

## PRESERVATION OF TRADE SECRETS PURSUANT TO TRIPS AGREEMENT AND EMERGING NATIONS

David Ike\*

### Abstract

The phenomenon of COVID 19 and monumental drop in oil prices must impel emerging countries similar to Nigeria for a need to press further on alternative beneficial national earning mechanisms; intellectual property law is the predominant potent element for several country's economic resource; principally in the domain of technology. Patent law has conventionally been a statutory technique of protecting and stimulating continued research and development. Regardless, technologically developed countries whilst transferring technology to developing countries rather prefers to employ the use of trade secret pursuant to the provisos in paragraph 2, Article 39 of TRIPs agreement which mandates members to legislatively protect trade secrets of foreign investors, therewith indirectly hoarding the technical knowhow from skilled persons in developing countries; as the expertise never enter the public domain of host country, to soar up knowledge upon which developing nations can produce diverse novel technologies. This article probed the benefits and constrains of both Patent regime & effectuation of trade secret by developing nations as articulated by TRIPs arrangement. Through examination business practice of multinational companies, this article uncovered that multinational companies prefer to bring technology to developing country through trade secret in other to avoid bequitting knowledge thereto at any time. However, it is grossly inequitable to strictly regularly transfer technology to emerging countries only by trade secret or use of extremely stringent licensing contracts that prohibits assignee from any attempt to develop upon the said products or knowhow, this practice is out rightly against the tenets of Intellectual property, which craves for continuous refinement of existing state of the art. Ultimately, it was vigorously recommended that in transferring technology, transacting parties must intentionally always consult in such a manner that mutuality of benefit is attained and measures were suggested in this article for a paradigm shift from the current unfair use of trade secret against developing nations.

**Keyword: Trade Secrets, Technology, Agreement, Developing Nations, Intellectual Property**

### 1. Introduction

The treaty on Trade-Related Aspects of Intellectual Property Rights (TRIPS) pursuant *Article 39*, require its Members to preserve 'undisclosed information' and 'data' presented to governments or governmental authorities via efficacious policies. This is the first time that the preservation of undisclosed information or trade secrets has been legislatively brought within the scope of a transnational arrangement on intellectual property rights (IPRs). The Paris Convention discussed unfair competition (*Article 1(2)*), and *Article 10bis* of the Convention provides for safeguard against unfair competition. *Article 39* of the TRIPS has connected the preservation of trade secrets to *Article 10bis* of the Paris Convention by stating that:

“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 and data submitted to governments or governmental agencies”

Howbeit, it is left to the Members to establish measures of efficient protection pursuant to their local laws. The move to involve trade secrets into the TRIPS discussions was at the prompting of the United States,<sup>1</sup> which was keenly backed by other industrializing developing countries.<sup>2</sup>

The significance of trade secrets and know-how to a trade enterprise cannot be overstated. They are useful trade assets. The preservation of privacy and trade secrecy, and interdiction on sharing of private information between business adversaries are part of trade activities. Frequently the business secret is sustained with copyright, patents, trademark and designs, but it is the trade privacy that is very important to a business. Confidentiality in itself can vest trade advantages over competitors, and frequently the continued trade success of an endeavor might rely on an effective preservation of its business secret.<sup>3</sup> A business secret gives the lead-time benefit to the owner.

A business secret is difficult to determine with precision because, unlike other IPRS, it has been traditionally preserved not by licensing but by contractual constraints on exploit, disclosure and so forth. Civil redresses, like injunctions and damages, provide neither sureness nor assurance. Furthermore, the character of trade-secret and know-how is, of course, such that once it has been given, it cannot be retrieved back. Any person licensing technical expertise is thus at risk. Its worth is subject to the capability of the regime of enforcing these rights.<sup>4</sup>

Also, the commercial foundation of a country can be impact by the scale to which its legal regime safeguards trade secrets, together with IPRs. Wherein a feeble patent regime exist, safeguard of business secrets assumes great significant.<sup>5</sup> A beneficial intellectual property and privacy regime, like a welcoming tax base, can enhance domestic reinvestment and industrial innovation and progress, and thus will have a straight effect on the overall welfare of a country. But business secrets, caged with substantial patents

---

\*Dr. David Ike, Lectural Faculty of Law Imo State University Owerri, Imo State Nigeria

<sup>1</sup>R Krasser, *The Protection of Trade Secrets in the TIUPS Agreement*, in Beier and Shriccker (eds.) *From GATT to Twps-The Agreement on Trade-Related Aspects of Intellectual Property Rights*, Irc Studies, Vol. 16, 1996, p. 216.

<sup>2</sup>See the Basic *Framework of GATT Provisions on Intellectual Property*, prepared by UNICE (Union of Industrial and Employers' Confederation of Europe-EU industry), *Keidanren aapan*, and IPC (United States).

