

Intellectual Property
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Lecture – 56
Requirements of liability

(Refer Slide Time: 00:15)




Requirements of liability

- **Subject matter** capable of protection
 - Types of information and role of public
- **Confidential Obligation**
 - relationship
- **Unauthorized use** causing detriment
 - Wrongful acts

Now, we look at the Requirements of Liability. For something to be protected as a confidential information it has to satisfy three conditions. 1 – the subject matter should be capable of protection; there are types of information and there are role of public and public interest that comes into play. So, it should be a subject matter that is capable of protection. 2 – there has to be a confidential obligation by which we refer to the relationship. The relationship can be contractual or it can also be situational. 3 – the unauthorised use of that information should cause some detriment, in the sense that the use itself is a wrongful act.

Now, let us see how these three things play out in for more detail; subject matter, confidential obligation and unauthorised use.

(Refer Slide Time: 01:17)



Subject Matter

- Types of information
 - Technical, Commercial, personal, artistic
 - Trivial, scandalous matter (not protected)
- Requirements of copyright not needed
 - Expression of idea (yet to be elaborated idea)
- Requirements of patents not needed
 - Novel, inventiveness, exceptions to patentability

Subject matter, as we have already mentioned there are various types of information that can be protected under confidential information regime. Technical information, commercial information, personal information, artistic, academic, the list is a long list. There is no distinction as to what kind of or what type of information can be protected, but there is some restriction on what cannot be protected. For instance regardless of the type of the information if the information is trivial in nature, then that may not be protected under this regime. Similarly, immoral and scandalous matter and that is something that can change over a period of time, again cannot be protected by this regime.


The subject matter of confidential information stands at a different plane when compared to other intellectual property rights. Registration for instance is not mandatory it is not required or rather you cannot register, there is no regime to register a subject matter that could be protected by confidential information. So, if you compare it with copyright, the subject matter of copyright can be different from the subject matter of a confidential information.

The requirements of copyright, there could be works which do not fall within the requirements of copyright. We had seen that copyright does not protect the idea it only protects the expression. For instance, if the idea is yet to be elaborated or it is yet to be expressed, then confidential information can protect such ideas. Say, it is in a concept

level; it is yet to be elaborated which will not fall within the purview of copyright law can still be protected by confidential information. So, ideas that are not fully formed that are not elaborated in detail can still be protected.

Requirements of patterns are again not needed to protect some information under the confidential information regime. We know that patentability requires the information about the invention to be novel, it should have inventiveness or inventive steps and it should not fall within the criteria of except it should not fall within the exceptions to patentability.

(Refer Slide Time: 03:50)



Subject Matter

- Requirements of patents not needed
 - Mathematical formula
- Publicly available – not protected
- Public interest – no confidence for inequity
- Government secrets – burden of proof on Govt.

For instance a mathematical formula cannot be protected by way of a patent, but it is possible to protect that mathematical formula or any other information which cannot be patented through a confidential information regime. For the simple reason there is a contract that obliges the recipient of the information not to disclose it or use it further.


Again, the subject matter of confidential information will not cover publicly available information. As the regime cast restriction on disclosure and use of information if the information is already available in the public, then it is meaningless to have a restriction on the disclosure, because it is already publicly available from a different source. So, publicly available information cannot be protected by this regime.

Matters that could be of public interest can also not be protected by this regime. So, if there is something that can cause inequality or inequity and there is no obligation to keep that has a secret rather public interest requires is it to be disclosed then this regime cannot be used to protect such information.

Governments secrets are normally protected because there is a reason why the government wants to keep something confidential. There is an official secrets act by which government information could be kept as a secret. The patent law also has secrecy directions to be issued in case an invention could be relevant for defence purposes or could affect the national security of the country.

But, even where government secrets are protected there is a burden of proof on the government to show that the secret is of such a nature that it deserves protection. So, it falls government secrets fall under the normal category of ordinary secrets though there is an official secrets act that governs the regime, but still the government will have to show why that needs to be protected, especially when the citizens have right to know how the government is functioning and the citizens have the right to transparency.

