



**THE AMBIGUITY OF THE TERM “TRADE SECRET”  
UNDER TRADE SECRET B.E.2545**

**BY**

**MS.TREEWARAT RATHVIBOON**

**A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF  
THE REQUIREMENTS FOR THE DEGREE MASTER OF LAWS  
IN BUSINESS LAWS (ENGLISH PROGRAM)  
FACULTY OF LAW  
THAMMASAT UNIVERSITY  
ACADEMIC YEAR 2014  
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THESIS

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was approved as partial fulfillment of the requirements for  
the Master of Laws degree in Business Laws (English Program)

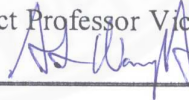
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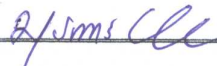
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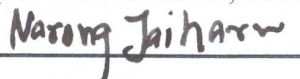
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Thesis Title	THE AMBIGUITY OF THE TERM 'TRADE SECRET' UNDER TRADE SECRET ACT B.E.2545
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## ABSTRACT

When considering the claims for damages from the acquisition of trade secrets by unlawful acts, the data or idea has been classified as a trade secret will be considered first and what the defendant does will be the second. The law provides protection and prohibition on the disclosure of confidential information of the industry. Although the technology (which has been developed), is not patentable, the protection of trade secrets focuses on providing coverage to the owner. The purpose of the protection is to protect those studying the production by personal research or by independent sources rather than taking any trade secrets of others or acquiring by any unlawful acts.

The majority of legal opinions consider the intellectual property as one criteria of property. It is the primary basis for determining remedies. For example, to consider a trade secret in the case of employment: the trade secrets of business and information considered the property of the employer, the employee cannot use such in conflict of interest with employers. It is important to protect the trade secret by not disclosing it without consent from its owner. When it comes to the court that whether the non-technical information is concerned as trade secret or not, such issue may cause the problem to the owner of the trade secret because the term trade secret under

section 3 of the Trade Secret Act does not state the various kinds of trade secret as those in the US law.

This thesis will conduct a comparative study on the definition of the term “trade secret” in order to protect the owner of the trade secret through the documentary research method, using texts and documents as source materials; for example, international and domestic related laws, journals, periodicals, articles, information through the internet and other relevant documents. The obtained information will be applied and analyzed in order to obtain appropriate and practicable solutions to the problem. The United States laws will be analyzed: the Restatement of Torts 1939, the Restatement (third) of Unfair Competition 1995 and the Uniform Trade Secret Act 1985. The thesis is to propose the protection of trade secrets can truly happen in practice and to propose ways to determine the details (including the scope of the law).

**Keywords:** term trade secret, trade secret act, infringement of trade secret

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background and problems

In virtually every part of business, possessing highly valuable trade secrets and the results of trading can be seen, for instance, a list of important clients, sales techniques, or production techniques, production process, marketing secrets, know-how, and marketing plans. They are valuable as business trade secrets and regarded as valuable potential economic information and generate income for the business owner. A trade secret is information that a business wants to keep secret because releasing the information could harm the business and give its competitors tremendous advantage. Using information without consent from the owner of the information is regarded as an unlawful act and also a violation of trade secrets of others. Although the governing law on trade secret protection in various countries may be different in some areas, they still follow the guidelines of the Trade-Related Aspects of Intellectual Property Rights (TRIPS), which is stated in Article 39.

The nature of a trade secret is the virtue of not disclosing the information of others, which needs to be protected. Simply calling something a trade secret is not enough. In order for the information to be considered a trade secret, it must meet the basic requirements as outlined previously; namely it must (a) be non-public (not known to your competitors); (b) have actual or potential commercial value; and (c) be safeguarded by confidentiality measures including clauses in employee contracts and non-disclosure agreements. These three elements are essential for a business to protect its trade secrets.<sup>1</sup>

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<sup>1</sup> The European Commission. **Guide on trade secrets.** *Protecting your trade secrets in Southeast Asia*, access on June 22<sup>nd</sup>, 2015, <http://www.southeastasia-iprhelpdesk.eu/sites/default/files/publications/Trade-Secret-English.pdf>

In Thai jurisprudence, the court directly interprets from the context, which can be the gaps for the vulnerability of trade secret protection and the true owner of the trade secret, a case example is Supreme Court decision 10217/2553

## **1.2 Hypothesis**

The Trade Secret Act B.E.2545 follows the TRIPS agreement. The Trade Secret Act creates some ambiguity and this study aims to remedy this problem by using the rules of interpretation and analyzing the problem from the jurisprudence of the United States and other rules from the TRIPS agreement, which is a fundamental principle that the Trade Secret Act has to comply with.

## **1.3 Objectives of study**

- (a) To examine the nature of trade secrets and the theory of trade secrets
- (b) To examine TRIPS Article 39, which is the main provision the other member states or countries, including Thailand, have to follow;
- (c) To study the US laws concerning legal provisions on the trade secret definition;
- (d) To study and analyze current Thai laws related to the protection of trade secret definition;
- (e) To suggest a solution for the Thai legal system on trade secret protection.

## **1.4 Scope of study**

To analyze the term “trade secret” under the Trade Secret Act B.E.2545 there is fundamental information that the reader needs to know. The scope of the study begins with the nature of the trade secret and its theories. Article 39 is the next stage of the study, this article focuses on the prohibition of the actions against undisclosed information and is also consistent with Article 10*bis* of the Paris

Convention, which focuses on any actions contrary to the honest means in areas of marketing, also known as the unfair competition.

Next, the laws and regulations concerning trade secrets will be examined, the Restatement of Torts 1939, section 757, the Restatement (third) of unfair completion 1995, the Uniform Trade Secret Act 1985, the given terms on trade secret protection and also the rationale. The significant part would be the jurisprudence of the United States, which could give a clearer vision on how the term “trade secret” under the Trade Secret Act could be ambiguous.

