

## Legal Issues in ‘Trade Secrets & Confidential Information’

### Issue: Can Trade Secrets Be Protected By Confidentiality Clubs?

## Introduction

### ❖ **What qualifies as Trade Secrets?**

- Information that qualifies as Trade Secrets must be –
  - a) commercially valuable because it is secret,
  - b) be known only to a limited group of persons, and
  - c) be subject to reasonable steps taken by the rightful holder of the information to keep it secret, including the use of confidentiality agreements for business partners and employees.

### ❖ **What may be considered a Trade Secret violation?**

- The unauthorized acquisition, use, or disclosure of such secret information in a manner contrary to honest commercial practices by others is regarded as an unfair practice and a violation of the trade secret protection.

## Relevant Legal Provisions

### ❖ Rule 17, The Delhi High Court (Original Side) Rules 2018 –

*“17. Confidentiality Club.-When parties to a commercial suit wish to rely on documents/ information that are commercially or otherwise confidential in nature, the Court may constitute a Confidentiality Club so as to allow limited access to such documents/ information. In doing so, the Court may setup a structure/protocol, for the establishment and functioning of such Club, as it may deem appropriate. An illustrative structure/protocol of the Confidentiality Club is provided in ANNEXURE F. The Court may appropriately mould the structure/protocol of the Club, based upon the facts and circumstances of each case.”*

## Relevant Legal Provisions (Contd.)

### ❖ **Annexure F, Rule 17, The Delhi High Court (Original Side) Rules 2018 –**

*“Protocol Of Confidentiality Club: Each party shall nominate not more than three Advocates, who are not and have not been in-house lawyers of either party, and not more than two external experts, who shall constitute the Confidentiality Club. Members of the Confidentiality Club alone shall be entitled to inspect the Confidential Documents/ Information.”*

### ❖ **Rule 19, The Delhi High Court Intellectual Property Rights Division Rules 2022 –**

4 *“Confidentiality clubs and redaction of confidential information: i. At any stage in any proceeding, the Court may constitute a confidentiality club as appropriate, for the preservation and exchange of confidential information filed before the Court including documents, as per the Delhi High Court (Original Side) Rules, 2018; ...”*

## Relevant Judicial Decisions

❖ ***Hi-Tech Systems and Services Ltd. v. Suprabhat Ray & Ors.* [AIR 2015 Cal 261]**

- *“33. A trade secret or a business secret may relate to financial arrangement, the customer list of a trader and some of the information in this regard would be of a highly confidential nature as being potentially damaging if a competitor obtained such information and utilized the same to the detriment of the giver of the information. Business information such as cost and pricing, projected capital investments, inventory marketing strategies and customer's list may qualify as his trade secrets. The Court needs to find out if the information that were acquired during the course of their employment are now being used as the spring board to enable the said respondents to exploit such database in the course of their business.”*

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## Relevant Judicial Decisions (Contd.)

- ❖ ***Satish Kumar v. Khushboo Singh & Ors.* [CS (COMM) 89/2019, Delhi High Court, October 14, 2019]**
  - *“10. The counsel for the plaintiff states that the plaintiff, though has not filed its customers’ list in this Court with the suit but has today brought with him to the Court the list of customers and the same can be shown to this Court in private, without disclosing the same to the defendants.*
  
  - 11. No document can be relied upon by any litigant without sharing it with the other/s. As far as the apprehensions expressed are concerned, the Delhi High Court (Original Side) Rules, 2018 have made a provision therefore, of constituting a Confidentiality Club. If there is a desire to rely on any document in confidence, the plaintiff has to seek constitution of a Confidentiality Club.”*

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## Relevant Judicial Decisions (Contd.)

- ❖ ***Transformative Learning Solutions Pvt. Ltd. & Ors. v. Pawajot Kaur Baweja & Ors.*** [AIR 2019 Delhi 197]
  - “13. *The senior counsel for the plaintiffs has else today also referred to Annexure-F to the Delhi High Court (Original Side) Rules, 2018 prescribing the 'Protocol of Confidentiality Club' and on the basis of Clause (b) thereof contended that the defendants cannot be members of the Confidentiality Club. It is argued that only the advocates and external experts can be members of the Confidentiality Club.*
- 7 14. *I have enquired from the senior counsel for the plaintiffs, whether not without even knowing what the confidential information is, from use whereof the defendants are sought to be restrained, the injunction cannot be enforced, inasmuch as a person can be restrained from doing a thing what he knows he has been so restrained from doing and not from doing what he does not know he is restrained from doing.*

## Relevant Judicial Decisions (Contd.)

❖ *Transformative Learning Solutions Pvt. Ltd. & Ors. v. Pawajot Kaur Baweja & Ors.* [AIR 2019 Delhi 197] [Contd.]