(Refer Slide Time: 06:21)



Confidential Obligation

- Obligation of the recipient (employment)
 - Patent Infringement (reverse engineering)
 - Unsolicited letter marked “Confidential”
 - Subscribers passing info to non-subscribers
 - “Know-how” licence restrict info imparted to others
- Fiduciary Duties
 - Principal-agent; director-company; partner-firm

2: confidential information the second requirement is that they should be a confidential obligation. The first requirement was with regard to the subject matter, the second requirement is with regard to the confidential obligation itself. The obligation is on the recipient the person who receives the information is obliged to keep it in confidence.

Usually in the commercial set up a person who receives an information that is of confidential nature could be under an employment. So, in most cases the employment determines the confidential obligation.

There is a difference between confidential information and patent infringement. In the case of patent infringement if a person buys the product from the market and reverse engineers it reverse engineering is still considered as infringement. But, reverse engineering will not be considered as a confidential obligation because a person who buys the product is will be given access to the product and he will be allowed to do what a normal user would do with a product. In fact, he can look into the product out of curiosity, he can repair the product. So, what the patent law would treat as infringement will not be regarded as a violation of confidential information.

So, a confidential obligation is not created in cases where an obligation is created which would amount to an infringement under patent law. In practice a person may send an unsolicited letter marking it as confidential, you might have experienced receiving emails from people whom you do not know stating that they are confidential. Merely marking an information with the terms confidential will not make it the subject matter of protection because there is no confidential obligation. So, unsolicited letters emails, spams will not constitute any obligation of confidentiality.

The confidential obligation can protect subscribers who wan[t] the confidential obligation can prevent subscribers who want to pass on information from a subscription database to non subscribers. Usually the terms of use would state that all the information that is protected would state that all the information is protected as a confidential information and it would restrict the disclosure and further use.


So, this is one of the terms which you will find in a terms of use in any of the websites which have subscribers and this is one of the ways in which they prevent non subscribers from using the material. So, in case a subscriber passes on information they can take action against the subscriber and they can also get an injunction restraining further disclosure.

Similarly, if there is a know-how agreement which creates a confidential obligation, there could be conditions in that agreement, which could restrict the information to be

imparted to others. So, the obligation is on the recipient and the obligation should be of such a nature that the recipient is obliged not to disclose or use the information.

Fiduciary duties can also create a confidential obligation, that is, the relationship between a principal and an agent, the relationship between a director and the company to which he belongs; the relationship between a partner and his other partners or what we call the firm would all come under the ambit of a fiduciary duty. So, if the person holds a fiduciary duty then he can be regarded as being under a confidential obligation. So, information that is given by the principal to the agent say through a power of attorney, it would be regarded as confidential because the relationship is what law considers as a fiduciary relationship.

(Refer Slide Time: 11:13)



Confidential Obligation

- Employer & Employee
 - In service (duty of fidelity: wider, competitor)
 - Ex Employee (favour of employee)
 - Protect: trade secrets and goodwill
 - Cannot be in restraint of trade (against public policy)
 - Psychological effect
 - Trade secrets: beyond employment
 - Nature of employment; nature of info; degree of secrecy; distinction from unprotectable info; in public domain; likely damage from use or disclosure

The relationship between employer and employee can again qualify for something to be considered as a confidential obligation. Now, here there is a distinction between information that is given to the employee while the employees in service and the information that an ex-employee has. In the sense that an ex-employee during the course of employment gain some information whether there is an obligation whether the law with regard to confidential information can prevent further dissemination. So, the broad agreement is that confidential obligation would not expect an ex-employee to restrain himself from disseminating information from his former employer.

In service refers to employees who are in current employment. So, the law is very clear there if an employee is under the employment as long as the employment continues there is a confidential obligation to keep secrets. Now, this is attributed rather than as a duty of confidentiality it is attributed to the employees duty of fidelity. The employer has a wider obligation not to team up with his competitor, not to disclose information to the competitor which is bigger than the obligation to protect particular information. So, employees in service are bound by a duty of fidelity.

Employees who are not in service, ex-employees, the information that they hold there is no restriction to disseminated. So, the law is in favour of the employee. An exception is however made for trade secrets. If something is marked as a trade secret and there is an understanding between the employer and the employee that they would protect that information as trade secret and trade secrets we will see what are the qualities that would make some information that is regarded as confidential information into a trade secret, can be protected even after the employment ceases. So, an ex-employee is bound to protect the trade secret even be on the course of employment.