### **1.5 Methodology**

This thesis will conduct a comparative study on the definition of the term “trade secret” in order to protect the owner of the trade secret through the documentary research method, using texts and documents as source materials; for example, international and domestic related laws, journals, periodicals, articles, information through the internet and other relevant documents. The obtained information will be applied and analyzed in order to obtain appropriate and practicable solutions to the problem. The United States laws will be analyzed: the Restatement of Torts 1939, the Restatement (third) of Unfair Competition 1995 and the Uniform Trade Secret Act 1985.

### **1.6 Expected Contribution**

This study is for anyone who interested in the field of intellectual property, especially trade secrets, to give a better understanding of trade secret protection and the term “trade secret”. Expected contributions are;

- (1) To achieve a better understanding about trade secrets.
- (2) To propose the protection of trade secrets can truly happen in practice.
- (3) To propose ways to determine the details (including the scope of the law) in order to decrease the ambiguity of the term “trade secret” under Thai law.

(4) To provide appropriate clarity and truly protect the interests of trade secret owners.



## **CHAPTER 2**

### **TRADE SECRET ASAN INTELLECTUAL PROPERTY RIGHT**

#### **2.1 The History of Trade Secrets**

Protection of trade secrets has been happening for centuries. Some scholars say that the protection of trade secrets was born from Roman times and in turn articulated in common law countries. The main reason for this protection is to protect valuable ideas and opportunities. After the Industrial Revolution era, the English Court began to see the importance of change in industry and more workers. The importance of intellectual property was taken into consideration with the principle of mutual trust. Both the United States and England determined that they should give priority to the principle confidence of the parties and trade secrets. It was a hybrid of the law on property, contract and tort law. For countries in the civil law system, the protection of trade secrets began and has continued for centuries. For instance, in France, A.D.1844, Article 418 of the Criminal Code is regarding the definition of the secrets of the production process and also the Supreme Court of France held a significant trade secrets meaning as the method of production, which are useful in practice or in trade.<sup>2</sup>

For Thailand, regarding the protection of trade secrets, the Court originally put forward the Penal Code into consideration. In the past, Thailand has had no law to specifically protect trade secrets. Currently, competition is increasingly high and consumers can choose products that meet international standards and fair prices.

#### **2.2 Concept and Definition of Trade Secret Protection**

The concept of trade secret allows the owner to prevent something that is not protected by patent law and copyright law. For patent law, it will not provide protection for what is generally known and not a new invention. Copyright law provides protection for emphasizing creativity. In the case of the law of trade secrets,

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<sup>2</sup> Terrence F. Mac Laren, **Worldwide Trade Secrets Law**, Volume 2, P. B3-5 (2001)

the protections can be applied to all (whether the ideas or plans) significant points concerned for a trade secret arena is as long as such secrecy information remains confidential, then the law gives its protection.

The Definition of trade secret under Thai law, the Trade Secret Act B.E 2545 and the United States law, the Uniform Trade Secret Act 1985 and the Restatement (third) of Unfair Competition 1995 prescribe definitions trade secret that are consistent with the terms of the Agreement on the Trade –Related Aspects of Intellectual Property Rights (TRIPS) 1994, Article 39<sup>3</sup> as follows:

(1) Under Thai law, the Trade Secret Act B.E. 2545 section 3 has provided the following information regarding as trade secrets:

*“Section 3 under this Act: “Trade Secrets” means trade information not yet publicly known or not yet accessible by persons who are normally connected with the information. The commercial values which derive from its secrecy and that the controller of the trade secrets has taken appropriate measures to maintain the secrecy.”<sup>4</sup>*

Section 3 provides that the trade secret is defined as a meaningful statement, facts or anything as such. Whether interpreting it through any means or in any form, including: recipes, patterns, compilations, programs, methods, techniques, and processed information. It may be in the form of documents, photographs, film, video tape, microcomputer database or memories from the human brain. Significantly, expanded for the information industry; how to serve for techniques, how to produce goods or services with the addition of information about the product, the market price and trading strategies or even list of employees. It is in the definition of commercial information as well, but does not include personal information such as information on

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<sup>3</sup>.infra note

<sup>4</sup>The Trade Secret Act. B.E 2545. Section 3

education, training of medical services, the wages of each employee, or the information of the individuals that could be protected by other laws.

(2) Under the United States law, the Uniform Trade Secret Act 1985, Section 1(4) provides the meaning of the trade secret as follows:

*“Section 1(4) "Trade secret" means information, including a formula, pattern, compilation, program device, method, technique, or process, that: (i) derives independent economic value (actual or potential) from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”<sup>5</sup>*

As the mentioned provision above, it is can be concluded that the law requires the trade secret information to be: (1) not generally known or information not accessible by outside individuals, usually associated with such data (2) a commercial advantage, since it is confidential, and (3) in control of trade secrets that can take measures and maintain secrecy.

(3) Under the United States law, the Restatement (third) of Unfair Competition 1995 prescribes the term trade secret as:

*“Section 39 Definition of Trade Secret*

*A trade secret is any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secretive enough to afford an actual or potential economic advantage over others.”<sup>6</sup>*

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<sup>5</sup> The Uniform Trade Secret Act 1985, section 1(4)

<sup>6</sup> The Restatement (third) of Unfair Competition 1995, section 39

This section gives the remedies for the narrow definition the court has been given for cases involving non-technical information.

### **2.3 Nature of Trade Secret and the Establishment of an Enforceable Trade Secret Right**

When considering the claims for damages from the acquisition of trade secrets by unlawful acts, the data or idea has been classified as a trade secret will be considered first and what the defendant does will be the second. The law provides protection and prohibition on the disclosure of confidential information of the industry. Although the technology (which has been developed), is not patentable, the protection of trade secrets focuses on providing coverage to the owner. The purpose of the protection is to protect those studying the production by personal research or by independent sources rather than taking any trade secrets of others or acquiring by any unlawful acts. The eligible information regarding trade secrets contains the following matters:

(1) Such information must not be known or ascertainable by anyone besides the owner or anyone whom the owner involves. It is not easily ascertainable by those typically working on the same kind of information. The concerning information does not need to be highly exclusive data or newly developed data, but those who work in the business realize that such information is classified as confidential.