<sup>3</sup>The case in instance is that of Coca-Cola. Cabanellas and Massaguer observe that the economic value of trade secrets and know-how is comparable to patents in terms of investment as well as the competitive advantage they & ord to a firm: see Guilermo Cabanellas and Jos 6 Massaguer, *Know-How Agreement and EEC Competition JAW*, IIC Studies, Vol. 12, 1991, p. 13.

<sup>4</sup>A Dhanji, 'Perestroika and Intellectual Property: Implications for the Foreign Investor', 3 *European Business L. Rev.* 27, January 1992.

<sup>5</sup>See D Vaver, *Traded Secret-A Commonwealth Perspective*, E.I.P.R., November 1979, p. 301, at 302.

safeguards, can have their significant effects on the economy status of the country, which can be denied of all the knowledge and data retained as business secrets.

It has the possibility of adversely influencing the business rivalry and research and development (R&D) of a nation.

Under to the TRIPS, a firm and consist IP system has been established. It is a segment of the international business regime of GATT/WTO, which makes it vital that TRIPs must be implemented in the spirit and goals of the GATT, that of open trade and fair competition. Business secrets, if too broad, would go contrary these aims of the GATT. Additionally, they may impact the transfer of technology to emerging economies. Technology preserved through business secrets might never be made accessible to these nations, even after the technology relating to a patent has legitimately crossed into the public domain for free exploitation. Therefore, the new TRIPs governance raises very salient policy considerations for its Members, which are imperative to legislate or rethink their laws on trade secrets. This article takes into focus the TRIPs precepts on the preservation of trade secrets and its economic significance, specifically for developing countries. A stint account of definition and scope of trade secrets as well as their significance in general is, however, necessary for this purpose.

## 2. What is Eligible for Trade Secret?

The expression “trade secret” is frequently employed in connection to private information related to industrial and trade activities. The categorization of some types of private information as trade-secret is significant because the safeguard afforded by the law may be dependent upon it.<sup>6</sup>In Master of the Rolls Lord Greene’s words, the confidential information “need not be an entity which is public asset and public knowhow.”<sup>7</sup> Further to:

It is absolutely possible to have private document, be it a recipe, a design, a drawing or object of that kind, which is the outcome of work done by the creator upon materials which may be accessible for the use of anyone, what makes it private is the fact that the maker of the work has used his intellect and therefore generated an outcome which can only be made by someone who goes through the same procedure.

8

Therefore to be private, the knowledge, though in the public domain, the aggregation of the knowledge and the outcomes drawn from it requirement not be in the public domain. Knowledge may also be composed of various items, restored from the general combined

---

<sup>6</sup>D I Bainbridge, *Intellectual Property*, 3rd edition, Pitman Publishing, London, 1996, p. 243. See, on definitional aspect, Allison Coleman, *The legal Protection of Trade Secrets*, Sweet &Maxwell, London, 1992, ch. 2.

<sup>7</sup>*Saltman Engineering Co. Ltd. v. Campbell Engineering Co. Ltd.*, [1963] 3 AU E.R. 413, at 415, reported in (1948) 65 RP.C. 203; see also Judge Goldberg’s similar observation in *Du Pont de Nemours G. Co. v. Christopher*, 431 E 2d 1012 (5th Cir. 1970), 401 U.S. 967 (1971).

<sup>8</sup>*Ibid.*,*SaltmanEngineering Co. Ltd.*, at p. 211.

of information, but its singularity lies in its distinctiveness and identifiable group, which makes it confidential.

A trade secret has been distinguished from confidential information thus:

knowledge which, if revealed to a competitor, will be capable to causing real (or substantial) damage to the holder of the secret, it must be knowledge used in the trade or business, and the proprietor must restrict the spread of it or at least not to foster or permit broad publication.<sup>9</sup>

As stated by to the American Law Institute's Restatement of Law of Torts (1939):

A trade secret may comprise of any method, model, apparatus or collection of information which is used in one's trade, and which gives him an advantage to gain a benefit over opponent who do is not aware or use it. It may be a recipe for a chemical blend, a procedure of production, treating or conserving materials, a design for a machine or other appliance, or a record of customers ... It deviates from other secret knowledge in a business, that it is not mere information as to single or ephemeral occurrence. A trade secret is a procedure or device for continued use in the running of the business.<sup>10</sup>

Therefore, a trade secret should be available, although need not be original, but should be crucial to the holder. Trade secrets that are willingly revealed inadequately protected or reverse engineered<sup>11</sup> forfeit all safeguard and become subject to free contest. Creators who seek contractually to restrict the reverse engineering of unpatented invention run the danger that law court, will annul such limitation unenforceable.<sup>12</sup> Additionally, contrary other IPRs, whose owners enjoy the monopoly of the right throughout its tenure, that is to say, copyright or patent right, in the instance of trade-secret, if the knowledge is revealed by flunk or exposed through legitimate means by third-parties, the law does not give any redress.

