IP Hotline

April 14, 2020

NO TRADE SECRET PROTECTION IN INDIA IF KNOW-HOW DISCLOSED IN A PATENT ABROAD: DELHI HIGH COURT

- In a recent judgment,[1] the Delhi High Court ("**Court**") held:
- Know-How can be protected as trade secret only if such information is not available in the public domain and is hence unknown to others.
- A party cannot claim exclusivity in know-how in India if the know-how is disclosed in a patent filed in another jurisdiction

BACKGROUND

The judgment is an interim order passed in a suit related to rights of the parties in a probiotic formulation.[2] Brief background of the suit is below:

1. Plaintiff No. 1 in the suit (Professor Dr. Claudio De Simone, a resident of Switzerland) is the inventor of a formulation known as the De Simone Formulation ("**Formulation**"). The Formulation was protected by a patent in the US. The US patent expired in 2015. The plaintiffs never filed a patent in India for protection of the Formulation.

2. For the US market:

a. Plaintiff No. 1 entered into a patent license agreement with Defendant No.3 (VSL Pharmaceuticals, Inc.) for commercialization of De Simone formulation till the expiry of the patent.

b. Plaintiff No. 1 and Defendant No. 3 also entered into a know-how agreement allowing Defendant No. 3 to continue to market the Formulation in the US even after expiry of the patent ("**Know-how Agreement**").

3. For the Indian territory, Plaintiff no.1 granted a license to Defendant No.2 (CD Pharma India Private Limited) for a period of ten years starting from December 2004 to import the Formulation and market it in India. This agreement expired in December 2014.

4. Defendant No. 3 owns the trademark VSL#3. This mark was used to market the Formulation in the past. After the agreements mentioned above expired, the Formulation was marketed under different brand names in Europe and USA by the plaintiffs. In India, the Formulation was marketed as "Visbiome" by the plaintiffs.

5. The plaintiffs approached the Court contenting that the defendants are now publicising their own formulation under the trademark VSL#3 and claiming it to be similar to the Formulation.

6. The suit was filed seeking a permanent injunction restraining the defendants from a) manufacturing and selling a formulation without getting approval from DCGI; b) selling their formulation under the brand VSL#3 or under any other brand identical or deceptively similar thereto, and; c) linking / relating their new product to the Formulation.

For the purpose of this write-up, we have focused the relief sought as (c) above and the Court's finding in relation to this issue.

PLAINTIFF'S CONTENTIONS

1. The plaintiffs contented that if certain know-how related to the manufacturing of the Formulation exists outside of what is disclosed in a patent, then rights in the know-how can be asserted against third parties as a trade secret.
2. Plaintiffs contended that such third parties would be persons to whom the plaintiffs had disclosed the know- how under a contract of confidentiality, such as the defendants. Any use of the know-how by such persons without the plaintiffs' authorisation would amount to such persons taking undue advantage of the disclosure.

QUESTION FOR CONSIDERATION

One of the questions that the Court considered was whether the plaintiffs had any rights in the Formulation (rights in know-how) when the formula was disclosed in a patent in the US but no patent application was filed in India.

JUDGMENT

The Court held:

1. Rights in information disclosed in the US Patent: Since the formulation itself was disclosed as part of a patent in the US ("**US Patent**"), any information related to the Formulation in the US Patent was in the public domain. In fact, at the time of filing of this suit, the US Patent had expired. On account of the US Patent, the plainitffs' monopoly with rest to the Formulation was restricted to the US. Even this monopoly in the US expired post expiry of the US Patent. The Court held that in the absence of patent protection in India, the information that as disclosed in the US Patent cannot be protected as a trade secret in India in view of the public disclosure.