(2) Such information has potential value, which can give the owner advantage over those who do not control or have this kind of confidential information. It generally takes a large amount of money to create the information or the information is derived from brainstorming or ideas of an expert who works in the business. The business could gain decisive benefits from the usage of such information. The competitors or other business cannot use their experts' skills equal to the owner of such information.



(3) Such information must be protected by the business. Highly cautious measures must be given in order to protect the leak of such confidential information. To maintain the confidentiality of the information is one of the concerning matters.

This issue is relevant to the previous one regarding financial value because if such information contains potential economic value, then the owner must take appropriate measures. Not all of the employees of the business can reach such information, but only those who are authorized or have consented; however, while those who have privilege or authority and responsibility may obtain and control such kind of information without ruining its nature, the information is still regarded as a trade secret and a protectable one. The realization of the enforceable protection on a trade secret is the responsibility of the owner of such kind of confidential information. The owner must be able to prove that such information still existed at the time the alleged infringement occurred and that they were using all possible precautions to maintain the secrecy. The rationale is if there is easy access and such information can be opened or anyone can obtain, its nature is ruined. When it comes to trial, the burden of proof will be on the owner of the trade secret in that he has been using the proper measures in order to protect his business' trade secret. There are several factors to be determined on whether such information is regarded as certain confidential information, as follows:

(1) Is the information known outside of the business of the trade secret owner?

(2) How much of the information made known to employees and others involved in the business of the owner of the alleged trade secret?

(3) What specific steps have been taken by the owner of the trade secret to guard the confidentiality of the information, and to restrict its access to others, including employees not involved in the use of the confidential information?

(4) What is the value of the alleged confidential information to the trade secret owner and to his competition?

(5) How much in terms of resources and effort has the owner of the alleged trade secret spent in protecting the confidential information?

(6) How easily is the information acquired, duplicated or reverse engineered by others, such as competitors?”<sup>7</sup>

## **2.4 Legal Theory**

When confidential information is passed on to another person by adoption or disclosure and without the owner’s consent, this conduct would be considered as breach of confidence, the owner of the trade secret would then be subject any appropriate remedies. The infringement of confidential information occurs in various kinds of information, not only the limited information that is a trade secret, but also the data that belongs to the state or even personal information. The confidential information is different from other types of intellectual property because there is no formal registration form or any registration fee. The advantage of the trade secret’s nature is the information depends on how it is divulged between the disclosure parties. The duty not to disclose confidential information to the public is based on a commitment between all parties thereto. Whenever such information is revealed to the public, the confidentiality or secrecy loses its fundamental nature. Considering the trade secrets’ roots would be in the event of an infringement of the property of another party.

### **2.4.1 The Theory of Tortious Liability from a Breach of Confidence**

Because we are living in a world that combines the common law system and the Civil law system, none of those two systems contain completed

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<sup>7</sup> Howard B. Rockman, *Intellectual Property Law for Engineers and Scientists*, (United States of America : A John Wiley & Sons, Inc., Publication, 2004), P.435

protection in every legal area, but the governing laws of these two legal systems have the same rationales on how the law would protect the people or properties that are under their control. So in order to improve the governing law for each system, the study from another system would provide an advantage. Lord Wiberforce made a statement concerning the importance of the study of legal systems in order to find the remedies in a tortuous case as follows:

*“We do not live in a world governed by the pure common law and its logical rules. We live in a mixed world where a man is protected against injury....<sup>8</sup> ...and misfortune by a whole web of rules and dispositions, with a number of timid legislative inventions, to attempt to compensate upon the basis of selected rules without regard to the whole must lead either to logical inconsistencies, or to over – or under compensation- Lord Wiberforce in Jobling V. Associated Dairies (1981)”<sup>9</sup>*

A legal theory has been used most widely in the trade secret field after World War II. The value of legal information had become more significant. The court could justify the need for a contractual connection between the parties in order to find the relationship of confidence. The remedy most often sought for the threat of confidentiality is an injunction (an equitable remedy). The fundamental basis of the action is also a relationship giving rise to an obligation in conscience to maintain confidence.<sup>10</sup> Those who take advantage of another party's property for which they have no right to use is subjected to liability, the result can be seen in the case of the Seager V. Copydex Ltd (1967) the Lord Denning MR held that

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<sup>8</sup> John Hodgson and John Lewthwaite, **Law of Torts, third edition**, (United Kingdom: Blackstones Press, 2001), p.xxix

<sup>9</sup> John Hodgson and John Lewthwaite, **Law of Torts, third edition**, (United Kingdom: Blackstones Press, 2001), p.xxix

<sup>10</sup> Catherine Colston and Kirsty Middleton, **Modern Intellectual Property Law, second edition**, (United Kingdom: Cavendish Publishing Limited, 2004), p. 205

*“The Law on this subject depends on the broad principle of equity that he who has received information in confidence shall not take unfair advantage of it”*,<sup>11</sup>

The action reflects the changes in the trading market and society. There is a related point between information of personal confidence and the protection of privacy, such as a confidentiality of a patient’s prescription. Obtaining another person’s property without the owner’s consent can be the tortious liability.

In the case of *Coco V. An Clark (Engineers) Ltd* (1969), Megarry J stated the example case of the need for an obligation of maintain the confidentiality, as follows:

*“The second requirement is that the information must have been communicated in circumstances importing an obligation of confidence. However secret and confidential the information, there can be no binding obligation of confidence if that information is blurted out in public or its communicated in other circumstance which negative any duty of holding it confidential....it seems to me that, if the circumstances are such that any reasonable man standing in the shoes of the recipient of the information would have realized that upon reasonable grounds the information was being given to him in confidence, then this should suffice to impose upon him the equitable obligation of confidence”*,<sup>12</sup>

The aforementioned case shows that the court reflects the rationale of the nature of trade secrets, which is such that confidential information must not be revealed to public. The disputes on trade secrets stem from the infringement on another’s property, and may be the accusation for the breach of contract that contains the duty of confidentiality (either expressly or implicitly). The contract could impose a duty of confidentiality for one party and also provide no reciprocal confidentiality for