### **3. Impingement of Trips Arrangement o`n Trade Secrets**

The TRIPS Agreement mandates Members to preserve trade secrets, it does not give an interpretation, but a narrative of trade secrets reads as thus in Paragraph 2 of Article 39 reads:

“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 so long as such information:

---

<sup>9</sup>Staughton LJ in *Lansing Linde Lid. v. Ken*, [1991] 1 All E.R. 418, at 425. Article 39 of the TRIPS uses “undisclosed information” in this sense.

<sup>10</sup>*Ibid. Section 757(b)*.

<sup>11</sup>“Reverse engineering” is applied to technology that may be disclosed by the goods manufactured by that technology and placed on the market.

<sup>12</sup> R M Milgrim, *Milgrimon Trade Secrets*, Sec. 6.05, revised edition, Matthew Bender & Co., New.

- (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.<sup>13</sup>

A “manner contrary to honest commercial practices” is interpreted to mean “at least conducts such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition.”<sup>14</sup>

The Article 10bis of Paris Convention, that TRIPs Members are obligated to execute by pursuant to Article 2(1) of the TRIPs, and which is referred to in Article 39 of the TRIPs, issues a broad benchmark for honest conducts. It states thus:

‘Any act of competition, contrary to honest practices in industrial and commercial matters constitutes an act of unfair competition.

These in particular shall be prohibited:

1. All acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
2. False allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
3. Indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quality of the goods’.

By including trade secrets, Article 39 of the TRIPS is, in fact, an amplification of *Article 10bis*. Whatsoever infraction of another’s trade secrets, pursuant to *Article 39*, amounts to an act opposed to “honest practices” and therefore comes under the glimpse of Article 10bis of the Paris Convention.<sup>15</sup> Howbeit, Article 10bis aside from offering specific instances of actions deemed as unfair competition (within paragraph (3)), including, causing confusion, misleading allegations or discrediting the competitors, did not intricate an action of competition opposed to honest conducts. In the “Model Provisions on Protection against Unfair Competition”, finalized on February 1996 by the World Intellectual Property Organization (WIPO) howbeit, has additionally detailed

---

<sup>13</sup>Thomas Marshall (Exports) v. Guinle, [1976] ES.R. 345; 119781 2 WL.R.116.

<sup>14</sup>J H Reichman , ‘Intellectual Property in International Trade: Opportunities and Risks Of a GATT Connection’, 22 *Vand. J.T.L.*, April 1989, p. 747, at 780-85, n. 154.

<sup>15</sup>*Ibid.*

Article 10bis.<sup>16</sup> The significant portion of this document is in advancement of Article 10bis, specifically (Article 2-5 of the Model Provisions), however, Article 6 of this Model Provisions discusses more on trade secrets. It specifies when the utilization of secret information will amount to an act of unfair competition. To some extent, it is analogous to Article 39 of the TRIPS, nevertheless paragraph (4) of Article 6 deviate from Article 39(3) of the TRIPS Agreement, and is oriented at business people who make use of the knowledge which they have obtained via an office, and is not so much focused at the authority which should ensure the appropriate protection.<sup>17</sup>

The incorporation of trade secrets within the domain of the TRIPS Agreement has resolved the dispute that encircled it at the time of discussions; the developing countries, especially Brazil, India and Peru, opposed to their involvement. In their considered view, trade secrets did not represent a kind of intellectual property as they are not “disclosable” issues, as required for the purpose of IPRS.<sup>18</sup> The TRIPS agreement has also resolved the contention whether trade secrets amounts “property”.<sup>19</sup>

Besides, in the United States, wherein Trade secret treated as property,<sup>20</sup> in every other jurisdiction it is protected through the legal principles of unfair competition, tort or unjust enrichment.<sup>21</sup> Again, in the United States, the pragmatic import of this depiction were frequently regarded only as scholarly and substantially irrelevant, because the redress were accessible under the appropriate law of tort, or else for breach of contract or confidential affinity. Amongst Commonwealth nations, the legal foundation of jurisdiction is established on contract and equity, and law is mostly judge-made.<sup>22</sup>

#### 4. Quintessence for Protection of Trade Secrets

Trade secrets perform a distinct but not imperatively lower scale from patents, a considerable economic role.<sup>23</sup> They offer the lead-time edge to the holder over his competitors as well as motivation to evolve progressive invention of technology not matching the non-obviousness criterion of patent law, or where copyright and patent are

---

<sup>16</sup>See WIPO Publication 832 (E); ISBN 92-805-0642-0. For the comment on these provisions, see C. Gielen, *Wipo and Unfair Competition*, 2 W.I.P.R. 78, 1997.

<sup>17</sup>*Ibid.*

<sup>18</sup>C R Braga, *The Developing Country Case For and Against Intellectual Property Roterrion*, in Sieheck (ed.), *Strengthening Protection of Intellectual Property in Developing Countries: A Survey of Literature*, World Bank, Washington, D.C., 1990, p. 69, at 86.