Now, trade secrets are one thing which an employee is bound to protect even beyond his employment, goodwill is another thing which an ex employee has to has a confidential obligation to protect, goodwill of the employer with his customers. So, trade secrets and goodwills form an exception to the class where an ex employee is required to protect information of his former employer. Now, the courts had been careful to stop the activities of an ex employee because any restraint on the employees ability to get further employment could be constrained as a restraint of trade.

There is a law in India, where they cannot be an agreement in restraint of trade and is there an agreement in restraint of trade which stops a person from taking of employment that will be considered as against public policy. But, nevertheless you would find that in most contracts employment contracts they employee would still say that, they should not leave the employment and join their competitor within 3 years within after 3 years or after a year or 2 years. Now, these are not if you look at them they are not enforceable in law, but still employers have them for the psychological effect.


Now, there is some understanding on what trade secrets are and what trade secret; what are the trade secrets that can be enforced as a confidential obligation beyond the term of

employment. Now, the nature of employment will determine trade secrets, the nature of information supplied will also determine trade secrets, the degree of secrecy. Now the degree of secrecy as in they should be a clear stipulation that certain information was treated as a secret, that is important then distinction from unprotectable information.

Now, trade secrets should be distinguished from unprotectable information. There should be a special care and attention shown for the trade secret, which is different from the normal information. So, that has to be demonstrated. Then, it should not be in public domain. What is in public domain cannot be the trade secret and they could be some damage that is caused to the owner of the trade secret if it is used or disclosed.

So, the nature of employment, nature of information, degree of secrecy, distinction from unprotectable information, the fact that it is not in public domain and there is some damage that can be caused other factors that a court will look into if it has to determine if something is a trade secret which needs to be protected beyond employment. In normal course, there is no confidential obligation beyond the term of employment.

(Refer Slide Time: 17:13)



Confidential Obligation

- Chemical formula; technical process; prices etc – trade secrets
- Trade secrets through express contracts
- Waymo (Google) v. Uber
 - “top Google engineer, Anthony Levandowski, downloaded thousands of secret Waymo documents and then joined Uber which used those secret designs in its own driverless cars”
 - The agreement reached that Uber cannot incorporate Waymo’s confidential information into its hardware and software. Uber agreed to pay a financial settlement of about \$245 million.

Trade secrets extends to chemical formulas, but we had mentioned may not be protectable by other IPs. It can extend to technical processes sensitive prices to consider something as a trade secret; it is advisable to have an express contracts stipulating this trade secret. There is a recent case involving Waymo, which is a company owned by Google and Uber. The case involved a top Google engineer who downloaded thousands


of secret Waymo documents and then joined Uber which used those secret designs in its own driverless cars. Both are cars which use driverless technology to develop cars.

This case though it was set to go into trial earlier in 2018, both the parties reached an agreement and Uber agreed that it cannot incorporate Waymo's confidential information into its hardware or software and Uber also agreed to pay a financial settlement of about 245 million dollars to Google, that was paid through shares of Uber.

Now, the Waymo versus Uber case tells you that what happens when a employee leaves the employment of one company and joins the other and where the ex employer raises an issue of trade secrets being stolen now this case was settled. So, it was hard for us to determine what was the reasoning behind, how the court decided this and it was a case in the United States, but this does tells us that the courts will be inclined to treat certain information as trade secrets provided there is a shroud of secrecy around them. So, here they were secret Waymo documents that were taken by the employee that was the allegation.

So, trade secrets to be regarded as distinct from confidential information, they have to be shown as being different and treated differently.

(Refer Slide Time: 19:39)



Confidential Obligation

- Govt. Departments
 - National security (secrecy directions on patents)
 - Right to Information (RTI)
- Indirect recipient
 - Can confidential info be treated as property?
- No relationship
 - Eavesdropping, phone tapping, snooping, spy cams
 - Criminal, tort


Government departments can also be bound by confidential obligation they can be confidential obligation between the employees and between the employees and the

department. Now, there are instances where national security will require some amount of secrecy to be maintained. The patent law has certain secrecy directions that can be issued on patents, but the citizen also has a right to get information from the government. So, this has to be kept in mind that the confidential obligation between government departments is subject to the right of information of the citizen. So, RTI can be taken for information that this citizen is normally allowed to know.