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<sup>11</sup> *Id.* at p.205

<sup>12</sup> *Id.* at p.222

another party. In the contract for employment, the duty of confidentiality may have been entered into by an agreement in writing or may not have been agreed to in writing. Thus, if the recipient conducts any act which casts doubts as to whether such obligation is signified as an infringement on the obligation or not, the past practice and other relevant subjects concerned, this legal theory and its concerning points can conclude that:

(1) Whether the obligation of confidentiality has been explicitly cleared or not, forwarding the information to the recipient by the owners may be considered in a form of a confidentiality agreement, which the specified direct recipient has obligations in accordance to. The implied obligation can be seen by the surrounding circumstances also. For instance, the communication between the parties can be a warrant of such obligation. It can impose a liability of the infringement of the protectable information if the duty of remaining undisclosed and confidential is notified. It is implied that the direct recipient is obligated as such, if the commitments of the obligations are suggested in any way that a reasonable person understands. The understanding of confidentiality between the parties is taken into consideration when it comes to a court.

The relationship between the parties is important because some relationships can establish confidentiality as a key issue. The nature of an employment relationship is regarding as the roles of the parties, but if there is the concern of the freedom of labor movement. The interests between the employer and the employee may be in contrary various ways. It can be said that the employer's interest is to maintain its confidentiality, but the employee's is the search for another job. The duty of confidentiality has occurred in the employment contract weighed by maintaining a separation between the people who lead the company and worker who has left. This is an obvious way to reconciling the conflicts of interests between those two, the employer and employee. In practice, the principles of the relationship in the employment contract can be seen in the latter case, the Lord Neill LJ in the case *Faccenda chicken V. Fowler* (1986) held the case as follows:

*“(1) Where the parties are, or have been, linked by a contract of employment, the obligation of the employee is to be determined by the contract between him and his employer.*

*(2) In the absence of any express term, the obligations of the employee in respect to the use and disclosure of information is the subject of implied terms.*

*(3) While the employee remains in the employment of the employer, the obligations are included in the implied term, which imposes a duty of good faith or fidelity on the employee. For the purpose of the present appeal, it is not necessary to consider the precise limits of this implied term, but it may be noted:*

*(a) That the extent of the duty of good faith will vary according to the nature of the contract; that the duty of good faith will be broken if an employee makes or copies a list of the customers of the employer for use after his employment ends or deliberately memories such a list, even though, except in special circumstances, there is no general restriction on an ex-employee canvassing or doing business with the customers of his former employer. ”<sup>13</sup>*

Not only the duty of remaining loyal or good faith after the employment ends, but also not becoming involved with the competition of the employer in order to protect the trade and commercial secrets. A restriction for employment is not a long-term duty, but just for a reasonable period of time. The rationale is that the employee could obtain the working skills from the business because the owner cannot refuse them the knowledge. Thus, the law helps the owner of the trade secret retain his business secrets when the employment ends by doing an express stipulation restraining the employee from competition with him and also does not prohibit the freedom of labor movement.

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<sup>13</sup> *Id.* at p.225

(2) An indirect recipient may obtain the information by the transfer of the trade secret by the owner himself or any third parties. It may know because the resulting of the communication aspired to reach the target. Under this circumstance, it could even not be told directly by the owner, but a third party who recognized and received that information. The issue is, whether the third party has the duty to keep the trade secret confidential or not. In this circumstance it is can be said that the third party may not be held liable for sharing because that person has no direct obligation to maintain confidentiality and thus, he has no direct relationship and duty to keep the confidentiality.

There is a more concerning point in which whether such knowledge the third party obtained shall be specified as confidential information or not. Under this point, the liability is based on the knowledge of such confidentiality. In practice this kind of situation can be seen as the Lord Goff held in the case of Attorney general V. Guardian Newspaper (No2)(1992), as follows:

*“I start with the broad principle that a duty of confidence arises when confidential information comes to the knowledge of a person (the confidant) in circumstances where he has notice, or is held to have agreed, that the information is confidential, with the effect that it would be just in all the circumstances that he should be precluded from disclosing the information to others”*<sup>14</sup>

The aforementioned case shows that the court acknowledged the knowing of the obligation of confidentiality as whether the recipient notices such kind of duty or not. If he knows or notices and still wants to disclose such information, then his act is regarded as tortuous of the duty of confidence.

(3) In the case of no relationship in keeping confidentiality, but there are issues that need to be taken into consideration, especially when the sensitive information has been stolen or obtained by improper means, it is explicitly clear with

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<sup>14</sup> *Id.* at p.230



the absence of any relationship between the parties requiring the remedies against offenders of the important information and personal information. Regarding the TRIPS Agreement Article 39, the persons shall have confidential information legally within their control and that information can be protected and prevented from any unauthorized disclosure, acquisition or usage obviously in the area of the acts under dishonest means. In consideration of some particular relationship, for instance, to “know-how” could be specified as property, accordingly with its nature and how it is proven by its given license. Obtaining “know-how” without relationship to such information, is considered an act against lawful acquisition.

#### **2.4.2 The Theory of Property Law**

The majority of legal opinions envision the intellectual property as one criteria of property. It is the primary basis for determining remedies. For example, to consider a trade secret in the case of employment: the trade secrets of business and information considered the property of the employer, the employee cannot use such in conflict of interest with employers. It is important to protect the trade secret by not disclosing it without consent from its owner.

#### **2.5 Convention and Agreement in the Field of Trade Secret Protection**

Controlling of trade secrets violation, the Agreement on international cooperation began in the late 1970s, nations began to realize the importance of a counterfeit trademark. In the United States especially, this issue has gained much attention since 1979. The United States and the European Community had reached agreement on a draft “Agreement on Measures to Discourage the Importation of Counterfeit Goods”, between 1980 and 1982. Informal meetings with a number of industrialized countries resulted in a revised draft Anti-counterfeiting Code.<sup>15</sup>

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<sup>15</sup> Alfredo Ilardi and Michael Blakeney. *Conventions and Agreements on Intellectual Property*, **International Encyclopedia of Intellectual Property Treaties**, p.166



Between 1982 and 1986, the preparation of the GATT identified issues that might be relevant to the US Round, concerning the right of intellectual property. The GATT forum was to seek enforcement of intellectual property rights. Subsequent negotiations led by the Ambassador of Switzerland and Colombia to seek a compromise between the views of the opponents in the jurisdiction of the GATT in these matters. Thus, they produced a proposal that served as the basis for the declaration of Ministers September 20<sup>th</sup>, 1986 and was launched as the Uruguay Round.