Research Papers

Mergers & Acquisitions
July 11, 2025

New Age of Franchising
June 20, 2025

Life Sciences 2025
June 11, 2025

Research Articles

2025 Watchlist: Life Sciences Sector India
April 04, 2025

Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?
February 04, 2025

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals
January 15, 2025

Audio

CCI's Deal Value Test
February 22, 2025

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice
December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps
November 19, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

Webinar : Designing Innovative Share Swap and Deferred Consideration Structures for PE and M&A Deals
July 15, 2025

2. Rights in know-how not disclosed in the US Patent: Regarding the plaintiffs' contention that certain know-how related to the manufacture of the Formulation was not disclosed in the US Patent but was separately protected as know-how and made available to the defendants under terms of confidentiality, the Court relied on the provisions of the Patents Act, 1970 (the "**Act**") and noted that the Act requires the patentee to disclose the best method of working the invention. The Court held that if the Plaintiffs had already disclosed the best method of working in the US Patent itself, the method of manufacture cannot be separately protected as know-how.

The Court finally held that the plaintiffs had failed to disclose any cause of action in their favour in the absence of any rights and dismissed the suit.

COMMENTS

- A patent is a statutory right whereas a trade secret would constitute proprietary information which has a commercial value. In India, courts have previously accorded protection to trade secrets. "Know-how" on the other hand is knowledge that is gained based on learnings. This may or may not be documented, but is still worth value and is a recognized facet of intellectual property. These independent concepts have been blurred in this judgement.
- The judgement holds good in an ideal scenario- i.e. where the method of working a patent is disclosed in specification and there is no separate know-how or improvisations in the working method. However, the Court has overlooked the fact that there can be more than one manner in which an invention can be worked. For instance, the "best method" of working which is required to be disclosed in a patent application may not be the most commercially viable method. Such methods may be devised after filing of the patent application and may be an enhancement of the disclosed method of working. Such an enhanced method of working would constitute "know-how" which can be protected as a trade secret and licensed separately.
- One clear takeaway from the judgment is that while innovators are free to decide whether to protect their invention as a patent or a trade secret, it is not possible to file a patent for the invention in one jurisdiction and protect the same as a trade secret in another. Choosing between trade secrets and patents is a business decision. Protecting an invention as a patent (which has a limited life span of 20 years) and trade secret (which can be protected in perpetuity) has its pros and cons. The coca cola formula and the KFC chicken recipe for instance are some classic examples of trade secrets.
- Commencement of monopolistic rights is another important consideration for businesses. A patent right can only be claimed once a patent is granted. However, in case of a trade secret, the information can be protected as soon as it is created. This becomes relevant in industries where innovation is fast paced and the rate at which technology becomes obsolete is very high. For instance, in the information technology sector, a patent granted 6-7 years after a technology is invented may not be of much use because in 6-7 years such technology may have been taken over by further innovation. In comparison, the rate of innovation in the pharma sector is slow and invention of a new drug may take years. Hence for pharma, patent protection instead of protection as a trade secret becomes more relevant.
- In addition to the above, there is also a question of enforcement of rights. When a patent is granted, a patentee can approach courts for infringement of their patent under the Act. However, in case of a trade secret, the plaintiff would first need to establish that the information sought to be protected is indeed a trade secret.
- In the context of this case, whether "know-how" sought to be protected by Plaintiffs as a trade secret is covered by their US Patent specification or not, and is in public domain, is a matter of evidence. At least as per the disclosed facts, no steps were taken to undertake any sort of mapping to different between what is disclosed in public domain vis-a-vis what is confidential and should be protected. The facts of this case remain unclear on the above aspects, and possibly one will have to wait to see what happens in appeal.

– Aparna Gaur & Aarushi Jain
You can direct your queries or comments to the authors

[1] *Prof. Dr. Claudio De Simone & Anr. vs Actial Farmaceutica and Ors., CS(OS) 576/2019, decision dated March 17, 2020*
[2] *The plaintiffs in the suit are Professor Dr. Claudio De Simone resident of Switzerland and Next Gen Pharma India Pvt. Ltd., New Delhi and the defendants are Actial Farmaceutica Srl formerly known as CD Investment Srl; CD Pharma India Private Limited; VSL Pharmaceuticals, Inc.; Franco Pirovano; and, Sun Pharma Laboratories Ltd*

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

Webinar: Blended Finance Structures to Scale up Climate Smart Agriculture
July 03, 2025

Reimagining CSR: From Grant Giving to Blended Finance & Outcome Based Funding
June 16, 2025