<sup>19</sup>R Arnold, ‘Can One Sue in England for Infringement of Foreign Intellectual Property Rights?’ 7 *E.I.P.R.* 1990, at 255-56.

<sup>20</sup>J H Reichman, ‘The TRIPS Component of the GATT’s Uruguay Round: Competitive Prospects for Intellectual Property owners in an Integrated World Market’, 4 *Fordham I.P., Media & Entertainment LJ.*, p. 171, at 236 (1993/94).

<sup>21</sup>M E Lager, ‘Trade Secrets Law’, Vol. 1, *Clark Boardman*, N.Y., 1991, p. 49.

<sup>22</sup>*Niranjan Shankar Golakari v Century Spinning & Mfg Co. Ltd.*, A.I.R. 1967 S.C. 1098.

<sup>23</sup>In *Kewanese Oil Co. v. Binon Corp. et al.*, 416 US.470, 493 (1974).the U.S. Supreme Court observed that trade-secret laws “have an important part to play in the technological and scientific advancement of the Nation.

inaccessible, inefficient or unappealing.<sup>24</sup> Entitlements in trade secrets, in some particular situations, may last longer than patents and can be utilized in numerous countries.<sup>25</sup> Technologies engaged in an invention are not all the time patented. Modifications in technology intermittently result in inventions that does not fit under former classification of patentable subject-matter or could not fulfill other conditions of patentability because of the restricted use of patent protection, whether because the subject-matter of technology concerned does not enable sufficient protection under the patent law (e.g. computer software, biotechnology etc.), or due to that technological change is inconsistent with the procedural device of that law, simply put, the technology is outdated by the time the patent is received; or it is merely non-patentable as it lacks non-obviousness or a peripheral advancement over the available technology. It could also be because of its short duration potential economic use. Technical breakthrough, which is of increasing significance, also faces challenges of patent protection.

They may be secured by trade secrets. Furthermore, where a technology does not fall definitely under the conventional IPRS, specifically, patent or copyright, trade secrets come in useful, like in computer programs. On another note, technological adjustment may equally cause copying and production of Research and Development intensive products inexpensive, feaster and in certain cases, difficult to identify. Digital audio recording, for instance, makes it possible to reproduce thousands of perfect copies of the original. This, in turn, renders it more complicated for holders to affirm their right to monitor the infringement their inventions through the conventional self-enforcement system.

Therefore, a significant part of economically considerable technology, specifically novel and high technology like programs and biotechnology, is held as trade secret.

Their financial value is analogous to patents not merely in terms of the investiture required for achieving them but equally the competitive advantages they provide to its owner. Accordingly, it is not startling that trade secrets have turned into a significant factor in the technology transfer operations. They are worthwhile income source for the holder of technology. Unpatented technology performs a substantial role in contemporaneous economic activity in relation to patented technology.<sup>26</sup>

Trade secrets comprise of specialized and commercial knowledge that is not overtly accessible and which is essential for the fabrication or merchandising of a product, for the execution of a process or for the offering of services, giving the venture a competitive advantage. Trade-secret or technical expertise may comprise of the complementary knowledge derived through the utilization of patented technology that will not being patentable itself, allows a more competent application of the patented merchandise or

---

<sup>24</sup>*Ibid.*

<sup>25</sup>*Ibid.*

<sup>26</sup>R C Levin, 'Patents in Perspective', 53 *Antitrust L.J.* 519, 1985.

process.<sup>27</sup> Though trade-secret is worthwhile so long as it bestows a competitive advantage to a venture having access to same *vis-a-vis* other businesses and it remains secret. Within the rapid changing technology, these industries continue to depend on trade secret protection. Monopoly created the protection allows invention, innovation, and imitation, by giving to the holder an option to deter free-riders and to recover his investments. Produce lifespan in some IPR delicate industries have contrasted sharply. The time-compaction, in exchange, lessens the duration within R&D and invention expense can be recovered and places a premium on firm and swift protection of the invention through trade-secret. For biotechnology, lead-time leverage is very essential for the holder, thus research outcomes are kept secret.

Equally being contended is that trade secret is central in the safeguard of novel technologies, such as Microchips, computer programs, microchips, computer aided designs, biotechnology and other knowledge-based endeavors.

Therefore, multinational companies exporting product to emerging countries are tempted to seek trade secret protection instead of employing other statutory safeguards like patent registration because, they are of the believe that it is easier to protect their invention as trade secret as most emerging countries faces numerous enforcement challenges in IPRS.

## 5. Issues of Reverse Engineering

Reverse engineering is a process of deliberately and deceitful trying to copy a creative process of another by essentially adopting an exact innovative system but attempting to disguise it as new work of science, with an objective to avoid being liable to patent infringement.