In the Uruguay Round, the identified subjects on the negotiations had been declared as follows:

*“In order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of Intellectual Property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines”*<sup>16</sup>

*Negotiations shall aim to develop a multi lateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods, taking into account work already undertaken in GATT”*<sup>17</sup>

Negotiations were held on January 28<sup>th</sup>, 1987 under the name “the Trade - Related Aspects of Intellectual Property Rights (TRIPS), including Trade in Counterfeited Goods” The TRIPS agreement came into force on January 1<sup>st</sup>, 1995. Negotiations between the countries that participated in the Uruguay Round were made to increase negotiations between them. The consequences of the negotiations were found by the creation of the document, which is intended to develop operations in accordance with the level of development of the countries that have joined the treaty.

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<sup>16</sup> *Id.* at p.167

<sup>17</sup> *Id.* at p.167

The TRIPS agreement itself contains the provisions concerning the following: substantive provisions, geographical indication, the patentability of biological inventions and “non-violation” cases.

Additionally, Article 71 requires the Council for TRIPS to review the implementation of the Agreement after the expiration of five years from the commencement of the Agreement and at two-year intervals after that<sup>18</sup> and Thailand has been one of its members since 1995. The TRIPS agreement comprised of the following parts:

- (I) General Provisions and basic principles*
- (II) Standards concerning the availability, scope and use of intellectual property rights*
- (III) Enforcement of intellectual property rights*
- (IV) Acquisition and maintenance of intellectual property rights*
- (V) Dispute prevention and settlement*
- (VI) Transitional arrangements*
- (VII) Institutional arrangements: final provisions*<sup>19</sup>

According to the foreword of the TRIPS Agreement, providing an assurance on intellectual property rights and giving the privacy to its nature, the law gives the owner the right to exercise civil rights enforcement processes that are appropriated for the claimant's personal business. The civil remedies and damages are the order of prohibiting the abuses. The law also gives the penalties in criminal terms as the case involves criminal sanctions. The legal remedies may differ in each country, some may give civil rights enforcement and some may give penalties or both. TRIPS agreement Article 39 which is concerning the trade secret protection is prescribed as follows:

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<sup>18</sup> *Id.* at p.171

<sup>19</sup> The Trade - Related Aspects of Intellectual Property Rights (TRIPS) 1994

*“Section 7: Protection of undisclosed information, Article 39*

*(1) 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 in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3.*

*(2) 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:*

*(a) Is secret in the sense that 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.*

*(3) When Members require as a condition of approving the marketing of pharmaceutical or of agricultural chemical products, which utilize new<sup>20</sup> chemical entities, the submission of undisclosed test or other data of which the origination involves a considerable effort, Members shall protect such data against unfair commercial use. In addition, Members shall protect such data against disclosure, except where necessary to protect the public or unless steps are taken to ensure that the data is protected against unfair commercial use.”<sup>21</sup>*

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<sup>20</sup> The Trade - Related Aspects of Intellectual Property Rights (TRIPS) 1994. Article 39

<sup>21</sup> *Id.*

TRIPS Article 39 paragraph 1 determines the form of legislation of the trade secrets protection. It is quite clear that the protected provision is efficiently consistent with Article 10*bis* of the Paris Convention (1967), which is focused on controlling Unfair Competition. The TRIPS agreement does not provide guidelines for punishment; it gives the provision on protecting the abuse of trade secrets. The criteria for determining compensation in violation of trade secrets and the discussed needs for other punishment will be laid down in the governing laws of the country. In paragraph 2 of Article 39, under this provision, the article has laid down the meaning of “trade secret” and other protectable components, but the point of remedies were never mentioned, only to protect and prevent the owner of the trade secret from any acts concerning infringement. It is the duty of the member countries to prescribe remedial measures for the damages to the owners of the trade secrets itself.

The 10*bis* of the Paris convention (1967) that mentioned that Article 39 does not give any restriction to the members of the TRIPS Agreement, it does not force the members to follow the 10*bis*, but it is mentioned in Article 39 because this mentioned provision provides the relevant rationale, which is the purpose of the agreement. If the member is willing to follow 10*bis*, it is their right to do. Article 10*bis* of the Paris Convention advises that:

*“Article 10bis [Unfair Competition]*

*(1) The countries of the Union are bound to assure nationals of such countries effective protection against unfair competition*

*(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition*

*(3) The following in particular shall be prohibited:*

*(i) All acts of such a nature that create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;*<sup>22</sup>

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<sup>22</sup>The Paris Convention 1979. Article 10*bis*

*(ii) 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;*

*(iii) Indications or allegations of 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 quantity of the goods.”<sup>23</sup>*

From the aforementioned provision, Article 39 of TRIPS, is linked to Article 10*bis* framework in order to make the protection of objects more clearly. Article 10*bis* focuses on the unfair competition. The countries that joined the Paris Convention accept the agreement on the prevention of unfair competition concerning trade or any action contrary to the principle of good faith in commercial business or the extent of trade prohibitions. Especially in actions that have the intent to confuse the customers or the markets about the establishment of the competitors' products and such acts caused the competitors' disadvantages, by using false means or in a case of accidental actions alleged to cause public misunderstanding of any process, characteristics or qualities of the other competitors.

More over, under the prescribed provision of Article 39, the nature of the trade secret divulged, the information considered a trade secret has to consist of commercial value, secrecy, and the reasonable measures for the precaution of trade secret. For instance, in the case of an engineering machine or program, it is suggested to have a written program to protect its secrecy data, creating a meaningful trade secret protection program.