- “17. ... The counsel for defendant no. 2 has also drawn attention to Rule 17 of Chapter-VII of the Delhi High Court (Original Side) Rules aforesaid, to contend that the same provides for constitution of the Confidentiality Club, 'as may be deemed appropriate in the facts of the case' and Annexure-F is only 'illustrative', as also stated in Rule 17. He thus contends that considering the nature of the dispute in the present suit, the contention, that the defendants cannot be members of the Confidentiality Club, ought not be accepted.

27. Consequently, the review petition is disposed of by, though recalling the order dated 11th March, 2019 insofar as constituting the Confidentiality Club, but recording that the legal consequences of the refusal of the plaintiffs shall follow at whatever stage applicable.”

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## Relevant Judicial Decisions (Contd.)

❖ ***Interdigital Technology Corporation & Ors. v. Xiaomi Corporation & Ors.*** [CS (COMM) 295/2020 & CS (COMM) 296/2020, Delhi High Court, December 16, 2010]

- “29. *In this context, the justification, for "Tier 2", as contained in para-11 of the rejoinder filed by the plaintiff, is revealing. It reads thus:*

*With respect to Tier 2 ... documents contain sensitive commercial information, including trade secrets concerning the Plaintiffs and their licensees ... If such information is placed in the hands ... the Defendants, ... it could cause such grave prejudice to the commercial interests of the Plaintiffs, as well as the third party entities ...”*

## Relevant Judicial Decisions (Contd.)

❖ ***Interdigital Technology Corporation & Ors. v. Xiaomi Corporation & Ors.*** [CS (COMM) 295/2020 & CS (COMM) 296/2020, Delhi High Court, December 16, 2010] [Contd.]

- *“61. ... a counsel has to act on instructions from the client, and not at his own sweet will. It is also pointed out, by the Supreme Court, in the said decision, that the Bar Council of India Rules specifically codifies this requirement. Accepting the proposal, of InterDigital, to constitute a Confidentiality Club, excluding the officials and personnel of Xiaomi therefrom, insofar as the "inner tier" documents are concerned, in my view, would violate this legal regime. For the reasons set out in detail hereinabove, any such arrangement would also be grossly unfair to Xiaomi, and would certainly prejudice Xiaomi, in defending the case set up by InterDigital.”*

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## Relevant Judicial Decisions (Contd.)

❖ ***Telefonaktiebolaget LM Ericsson (PUBL) v. Xiaomi Technology & Ors.* [W.P. (C) 464/2014 & CM Nos. 911/2014 & 915/2014, Delhi High Court, March 30, 2016]**

- “8. ... *in today's world of globalization, where competition is at its peak, the organizations may not be inclined to disclose trade secrets/confidential agreements or its details, it had entered with different parties lest may cause serious prejudice to such parties because of competition involved. A trade secrets may make or break a company hence need to be protected. Once such disclosure is made or is misused by a competitor no order of the Court can save the company from loss or could retrieve it to its original position.*”

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## Relevant Judicial Decisions (Contd.)

❖ ***Amica Financial Technologies Pvt. Ltd. v. Hip Bar Pvt. Ltd. & Ors.* [C.S. No. 117 of 2021, Madras High Court, January 24, 2022]**

- *“19. ... The requirement of showing a prima facie case for grant of ad-interim relief cannot be circumvented by seeking for the constitution of a confidentiality club. This Court is also of the considered view that there must be some basis or materials which should establish that such a confidential information/trade secret was in fact exchanged between the parties. The safest way to find out this fact is to see if there is any material as to when such confidential information was shared and/or where it was shared and/or to whom it was shared. ... Formulation of a confidentiality club cannot be done in a hasty manner merely based on the ipse dixit of the plaintiff and the Court must be satisfied based on materials and the plaintiff must necessarily lay a foundation before making such a request.”*

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**THANK YOU!**  
**Questions?**

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