available at: https://www.wto.org (last visited on Apr 28 2026)

[3] Abhik Guha Roy, "Protection of Intellectual Property in the Form of Trade Secrets" 11 Journal of Intellectual Property Rights 193 (May, 2006).

One of the most common and widely used types of IPR is the patent. The Latin word "patere," which meaning "to open," is where the word "patent" originates. The World Intellectual Property Organization (WIPO) defines it as an exclusive right granted for an innovation, which is a process or product that offers a new method of doing something or a new technical solution to a problems.

According to Indian law, a patent is "an exclusive right guaranteed by the Government for an invention and process or newer process of existing inventions," according to the Patents Act, 1970. It simply implies that it shields the innovation or creation from improper usage in the market and offers the owner credit and honour. The Indian Patent and Design Act of 1911 was the nation's first exclusive law governing patents; the patent system had been in place since 1856. The Patents Act, 1970, which is still in effect in India, eventually took its place. The Patent Act underwent a significant change in 2005 when product patents were expanded to cover all technological domains, including food, pharmaceuticals, chemicals, and microbes.

Determining patent eligibility requires an understanding of these standards.
1. Novel: Not before made public.
2. Involving an Inventive Step: Not apparent to an expert in the field.
3. Capable of Industrial Application: Practical in the industrial sector[4].

The Patents Act provides particular remedies in the event that a patent is infringed. Among the most well-known patents in India include ISRO's Patent-Pending Satellite Technology, Patanjali Ayurvedic Product, Bharat Biotech's Covexin, and numerous others.

However, some things cannot be patented, including discoveries, scientific theories, or mathematical techniques; literary, dramatic, musical, or creative works; agricultural, horticultural, or human or animal medicinal treatments. Traditional knowledge, plants, and animals (apart from microbes). a novel type of a well-known drug that doesn't significantly increase efficacy.
In accordance with the TRIPS agreement, the term of a patent in India is consistently 20 years from the date of application filing. This time frame guarantees that inventors have enough time

[4]Intellectual Property Rights (IPR), by national institute of technology
https://www.nitap.ac.in/storage/pdf/f63d0ea9127821f83a5a4ad9f1531be8-10-04-11of%20IPR.pdf

to market their creations before eventually granting public access, which encourages more innovation[5].

RIGHTS OF PATENTEE

A person identified as the current grantee or proprietor of a patent in the patent register is known as a patentee. The person to whom the patent has been awarded is referred to as the "patentee." The patent holder has the same rights as the owner of any movable property to use the invention or asset.

The Patentee's Right Under Section 48

Because the patent is for a product, it grants the patent holder the exclusive right to prevent third parties from producing, using, offering for sale, selling, or importing the product into India for those purposes without the patent holder's consent. When a method is covered by a patent, the patent holder has the only authority to prevent third parties from using, offering for sale, selling, or importing the process for those purposes without the patent holder's consent[6].

THE EXPLICIT PATENTEE RIGHTS IN INDIA ARE AS FOLLOWS:

The unique legal rights bestowed upon a patent owner are referred to as the patentee's right. For a set amount of time typically 20 years from the date of submitting the patent application these rights enable the patent owners to prohibit others from creating, using, importing, or selling an invention without their consent.

A PATENT HOLDER HAS THE FOLLOWING RIGHTS:

1. Right to Exclude Others: The patent holder is entitled to exclude third parties from producing, utilising, importing, or selling the invention without their consent.
2. Right to License: In exchange for a fee or royalty, the patent holder may decide to grant licenses to third parties.
3. Right to Sell: The owner of the patent may sell it or give it to someone else.

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[5] Patent Filing in India 2025: Complete Guide to Costs, **authored by** Prasad Karhad Timeline https://patentinindia.com/#:~:text=The%20patent%20filing%20procedure%20also%20includes:%20*,Prevent%20others%20from%20doing%20so%20without%20permission

[6] Section 48 of The patent Act, 1970 (No. 39 of 1970)

4. Right to Enforce: The patent holder is entitled to take legal action to defend their patent rights against violators.
5. Right to Prevent Importation: The patent holder has the authority to stop infringing goods from entering the nation.
6. Right to Demand Damages: In the event that their patent rights are violated, the patent holder may demand damages[7].

In general, a patent holder's rights are intended to safeguard their creation and give them a chance to profit from it.

INDIAN PATENT RIGHTS VIOLATION

The Patents Act of 1970 governs patent infringement in India. The Act grants a patent holder the only authority to stop anyone from producing, utilising, importing, selling, or putting the patented invention up for sale without their consent. A person may be held accountable for patent infringement if they carry out any of these actions without the patent holder's consent.

In India, the following behaviours could be considered patent infringement:

1. Producing, utilising, importing, or selling a patent-protected technique or product.
2. Offering to use or sell a patent-protected good or method.
3. Bringing in a product manufactured using a patented technology.