### **2.5.1 Elements of a Trade Secret Article 39**

With regards to the elements of Article 39 of TRIPS, the Article states kinds of acts that infringe on trade secret rights. As the norms laid down for the legislation of the member countries, the infringement can be “disclosed to, acquired

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<sup>23</sup>The Paris Convention 1979. Article 10*bis*

by and used.” The aforementioned must be without consent from the owner of a trade secret or those who control the information. Article 39 specified more of the acts contrary to the honest manners of the commercial practices, containing acts considered infringement of trade secrets, which are “disclosed, acquired by, or used by” and such actions have shown that the burden of proof is on the owner. In order to prove that the infringement really has occurred, it must have been executed in only three ways mentioned above.

All of the above-mentioned must not conflict with the honest commercial practices. The honest commercial practices can be an infringement of the contract, breach of confidentiality, including information that should not be disclosed to third parties who knew or recklessly acquired the information related to such a practice. In addition, the Agreement has clarified the attitude of the members. The written provisions on the Agreement shall be construed accordingly and interpreted in good faith.

### **2.5.2 Exceptions on the Protection of Information That Has Not Been Disclosed Under TRIPS**

The TRIPS Agreement identifies exceptions, including cases in which the parties stipulate the results of the confidential information that have to be advised to the agency prior implementation, such as the pharmaceutical products or agricultural chemical products which use new chemicals. In the case of the protected trade secret, the necessary measures need to be protected in accordance with the public interest as well.

Overall, in this chapter, it can be concluded that the nature of the trade secret will be protected as long as it remains at its potential economic value. The secrecy of the information must not be ascertainable. Because a trade secret is regarded as the key tool of the business “doing business without letting others knowing your business” is the key issue. The trade secret is important for the owner. The business interests largely depend on its trade secret because it gives advantages

over others or its competitors. Many countries in the global markets are concerned about this kind of potential value, so they have been gathering and creating the agreement. Many countries have been participating and some are deciding whether to participate because following the TRIPS Agreement would be an advantage when to negotiating in the global markets. The TRIPS Agreement Article 39 is regarded as the official rule for the members. They must follow Article 39 within the specified schedule. Article 39 contains the equitable doctrine, a doctrine that gives the remedies to the claimants when the law is insufficient. Although the domestic laws of its member countries may vary and differ in context, they all are having the same rationale, which is to protect the undisclosed information from the infringement acts. Article 39 does not clarify the exact definition of the trade secret term, but the given provision can reflect its nature. The trade secret must contain the potential economic value, not ascertainable and also protected by the reasonable measures.

## CHAPTER 3

### LEGAL CONTROL OF TRADE SECRETS IN THE UNITED STATES

#### 3.1 The Protection of a Trade Secret under the US Law

To prevent the abuse of trade secrets, the prevention and protection have been launched in the common law legal system for decades. The law of trade secrets has been customized by the debates over the pros and cons including the remedies when a case is brought before the court. In the United States, as major sources of legislation, the following are being used to make the trade secrets protectable: the Restatement of Torts 1939, the Uniform Trade Secrets Act 1985, and the Restatement (Third) of Unfair Competition 1995. The confidential information of the master's business, which can be called trade secrets, is the valuable information. It is stated that such information must be identified and treated as confidential. The Uniform Trade Secret Acts has prescribed the meaning of Trade Secret as follows:

*“Trade Secret means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:*

*(i) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means, by other persons who can obtain economic value from its disclosure or use, and*

*(ii) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy<sup>24</sup>,”*

Anything that itself has value is protected by these laws. Regarding the fact of using of its economic value, it means the information without the need of other factors to reinforce the value of such information. A second concerning factor is that such confidential information is not readily ascertainable. For instance, the secret

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<sup>24</sup> The Uniform Trade Secrets Act Section 1(4).



technique of a machine, the secret method of how thousands of tons of goods have been produced per day or how the machine works better than the competitors' machines. The point is the master of that business who owns the efficient machine has been keeping all the techniques, know-how, and other secrecy data with precaution. Others cannot access such confidential information. If the competitors know the confidential information, they may derive the huge benefits from it without having to use any efforts in making their own.

Accordance with the development of the markets and technologies, the trade secret law gives protection to the owner that no certain protection in patent law and copyright law could give. Explicitly, the patent law does not give protection on a basic process in the event the invention is widely known and not an inventive step, contrary to the protection of the trade secret. For the copyright law, it only obtains the protection for ideas, whereas trade secrets require protection for other items/matters such as the compilations, customer lists, concepts, or plans and more.

The Following case encompasses the defined matters. In the case of the Integrated Cash Management Service V. Digital Transactions, Inc. the court held the following:

*“There the plaintiff’s claim was for a combination of off-the-shelf and public domain software, which in itself provided a superior data management system. The component programs were described as “generic,” but the ingenuity lay in the combination. “The manner in which ICM’s generic utility programs interact, which is the key to the product’s success, is not generally known outside of ICM.”*<sup>25</sup>

The aforementioned case shows that the subject matter of the case, the court held that the software was the key of the business’ success. It contained the potential data and yet is not known outside the company. This case reflects the term of

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<sup>25</sup> Howard C. Anawalt and Elizabeth Enayati Powers, *IP Strategy Complete Intellectual Property Planning, Access and Protection 2000 Edition*, (United States: West Group, 2000), p 1-215

trade secret quite clearly. In the beginning, the Court of the United States had been following the common law principles to determine the case and the principles of the theory of the law of confidence, also the law of tort and contract law theory in determining damages including the punishment of offenders. As depicted in the Dupont V. Masland (1917), which postulates the principles by the judge Holms, it briefly explains that if the plaintiff has done its job by interest and expense, then the plaintiff is entitled to retain their job. Although, others can work as the plaintiff does; however, it has no right to take over the work of the plaintiff.