Nevertheless, these are the innovations which are overly recumbent to reverse engineering. The applied scientific technical expertise undergoing these significant novel technologies is often plasmed in tangible commodities circulated in the free market, which in fact even makes classic trade-secret protection of suspicious efficacy. Since each of these commodities “has its technical expertise on its face”, a third party who illegitimately acquires some physical personification of the know-how can combat the investor’s original competitive advantage through reverse engineering the unpatented, non-rightable knowhow and by integrating it into a reduced priced alternative products of its own production.<sup>28</sup> As pointed in the hearing of *Northern WceMicro Computer (Pty) Lid. v. Rosenstein*<sup>29</sup>, acknowledging that computer programs that are not trite can be entitled for safeguard as trade secrets, Marais J. held that the protection granted by law of trade secrets in the background of former employees should be of a restrictive

---

<sup>27</sup>K BeierE. and J. Straus, *Biotechnology and Patent Protection: An International Review*, 20, O.E.C.D., Paris, 1985.

<sup>28</sup>*Ibid.*

<sup>29</sup>[1982] F.S.R. 124.

character and the employer's "lead-time", the period used in creating the program, ought to be all that was protected.

A firm IPR regime, together with the safeguard of trade secrets, is considered to be instrumental for increased R&D. It would be significant factor in drawing foreign investment and for commercial ventures to determine their foreign locations.<sup>30</sup> Krukiel contends that without trade-secret protection, the circulation of technology by way licensing would be gloomy.<sup>31</sup> Industrial property law generally and trade secrets in particular, ensure incentive for invention and the development of novel technology by allowing certain debarment rights as to that technology. On the issue of trade secrets, the exclusionary rights stems from the norm that impedes third parties gaining access to confidential technology without the holder's authorization.

Howbeit, trade-secret *per se* has serious flaw. As far as disclosure does not take place, and averting extensive independent development by third parties, knowledge is unavailable for rivals and for the general public. This gives rise to an aggregation of great technology by a limited number of ventures, and therefore to a denseness of economic strength which surmises risks for a lack of free competition.

## 6. Object of Trade Secret

While other IPRS, such as patent and copyright, are specifically beneficial when the subject-matter of the right is brought to the open public, the law on trade secrets provides safeguard to knowledge or information not published to the public, or not shared on the public domain. As for patent law, confidence or privacy is essential prior to filing of the patent application (if erroneously released by a person in breach of secrecy, the requirement of newness is not compromised). Trade-secret safeguards the innovation and its particulars. In several cases, an inventor might decide to retain his invention private in rather than patenting it, which grants protection only for a limited period, but trade-secret can protract it. Same way, in copyright, while, it safeguards expression and not ideas, under trade secrets, ideas could also be protected so far as the ideas are not published in any way to public at large. It is more pertinent, wherein the publication comprises of technical knowledge.

There are significant disparities between trade secret and other IPRs. The different IPRs are defined by legislation and confined in duration. Though for trade-secret there is no limit in time. It will be protected by conditions outside the control of the holder of the secret that can stop third parties from getting access to that specialized knowledge, but able impede them from making independently, or engaging in activities which leads to the evaporation of the secrecy, for instance through reverse engineering. There know-how has been denoted as monopoly in fact.<sup>32</sup>

---

<sup>30</sup>C.E.Krukiel, 'Foreign Parenting Strategies of International Corporations', *I.P. in Asia & Pacific*, 17, No. 13, 1986.

<sup>31</sup>*Ibid.*

<sup>32</sup>C M Correa, 'Legal Nature and Contractual Conditions in Know-How Transactions', 11 *Georgia J. Int. Com. L.* 448, 468, 1981.

Supposing that any given invention fits under the operative denotation of “trade secrets”, its originator gets no monopoly rights to use, make, reproduce or sell it in the fashion of patents or any other statutory IPRs. Instead, third-party acquisition of secret knowhow becomes actionable only when gotten by improper channels—that is to mean, in ways that are ruled out by private contractual agreement or that breach a confidential association or otherwise breach of public policy. Furthermore, if the “owner” justifies to the satisfaction of the court the misapplication of his trade secret, it generally restricts the injunctive redress to the evaluated term for reverse engineering. Moreover, contractual safeguard of trade secrets is restricted to the parties to the agreement, and has no impact on third parties that acted in good faith. On the issue of patents, where no licence exists, nobody can legitimately utilize a patent, although trade secrets, the prospective assignee could formulate the technology himself or obtain it from another source. A requirement on the assignee not to utilise the licensed technical expertise after the expiration of the contract is also considered to be efficient only in so far and as long as the experts is secret.<sup>33</sup>

Moreover, technology held as trade secrets cannot become the origin of novel developments. While scientific and technological breakthroughs and inventions are quite frequently built around already existing expertise, and several economically important research growths can be deduced on already existing, effectual sequences, the trade secrets holds away this knowledge from those undertaking in intellectual pursuits. Therefore, unlike to copyrights and patents, which hold relative virtues of intermediary publication for society to develop upon the already discovered solutions, in trade-secret, the output of knowledge is lost to society.