4. Producing, utilising, importing, or selling a product that is basically identical to one that is protected by a patent but is not covered by one.

A patent holder may file a lawsuit against the infringer if they feel that their patent rights have been violated. An injunction, damages, and an account of earnings are among the remedies available to a patent holder in India. Additionally, the patent holder may request an order for the infringing items to be delivered or destroyed[8]

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[7] Intellectual Property Rights (IPR), by national institute of technology https://www.nitap.ac.in/storage/pdf/f63d0ea9127821f83a5a4ad9f1531be8-10-04-11of%20IPR.pdf

[8] Patent Registration: Procedure, Requirements, Importance & More, https://thelegalschool.in/blog/patent-registration

PATENT DISCLOSURE

Patent disclosure is the requirement that a patent applicant provide a comprehensive and intelligible description of the invention in their application. This includes details regarding the innovation's operation, composition, and potential applications. The disclosure must enable someone with the requisite subject-matter expertise to duplicate the innovation without undue experimentation. A patent disclosure is a detailed description of an invention that is included in a patent application. It is an essential step in the patent process and is required to obtain a valid patent.

Goal: Through a patent disclosure, inventors can share their ideas with the public and the patent office, In exchange the inventor receives a brief monopoly on the invention. Consequences: If a patent has inadequate information, it may be withdrawn or made unenforceable.

1. Patent Disclosure Examples
   Academic publishing: Traditional or online scholarly publications Presentations: Posters or oral presentations
2. Public usage or sale: The invention is sold or used in public.
3. Abstracts: Funded grant proposals' publicly accessible abstracts
4. Open defences, dissertations, and master's theses and doctoral dissertations
5. Department and campus seminars: Seminars held within the department or on campus
6. Online data: Data published on the internet

A key element of the patent system is patent disclosure, which balances the interests of the general public and innovators[9].

THE INTANGIBLE POWER OF TRADE SECRET:

Trade secrets are a special and powerful type of intellectual property (IP) that consists of confidential business knowledge that gives a company a big competitive advantage. Trade

[9] Balancing patent disclosure and trade secret protection: Analyzing the impact of patent requirements on confidential invention information by P Jeevetha, published in International Journal of Law www.lawjournals.org Published on 28-01-2025

secrets rely on permanent secrecy, in contrast to patents or trademarks, which frequently call for public registration and disclosure. This "intangible of all intangibles" includes a broad spectrum of data, from commercial client lists and marketing tactics to technical manufacturing procedures and medicinal test results. Information is power in today's globalized economy, and for many companies—from small startups to multinational massive corporations like Google and Coca-Cola—the capacity to protect intellectual "know-how" is the cornerstone of their position in the marketplace.[10]

THE CONCEPTUAL FRAMEWORK: DEFINING THE TRADE SECRET.

Information must fulfill three fundamental requirements in order to be considered a trade secret under international standards, such as those established by the World Intellectual Property Organization (WIPO) and Article 39 of the TRIPS Agreement:

Secrecy: The information must not be widely known or easily available to those in the pertinent professional circles.

Commercial Value: Because it is a secret, it must have actual or potential monetary value.

Reasonable Protection: The legitimate owner must have used Non-Disclosure Agreements (NDAs) or other proactive, reasonable measures to protect its confidentiality.

As long as the particular combination is kept secret and provides a competitive advantage, trade secrets are not restricted to a single formula but can be a mixture of elements, even if those individual ingredients are in the public domain.[11]

Data compilations, designs, algorithms, chemical formulations, and perhaps "muscle memory" or tacit knowledge in high-tech sectors are examples. Interestingly, unlike patents, which have a 20-year expiration date, trade secret protection is perpetual as long as the information is kept hidden.

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[10] Trade Secrets, World Intellectual Property Organization, available at: https://www.wipo.int/tradesecrets/en/ (last visited Sept 15, 2023).

[11] Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Art. 39.

THE INDIAN LEGAL LANDSCAPE

The Indian Contract Act of 1872 is the main safeguard. Although agreements in restraint of commerce are normally declared void by Section 27 of the Act, courts have made important exceptions to safeguard a company's "goodwill" and confidential information. Employers can enforce restrictive covenants and confidentiality agreements (NDAs) that forbid the revelation of specific, confidential "know-how" acquired while employment, but they cannot stop an ex-employee from using their general abilities and knowledge

The equitable doctrine of breach of confidence is also used by Indian courts. According to this principle, even in the absence of a formal contract, someone who gets information in confidence cannot use it unfairly. The court used this theory to stop a defendant from exploiting technical drawings that were shared during unsuccessful negotiations in cases such as John Richard Brady v. Chemical Process Ltd.

Information Technology Act, 2000: Sections 43A and 72 provide remedies for the unauthorised access or disclosure of electronic records and sensitive personal data.