### 3.2 The Restatement of Torts 1939

Another provision of the protection of trade secrets, which has been used in the United States, is the Restatement of Torts 1939. This law establishes the guidelines, which were laid down concerning guidelines for acts considered as infringement of trade secrets by others. The disclosure or the use of trade secrets of others without consent, such act is subject to liability of the owner of a trade secret. If the disclosure is discovered as a wrongful act, the use of such confidential information is categorized as a violation of confidentiality when one is obliged to follow such an obligation. The commitment with acknowledgement of the confidential information, including mistakenly informed, these are categorized as an infringement of the trade secret under section 757 of the Restatement of Torts. This section is not defined as a trade secret term, but it reflects the nature of the trade secret. Section 757 provisions later removed. The following is the section 757:

*“Section 757 Liability for Disclosure or use of another’s s trade secret  
General Principle, one who discloses or uses another’s trade secret, without a  
privilege to do so, is liable to the other if:*

*(a) He discovered the secret by improper means; or*

*(b) His disclosure or use constitutes a breach of confidence reposed in  
him by the other in disclosing the secret to him; or*

*(c) He learned the secret from a third person with notice of the facts that it was a secret and that the third person discovered it by improper means or that the third person's disclosure of it was otherwise a breach of his duty to the other; or*

*(d) He learned the secret with notice of the facts that it was a secret and that its disclosure was made to him by mistake.”<sup>26</sup>*

The principle of this section is consistent with Article 39 of the TRIPS Agreement. This provision reflects that in order to use the trade secret of others, one must gain the consent from the owner. It shows that the trade secret itself shall not be easily ascertainable. It is not a public domain. Under section 757 (a) the term “proper means” is stated. This is relevant with the given provision on the TRIPS Agreement Article 39, which does not allow any disclosure, usage, or acquisition without the owner’s consent.

### **3.3 The Restatement (third) of Unfair Competition 1995**

The United States has made a third amendment on the law concerned unfair competition issues. The third restatement has been supplementary to the judiciary more than the Uniform of Trade Secret Act. The internal law of the States are raised and compared with Section 757 of the Restatement of Torts. According to the Restatement (third) of unfair competition, the law has provided the appropriation of trade secrets in chapter 4 topic 2 consisting of sections 39-45. Except as otherwise<sup>27</sup> noted, the principles of trade secret law described in this Restatement are applicable to actions under the Uniform Trade Secrets Act as well as to actions in

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<sup>26</sup> The Restatement of Torts 1939 Section 757

<sup>27</sup> World Intellectual Property Organization (WIPO). **United States of America Restatement (third) of Unfair Competition, Chapter 4, Appropriation of Trade Values, Topic2. Trade Secrets (section 39-40)**, last accessed on June17th,2015), [www.wipo.int/wipolex/text.jsp?file\\_id=194019#LinkTarget\\_471](http://www.wipo.int/wipolex/text.jsp?file_id=194019#LinkTarget_471), p.2

common law.<sup>28</sup> The Third Restatement obviously discards the limitations from the Second Amendment. The Third Restatement gives the term trade secret in section 39 but in order to understand the purpose of the Third Restatement, this study will contemplate the rest of the provision consistent with trade secret under the Restatement (Third) of Unfair Competition as well.

(1) Section 39 of the restatement has prescribed the definition of Trade Secret as follows:

*“Section 39 Definition of Trade Secret: A trade secret is any information that can be used in the operation of a business or other enterprise and is sufficient valuable and a secret to afford an actual or potential economic advantage over others.”*<sup>29</sup>

The concept of this section is consistent with the term of trade secret, which is described in the Uniform Trade Secret Act section 1(4); however, this section is applicable only for civil liability under the rule stated in section 40 of the Restatement (third) of unfair competition. It does not apply in the area of the protection of trade secrets from disclosure under the Freedom of Information Act of the United States. This section reflects the subject matters of trade secret.

For instance, a formula, pattern, compilation of data, computer program, device, method, technique, process, other form or embodiment of economically valuable information<sup>30</sup>, it also includes technical matters, non-technical matters, know-how, any methods or process of manufacturing. Contrary to the trade secret term adopted in the Uniform Trade Secret Act, the UTSA does not specify the trade secret must contain the duration of economic value. The claims of trade secret is the

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<sup>28</sup> *Id.* at p.2

<sup>29</sup> *Id.* at p.1

<sup>30</sup> *Id.* at p.4

owner's burden of proof in the case of technical data, specifications of the product, process, or form,

The law does not specify that all information must be contained in tangible forms, but the key issue is to see if the information is also favorable to the benefit only to the defendant. The Court will require the owner, who claims the damages, to identify more details and information. In some cases, the plaintiff's claim is also related to the information that requires expertise skill, which the ex-employees gained from his employer's business. The specified term of trade secret information in the mutual agreement between those two (the ex-employee and the employer) is important under this section, but not regarded as a necessary factor, which can designate the eligible protection of the secrecy information. The US court held the significant remedies in the cases involving "the submission of ideas" from those who can gain confidentiality from their previous employment as follows:

*"Cases involving the submission of ideas by employees, customers, inventors, and other parties to business capable of reducing the idea to practice are sometimes analyzed under separate rules referred to as the "Law of Ideas." Idea submission cases often arise in the context of suggestions for new or improved products submitted to manufacturers, or in connection with programming and other ideas submitted to the enforcement industries. Plaintiffs seeking compensation for the ideas typically rely on contract claims alleging an express or implied-in-fact promise by the recipient to pay for the submitted idea; however, in some cases, compensation is sought through tort or restitution claims. These non-contractual claims are generally resolved through an analysis of the nature of the information and the circumstances of the submission that is fundamentally indistinguishable from the rules governing trade secrets. Some decisions explicitly incorporate such claims within the scope of trade<sup>31</sup> secret law. To sustain a claim in tort for the appropriation*

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<sup>31</sup>*Id.* at p.8

*of an idea, most courts require the submitted idea to be “Novel” in the sense of not being generally known.*<sup>32</sup>

*“Concrete”: to permit an assessment of its value and the fact of its use by the recipient. The courts also examine the circumstances of the disclosure to determine whether the recipient is bound by an obligation of confidentiality. Factors such as relationship between the submitter and recipient, prior dealings between the parties, the customs of industry, and the recipient’s solicitation or opportunity to refuse the disclosure are relevant in determining the recipient’s obligations.”*<sup>33</sup>

This principle has been developed as a controller of ideas, which does not appear on the written expression or facts that can be applied in the form of the contract. It can be deployed by a major general of the foregoing; thus, the aforementioned rule is applicable for claims in tort which caused from the infringement of ideas.