Secrecy elicits the expense of the quest for novel knowledge for both researchers and the public. Research outcomes are not accessible to be inserted to the general pool of knowhow on which fresh research can be founded and novel knowledge can be developed. This gives rise to replication of research,<sup>34</sup> and moreover feuds with university research rules that highlight early and free circulation of research results.

It is not just research and development that anguishes; the effect on public is equally cogent. The more safe the ownership of a trade secret is, the less a copyright or patent owner needs to worry that charging a high license rate will urge others to sought to avoid paying it by spending on reverse engineering, “innovating around”, or nearly initiating he/her production. With fewer risk of entrance of close replacements to bother about, the proprietor of the trade secret can derive a high royalty earning from clients at artificially steep prices and restrict the output of the product. This influences consumers, who in the circumstance are unable to obtain the merchandise on a competitive situation, because the knowhow has not been made accessible to the general public. Such lost advantage to society would then amount to “deadweight burden” of the novel IP system as

---

<sup>33</sup> See EC Registration 556/89, *Articles 2(1), (3) and 3(1)*.

<sup>34</sup> *Ibid.*

demonstrated in the fashion of trade secrets.<sup>35</sup> These reflections arising out of trade secrets regarding novel scientific and technological knowhow are similarly pertinent to copyright safeguard through trade secrets. Richard Posner and Wilham Landes pointed out that “excessive safeguard can increase the express of creation for succeeding innovators to the point where those inventors cannot cover them even when they have total copyright protection for their own originality of expression.”<sup>36</sup>

As secret information cannot amount to origin of novel developments, the convergence of basic information would eventually cause a situation wherein technological relevance on a few businesses that would be in a stance to compel their rivals out of the market or forcing their desegregation because of the technological limitations bearing on these competitors. Considering that multinational corporations (MNCS) are the prime holders of technology and specialized know-how, the small-and medium-sized business owners will be hard-hit, not just in the developing but in the developed nations as well. These MNCS will dictate the direction of prospective trade, with lengthy patent safeguards (pursuant to TRIPS *Article 33* it is twenty years) and privatization of research.

## 7. Strategy Deliberations For Developing Nations

In the case of developing nations, the question of protection of trade secrets is closely associated to transfer of technology. Emerging countries, signatory to the intellectual property system of the TRIPs, are anticipated to enact intellectual property laws along the paths of those of developed countries. Howbeit, their requirements are particularly different.

These developing nations need to import necessary technologies, because in many of them the required technology for growth and development is virtually absent. Patents are deemed to promote transfer of technology to these nations once and after the patent rights are issued, thereafter are locally utilized. Nevertheless pursuant to *Article 27* of the TRIPs, a potential patentee has the unlimited right to import the patented products, without locally manufacturing it. This diminishes the opportunity of transfer of technology to a large degree. Howbeit, technology that is a subject of patent is accessible at the termination of the patent duration. For trade secrets, the technology will not go into public domain at any time except it is disclosed lawfully. Therefore, trade secret decreases the possibility of its further dissemination circulation.

It is commonly noteworthy that a substantial section of contemporary technology is not subjects of patent and specificity technology disclosed in patent applications is mostly inadequate. Notwithstanding the TRIPs mandate, that the patentee is required “disclose the invention in a manner sufficiently clear and complete for the invention to be carried out by a person skilled in the art” (*Article 29*), to utilize the innovation without the additional technical expertise, that is undisclosed, is still fundamental in most situation.

---

<sup>35</sup>*Ibid.*

<sup>36</sup>W M Landes and R A Posner, ‘An Economic Analysis of Copyright Law’, 18 *J. of Legal Studies*, p. 325, at 335, 1989.

Generically, such secret technical expertise bestows the patentee a sole grip on the utilization and circulation of technology locally.

To have Technological product or knowhow transferred to developing nations. It has to be in pursuance of a licensing agreement. Leasing technology through licensing averts the time and risk issues which assail the progress of domestic research and development that could be a prolonged process and evidently lacks the certitude that licensing offers. Howbeit, Licensing is less efficient in building a foundation of technical aptitude, specifically if it is entangled with trade secrets. An ancillary key consideration in licensing is high cost, which is most times is exorbitant. Conversely, unpatentable and unpatented technologies that evolve into part of licensing agreement, mostly often in the context of trade secrets, are protected by stringent clauses. This is achieved through the unique peculiarities connected to trade secrets.