Copyright Act, 1957: Protects literary works, including computer source code and databases, which often constitute trade secrets.

Bharatiya Nyaya Sanhita, 2023 (BNS): Replaces the Indian Penal Code and addresses criminal misappropriation, theft, and breach of trust.

JUDICIAL BENCHMARKS

The Bombay High Court ruled in Beyond Dreams Entertainment v. Zee Entertainment[12] that a claimant must demonstrate that the material was confidential, disclosed under an obligation of confidence, and utilized (or threatened to be used) without permission to the owner's loss. In the same manner, the court determined criteria for categorization in Bombay Dyeing v. Mehar Karan

[12] Beyond Dreams Entertainment v. Zee Entertainment Enterprises (2016) 5 Bom CR 266.

Singh[13], including the degree to which the information is known outside the company, the security measures implemented, and the amount of work put into its creation.

There is still a crucial legal distinction between employee skill and trade secrets. Courts have often decided that "day-to-day affairs" and "business acumen" acquired by an employee are not trade secrets in situations such as Ambience India v. Naveen Jain[14]. An employee is not allowed to give specific proprietary formulas or client lists to a rival company, but they are free to use their general experience to further their career.

THE PATH TO REFORM- THE 2008 AND 2024 BILLS

1. The National Innovation Bill, 2008

The first significant attempt to formalize trade secret protection in India was this Bill. It outlined precise responsibilities for third parties that get secrets without permission and defined "confidential information" in a manner analogous to the WIPO definition. Additionally, it offered particular exclusions for public interest and independent derivation. It was never implemented, despite support.[15]

2. The 2024 Protection of Trade Secrets Bill

The Protection of Trade Secrets Bill, 2024 and a new legal framework were recommended in a report (LCR) published in March 2024 by the 22nd Law Commission of India. In order to promote innovation and fair competition, the Bill seeks to offer "effective protection against misappropriation". This action demonstrates India's intention to update its intellectual property laws and give operational companies more assurance.[16]

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[13] Bombay Dyeing v. Mehar Karan Singh, 2010 (112) BomLR 375.
[14] Ambiance India v. Naveen Jain, 2005 SCC OnLine Del 367.
[15] National Innovation Bill, 2008, India
[16] 22nd Law Commission of India, Report No. 289: Trade Secrets and Economic Espionage (Mar. 2024).

BALANCING PATENT DISCLOSURE AND TRADE SECRET PROTECTION

Encouraging technical advancement and knowledge sharing is the aim of patents. In many companies, protecting inventions is crucial to maintaining a competitive advantage and promoting innovation. Because of the trade-off between obtaining patent protection and revealing potentially sensitive information, some innovators may choose not to pursue patents at all. Patent law promotes innovation by granting innovators the exclusive right to use their inventions for a predetermined amount of time, typically 20 years. However, this exclusivity comes at a cost: in order to receive patent protection, innovators must publicly disclose their innovations, providing competitors with a blueprint. Trade secrets, in contrast to patents, provide a means of protecting proprietary knowledge without disclosing it to the public. the connection between these two forms of intellectual property protection, particularly the tension between the necessity to preserve private information and the requirement to reveal patents. Trade secret protection is contingent upon the information being kept confidential, which may provide challenges if the secret can be uncovered or reverse-engineered[17].

Patents and trade secrets seem to be at opposite extremes of the spectrum. A patent application's specification must explain the invention in a way that would enable someone with ordinary competence in the art to make and use it without undue experimentation in order for it to be protected. Trade secrets, on the other hand, are legally protected due to their intrinsic secrecy. In fact, the patent will be deemed invalid if the specification leaves out any important details concerning the invention.

The following are some recommended procedures for safeguarding trade secret information:

1. Creating guidelines for private data and intellectual property,
2. Restricting information to those who require it,
3. Labelling papers and Putting security measures in place.

[17] Patent Registration: Procedure, Requirements, Importance & More, https://thelegalschool.in/blog/patent-registration

One of the rights granted to patent holders is the ability to stop others from creating, using, or commercializing their invention. A trade secret gives its owner a competitive advantage as long as it is kept hidden. However, it should be noted that this competitive advantage may not be recovered if secrecy is compromised.

When an IP owner, for instance, has a manufacturing process that does not satisfy the requirements for patentability, trade secret protection is chosen. IP owners may also favour a trade secret if:

I. A product's lifespan is less than a patent's 20-year lifespan, such as in a field of technology where innovations change rapidly; or
II. They anticipate that a product's lifespan can be significantly longer than 20 years, like in the case of Coca-Cola[18].

CONFIDENTIALITY AND PATENT REQUIREMENTS

The Patent Process: Certain criteria, such as novelty, non-obviousness, and usefulness, control the patent process. An inventor must submit a thorough application to the appropriate patent office outlining the invention in enough detail to allow others with the necessary skills to replicate it in order to receive a patent. Although the goal of this disclosure obligation is to encourage innovation and knowledge exchange, it naturally raises questions regarding confidentiality.