Indirect recipient can confidential information be treated as a property. This theme has been the foundational issue in deciding whether indirect recipients can be bound by a confidential obligation and indirect recipient by definition is not a person who is obliged say by a contract or by a close relationship to keep something as a in confidence. So, indirect recipient will be a person who just gets information and can they be an obligation for him to keep it a secret. Now, the courts have said that this will turn out on the fact whether confidential information can be treated as property and the law on this point they still not clear.

What happens when there is no relationship between the parties; for instance eavesdropping, telephone tapping, snooping, spy cams, what happens to the information that is received where the person who receives the information has no relationship whatsoever. Now, the courts have felt that confidential information may not be the right scheme to protect such occurrences and the courts have repeatedly held that the criminal law and the tort law have sufficient protections in them to ensure that parties who come in possession of information without a relationship can be stopped and the further dissemination can be controlled.

(Refer Slide Time: 22:15)



Unauthorized Use

- Wrongful acts
 - Unlike patent and copyright infringement, loosely defined
 - May cover any disclosure or use
- Defendant's intention
 - State of mind
- Detriment caused to plaintiff
 - unclear

The third factor or condition to treat information as confidential information is the fact that it has been put to unauthorised use. Unauthorised use broadly refers to wrongful acts; like a patent or a copyright in infringe. Unlike patent or copyright infringement, the wrongful acts are not defined when it comes to confidential information. We had seen in copyright the right to make further copies is the thing that is protected. If somebody uses that with regard to the subject matter that can be protected, they can be copyright infringement.

Patent, we have seen that the right to use, make, sell, offer for sale or import other rights that are covered in a patent and any infringement on this could amount to an unauthorised use. The unauthorised use in confidential information is not clearly defined because that can vary from case to case.

The scope of the acts can cover any disclosure or use it is at times difficult to understand whether the defendants use is unauthorised or whether the intentionally it is sometimes difficult to understand whether the defendants use is intentional. It is sometimes difficult to understand whether the defendant had an intention to use it unauthorisedly. So, that requires understanding the state of the mind and which is normally done for criminal acts.

Whether detriment should be caused to the plaintiff? Whether they should the plaintiff should suffer some loss? Again, this is not clear. The law is not clear on this point. All the law requires is that this has to be some unauthorised used.

(Refer Slide Time: 24:39)



Remedies

- Injunction
 - Reasonable prospect of success
 - Interim
 - No injunction in defamation cases where the defendant has a defence (truth/fair comment)
 - Permanent
 - Discretionary relief

What can be the remedies the first remedy is injunction. Injunction is an order from the court restraining the person from disclosing it further and from using the information further. Now, to get an interim injunction the injunction can be. The relief of injunction can either be interim, meaning it is passed before the final decision is made and the intermodal protect still the final order is passed by the court and it can be permanent. Permanent meaning the court has finally, decided the case and the court allows the injunction to continue beyond the case.

With regard to increment junction the court will not grant an injunction especially in a defamation case, where the defendants where the defendant has a defence against the defamation he can say that what he had mentioned was the truth, which is a defence against defamation or it was a part of fair comment. The right to grant an injunction is a discretionary relief which the court can exercise based on the facts case.

(Refer Slide Time: 26:05)



Remedies

- Damages
 - Granted for breach of confidence
 - Cost of getting the work from a competent consultant: measure of damages
 - Information inventive: price paid by willing buyer
 - To restore ex ante position of plaintiff
 - Injury to feeling: defamation and copyright infringement

Apart from injunction the court can also grant damages. So, if a person takes an action against another person saying that confidential information there was a breach of confidence, then the remedy would involve stopping the person from disseminating it further which is injunction and it could also involve compensation in money, the what is we called damages. Now, the damages are granted for breach of confidence the damages are computed based on various factors. For instance, if the information could have been derived from another competent consultant then what could have been the cost for getting that information from a competent consultant that could be a measure of damage.

If the information is inventive in the sense that it is unique then what will be the price the person will be willing to pay to buy that information, what will be the price the seller is willing to give to buy that information. So, the price paid by the buyer can be a measure of damages.

Now, damages are normally offered to restore the person who has suffered a loss to the position in which he was before the disclosure happen and the damages will not cover injury to feeling, what we refer to as mental agony and this would normally be covered under information and copyright infringement. It will not be covered in a case where the relief is for breach of confidence.