As a result of licence, the holder lays in the possession of the licensee trade secrets key to his viability, and thereon they would simultaneously be standing in the perpendicular correlation of potential rival, despite that it is equally in the benefit of the licensee to preserve the secrecy. The commercial worth of the technology is subject to the limitation on its accessibility to parties keen in its use. That trade secret is scarce, the more financially valuable it will be. Therefore, prior to the owner disclosing his trade secret, he will need specific protection, pursuant to structured contract. Unlicensed disclosure would sabotage their market evaluations, which will also lessen as the product possessing that trade secret emerges into the market, which may breed more rivals. The assignor may counter these risks by employing restrictive terms on royalty (high license fees), scope of use and jurisdictional confinements. Howbeit, these methods are imperfect and the impact are circumscribed by a number of reasons, that is to say, it is very challenging to stop circulation of technology by the assignee's employees, or organise the pricing policies between the assignor and assignee, and as a impact of an increased supplies of the product from rivals.

It is equally essential to note that many contemporary technologies are possessed by the MNCS. Thus, to maintain firms hold on the novel technology and to sustain their paramount position over their rivals, they retain the technology secret. Occasionally, they even do not employ their patented innovation at all if it does not suit their contemplated economic strategy. Inside many technology licensing contracts, terms are inserted to impact the restriction of the development and utilization of future technology. As these corporations have lengthier patent protection pursuant the TRIPs system and privatization of research and development in the control of these corporations will allow no leeway for spurting out local technological potentials and expanding the technological core. As it regards biotechnology, its impacts are more pertinent because of its importance in agriculture enhancement and pharmaceuticals. Therefore, a nation's drive for food self-sustainability and healthcare service may be affected feigned.

It is contended that today's most sophisticated technical accomplishment are often amongst the most available to reverse engineering, this jeopardizes lead-time to the point of deterring investment in research and development. They are not veiled under the patent

system as most of the time they are only incremental enhancement over the prior state art, and because of their practical character, they are left out of the copyright law, specifically computer programs. Indeed, the technology can be comprehended through reverse engineering, which is not in any way prohibited under the TRIPs system. In reverse engineering, business owners from developing nations would be placed likewise to those of developed countries in respect to secret technology.<sup>37</sup>

It might however be too much to depend on reverse engineering, as it has only confined application to process technology; however which represent the main frame of trade secrets. Different trade secrets of a merchant nature would not be accessible, though the interest of developing nations is more about technical knowhow. Developing nations, in general, do not have capability to reverse engineer by appropriate mechanisms, and their constrained technological structures foster reliance on imported technologies.

So again this will not promote any substantial optimization in their circumstance. The recruiting of skilled workforce to gain competence in that part of the technology, that is secret, is also complex. If effectively mastered, reverse engineering would help these countries in the enhancement on the initial technology, which may often result in lower-priced alternative products with export possibility too. Reverse engineering is more substantial in new, cutting-edge novel technologies. Nevertheless, holder of unpatented technology will restrict these endeavours by vigorous licensing contracts, confining the transfer of technology.<sup>38</sup>

Averting abusive licensing contracts in respect of unpatented and patented novel technology demands a well thought legal paradigm. The developing nations, while crafting the law on trade secrets, indeed must re-tweak their approach to transfer of technology, with the disposition of competition in the open market.<sup>39</sup> When the patent concerns a secret knowhow (the unpatented portion), after the cease of monopoly, complex technology does not collapse into the public domain; likewise research and development may not be carried on meaningfully without complete technological information. The developing nations most highlight these facets in their legislation. In developing the legislation, emerging countries should not unnecessarily confine the access of the foreign technology owners in the domestic market, though must protect the national interests optimally. They need to meticulously detect the equilibrium amid what will not obstruct foreign firms from bringing and revealing the coveted technology, and at the same time guarantee accessibility to technological knowhow. Therefore, enactment that constrain contractual restrictions on an assignee's utilization of knowhow once it

---

<sup>37</sup>J H Reichman ., 'The TRIPs Component of the GATT's Uruguay Round: Competitive Prospects for Intellectual Property h e r s in an Integrated World Market, 4', p. 171, at 236 (1993/94).

<sup>38</sup>G Cabanellas and J Massaguer, *Know-How Agreement and EEC Competition Law*, IIC Studies, Vol. 12, 1991, p. 13.

<sup>39</sup>*Ibid.*

becomes public knowledge, or after the expiration of a rational period of time once the licensing agreement comes to an end, are defensible; likewise, so are the steps that counteract ‘shrink-wrap’ grant of licences which hinders buyers from reverse engineering bulk produced, publicly disseminated software.<sup>40</sup> Nonetheless, the contractual constraints on know-how contracts may be more heavily governed by the administrators and courts, rather than the patent licences, as they will be seen to be unreasonably restricting the public’s liberty to reverse engineer any unpatented invention. The contract that restrict licensees from reverse engineering unrevealed constituents of the transferred technology or utilizing the same technology for a stated duration after the expiry of the contract must be adjudged in the peculiar set of facts and by the rule of justification.