Trade secrets and confidential information: Many inventors rely on trade secrets to keep their inventions private before seeking patent protection. By definition, trade secrets include knowledge that is not widely recognised or readily available, giving the bearer a competitive advantage. But switching from using trade secrets to pursuing patent protection frequently carries the risk of revealing private information that rivals might exploit.

[18] Balancing patent disclosure and trade secret protection: Analyzing the impact of patent requirements on confidential invention information by P Jeevetha, published in International Journal of Law www.lawjournals.org Published on 28-01-2025

The Basics of Trade Secret and Patent Protection

Patent Protection: For a certain amount of time, usually 20 years, patents legal rights bestowed by governments allow innovators to prevent others from producing, using, selling, or distributing their ideas. An inventor must publicly reveal the specifics of their creation, such as how it functions, what makes it unique, and the claims outlining its scope, in order to receive a patent. This require ment's justification is to encourage knowledge sharing, which will allow for more innovation.

Trade Secret Protection: A variety of private information, such as formulas, procedures, methods, and designs that give an advantage over competitors, are considered trade secrets. Trade secrets, in contrast to patents, do not need to be formally registered and are protected indefinitely as long as the information is kept private.

Important Distinctions : The obligation for disclosure is the main distinction between trade secrets and patents. While trade secrets prioritise confidentiality, patents require complete public disclosure. Furthermore, the length of protection differs; trade secrets offer potentially perpetual protection, subject to preserving confidentiality, while patents offer time-limited protection[19].

The following factors must be taken into account when striking a balance between trade secret protection and patent disclosure:

I. Patent disclosure: The foundation of the patent system is disclosure, which makes the technical solution being protected available to others. Innovation is fuelled by this knowledge sharing. To ensure that the public benefits from the disclosed information after the patent expires, the application details are made public after 18 months.
II. Trade secret protection: As long as the information is kept private and safeguarded by appropriate methods, trade secrets are protected by confidentiality agreements. Technical knowledge, like production procedures, and commercial information, such distribution strategies, can both be considered trade secrets.

[19] LGCD. Trade Secrets vs. Patents: A Comparative Analysis. Journal of Intellectual Property Law & Practice, 2021.

III. Simultaneous protection: An invention cannot be covered by both trade secrets and patents at the same time. The secrecy necessary for trade secret protection is destroyed by the public revelation of patents.

IV. numerous kinds of protection: Using numerous forms of intellectual property protection may be the best way to safeguard an invention[20].

JUDICIAL DECISION ON CO- EXISTENCE OF PATENTS AND TRADE SECRETS

The only two types of information protection available under the intellectual property regime are patents and trade secrets, but the same innovation cannot be protected under both types of rights. Once an invention is patented, the patent holder cannot use a know-how agreement to protect both the invention and the information disclosed in the patent as a trade secret or confidential information. Even though this is a well-established body of law, what happens if knowledge about a patented invention that isn't revealed in the patent is claimed as a trade secret? In its most recent ruling in Prof. Dr. Claudio de Simone v. Acital Farmaceuatica Srl[21], the Delhi High Court addressed the relationship between patents and trade secrets in the Indian legal system. The Delhi High Court ruled that the strain and blending ratio information could not be considered a trade secret. The reasoning for this was that after the invention's patent has expired, all information pertaining to it has entered the public domain and cannot be safeguarded as a trade secret.

One way to characterise the relationship between patents and trade secrets is as a delicate balance between disclosure and secrecy. Particularly in light of the Delhi Court's rejection of the layered approach to invention protection, there is still ample opportunity for discussion in the Indian IP sector about the protection of information under both patents and trade secrets. Additionally, India's stance on trade secrets is unclear because no appropriate legislation has

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[20] Trade Secrets vs. Patents: Choosing The Right Protection Strategy For Start-Ups, Authored by Dipanjana Chakraborty, published on 24 FEBRUARY 2024,https://www.mondaq.com/india/trade-secrets/1428562/trade-secrets-vs-patents-choosing-the-right-protection-strategy-for-start-ups

[21] Prof. Dr. Claudio De Simone & Anr. vs Actial Farmaceutica Srl.,17 March, (AIRONLINE 2020 DEL 592)

been put in place. As a result, the law should be developed for better understanding and should also be able to give the IP regime that protects information more clarity[22].

[22] The Interplay of Patents and Trade Secrets in India: Has the conundrum settled? by Akash Kumar Prasad & Khushboo Agrawal, Published on September 12, 2020, https://www.scconline.com/blog/post/2020/09/12/the-interplay-of-patents-and-trade-secrets-in-india-has-the-conundrum-settled/