To protecting trade secrets, it is pertinent for balance to be found between the assignor’s need to maintain reasonable lead time benefits and the potential competitor’s requirement to implant his or her liberty to reverse engineer the unpatented technologies. Any abusive constraining terms in the licensing contract that unreasonably impedes on fair competition is needed to be curtailed. In *Article 40(2)* of the TRIPs, it permits Members to take calculated to abridge anti-competitive conducts in contractual licences. Howbeit, it does not stipulate fixed or separate standards to shield competition, allowing Members to discretionally agree which limitations curbs competition or are legitimate relating to unrevealed information. TRIPs *Article 8* equally permits their members to incur measures towards conducts ‘that irrationally constrain commerce or negatively affect the transnational transfer of any technology’. Members are enjoined to by law making and setting up mechanism to monitor these conducts, will check anti-competitive conducts on trade secrets constituting part of licensing contracts. Nevertheless, more pertinent than the individual sets is the discussion and coordination amidst the Members closely to manage these practices.

The *Article 40(3 s)* and *(4)* of TRIPs stipulates for a deliberative structure among the countries of the assignor and assignee concerning licensing on obstructive terms in the licensing agreements. But, this crucial situation needs to be determined from a wider approach within an international system on competition law, since an individual country’s action might turn into a copious source of continuous pressure with other Members. The TRIPs system also does not furnish any arrangement to combat a circumstance where unrevealed information protected in one jurisdiction is being utilized through inappropriate means and transplanted and employed in another jurisdiction. This could be remedied through a transnational regime of competition rules.<sup>41</sup>

---

<sup>40</sup>S.J. Soltysinski, *Are Trade Secrets Property*. 17 ilc 331, March 1986, at p. 333.

<sup>41</sup>see R A Kempner and J Fricker, *Can U.K. Court face the Dutch Challenge on Cross-Border Injunctions in Intellectual Property Cases!*[1996] 7 E.I.P.R.377.

## 8. Conclusion

Intellectual property legislations can and do have esoteric impacts on a nation's economy situation and social patterns. Within trade-secrecy statutes, commercial interests preponderate, nevertheless there are many other considerations at work, and equilibrium has to be achieved amongst numerous private and public competing concerns, transnational relations and national security. A resolution as to whether to safeguard a specific piece of private information from unsanctioned use or disclosure comprises a complicated mesh of both policy and law.

In making laws or executing the laws on trade secrets, that Members of TRIPs must take into consideration society's concerns to having access to the deposit of knowledge enclosed therein for further research and development, and the lawful interests of the original owner of a trade secret to have proper earnings out of his skill and labour. Consequently, the law should project at striking an equilibrium between establishing a compensation to the owner of trade secret in the format of a monopoly adequate to promote research and development in order to generate novel inventions and to stimulate disclosure of those innovations to the general public to enhance the hoard of knowledge, and, vice versa, not to inordinately shackle the autonomy of members of the society or impede competition. Howbeit, to actualize that balance is an essential issue of public policy. As for developing nations, it is inevitably important. These countries should tweak their trade-secrecy legislations after taking into reckoning their economic requirements, research and productive capabilities, and budgetary and institutional constraints, that not only the technology inherent into the trade secrets be made accessible to them after a justifiable period, it should also foster quest continual development in their jurisdiction and not impede the licensing of any secret technology. This perspective must also be borne in mind in limiting any restrictive practices of these businesses. In the absence of appropriate safeguards, unrevealed confidential information will not be available to them, but there should not be too many impeding clauses. The law should offer a adequate balanced systems for the protection of trade secrets as provided under the TRIPs system.

In a situation wherein, superior intellectual property rules exist, the protection of trade secrets would put tougher strain on competition law, which is not exactly contemplated by the TRIPs. Determining the benchmarks of wholesome competition legitimate for all involved in a unified world economy will therefore become an urgent task for the transnational community in a post-TRIPs business environment. Competition law ought, accordingly, stay an integral part of continuing international consultation of IPRs in general and for trade secrets in particular, as they have the possibility for expunging competition entirely.<sup>42</sup> The developed and developing nations together should structure

---

<sup>42</sup>See, J J Jackson, 'GATT and the Future of International Trade Institutions', 18 *Brook J.I.L.* 11, 24, 1992, stressing that monopolies "can undo the trade liberalization effect of reduced tariffs and non-tariff

the directives for the licensing of both unpatented and patented technologies in order to achieve transfers of technology without inordinately discouraging direct foreign investment. A novel system at the international level should include these two characteristics:

- to support continued transnational economic development; and
- to acclimate the exigencies of novel emergent technologies.

Holistically, these will be in advancement of the projected objectives of free trade and fair competition of the GATT/WTO.

---

barriers.” See also T Cottier, ‘The Prospects for Intellectual Property in GATT’, *28C.M.L. Rev.* 383, at pp. 409-410.