(2) Section 40 of the Restatement (Third) of Unfair Competition has prescribed the appropriation of trade secret as follows:

*“Section 40 appropriation of trade secrets: One is subject to a liability for the appropriation of another’s a trade secret if:”*

*(a) The actor acquire by means that are improper under the rule stated in section 43 information that actor knows or has reason to know is the other’s trade secret; or*<sup>34</sup>

*(b) The actor uses or discloses the other’s trade secret without the other’s consent and, at the time of the use or disclosure:*

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<sup>32</sup> *Id.* at p.8

<sup>33</sup> *Id.* at p.8

<sup>34</sup> *Id.* at p.8

*(1) The actor knows or has reason to know that the information is a trade secret that the actor acquired under circumstances creating duty of confidence owed by the actor to the other under the rule stated in Section 41; or*

*(2) The actor or has reason to know that the information is a trade secret that the actor acquired by means that are improper under the rule stated in section 43; or*

*(3) The actor knows or has reason to know that the information is a trade secret that the actor acquired from or through a person who acquired it by means that are improper under the rule stated in section 43 or whose disclosure of the trade secret constituted a breach of confidence owed to the other under the rule stated in section 41; or*

*(4) The actor knows or has reason to know that the information is a trade secret that the actor acquired through an accident or mistake, unless the acquisition was the result of the other's failure to take reasonable precautions to maintain the secrecy of the information.*<sup>35</sup>

This rule is the main thrust of the common law for the violation of trade secrets. This Section includes trade secrets in a way that is not appropriated with an unjust enrichment Section 40 is not only applied for the breach of contract, but is also a promise not to compete with the previous business (in case of employment), a promise not to disclose the confidential information to others.

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<sup>35</sup> *Id.* at p.18



(3) Section 41 prescribed the duty of confidence as follows:

*“Section 41 Duty of confidence”<sup>36</sup>*

*A person to whom a secret has been disclosed owes a duty of confidence to the owner of the trade secret for purposes of the rule stated in section 40 if:*

*(a) The person made an express promises of confidentiality prior to disclosure of the trade secret; or*

*(b) The trade secret was disclosed to the person under circumstances in which the relationship between the parties to the disclosure or the other facts surrounding the disclosure justifying the conclusions that, at the time of the disclosure:*

*(1) The person knew or had reason to know the disclosure was intended to be a confidence; and*

*(2) The other party to the disclosure was reasonable in inferring that the person consented to an obligation of confidentiality.<sup>37</sup>*

The duty of confidentiality is protected and enforced under section 41 can be expressed by writing. By the parties and considering the context in which they occurred, the recipient of the information is not protected until confidence has been known to have the nature of a trade secret. Although there is no definite pattern for acknowledgement, the owner of a trade secret has the burden of proving that the recipient of the information knows or should have known of such information. Breach of confidence is seen in tort. Some courts take primary liability for infringement classicist received by the owner of a trade secret without consent. Some lawsuits

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<sup>36</sup> *Id.* at p.11

<sup>37</sup> *Id.* at p.11



related to claims of breach of confidentiality will be called “breach of confidence” and unfair competition in Article 41, which has closed the gap to a trade secret in which there is a variety of types of information. This section gives a clear definition of trade secret. That is a trade secret, which is explained with non-technical information.

(4) Section 42 laid down the principle of breach of confidence by the employees as follows:

*“Section 42 Breach of confidence by employees*

*An employee or former employee who uses or discloses a trade secret owned by their employer or former employer in breach of a duty of confidence is subject to liability for appropriation of the trade secret under the rule stated in section 40.”*

Section 42 is subject to sections 40 and 41. So if the current employees enter into competition with the employer, a liability may be imposed regardless of the existence or allotment of the trade secrets. When the plaintiff alleges that the current employee has disclosed his value information to a third party which was acquired by the course of employment, then a breach of confidence is emphasized. The employees have to be under the principle of loyalty with their employers. When employment ends, it is necessary to exercise trade secret protection. The ex-employee may be permitted to compete against the former employer within a reasonably limited period of time; however, even without an agreement with his ex-employee, the ex-employee still abides by the general rule on the usage, disclosure or acquisition of the trade secrets to outsiders or the competitors of the former employer. Protecting the disclosure of trade secrets by former employees must be considered to balance the principle of free movement of workers in the labor market. The movement of workers supplements the competition with new ideas and skills enhancement, but it is difficult for an employer to ensure the former employee refrains from revealing trade secrets. The lack of confidential information protection obviously costs the employer.

In business development, if the competitors can easily designate the interests or advantages from the investments by using the information which has been disclosed by the ex-employee, the interests between the former employer and the ex-employee shall be considered and weighed in a particular case consistent with the surrounding circumstances. Before a court, the employer who alleges, that he owns such trade secrets, has to bear the burden of proof to define his ownership over the trade secrets. For example, whether such information is more than widely known information or not and whether there are contributions from the employers to create such information or not, concerning the information known among the other employees in the business or industry.

In the event that the competitors or other businesses assert that they are holding their own success and their efforts in order to make or improve their independent data or information, such information should be qualified and protected. The court often holds a specific kind of information as a protectable secrecy. There is also the particular matter seen in a case such as when the employee terminates the employment contract and is consistent with the appropriation of some physical embodiment of the asserted information. The ex-employees' memories of the trade secrets are not protected; they are regarded as written evidence.

(5) Section 43 has been identified the acts which could be considered the improper of acquisition of trade secrets as follows:

*“Section 43 Improper Acquisition of Trade Secrets: “Improper” means of acquiring another’s trade secret under the rule stated in section 40 includes theft, fraud, unauthorized interception of communications, inducement of or knowing participation in a breach of confidence, and other means either wrongful in themselves or wrongful under the circumstances of the case. Independent discovery and analysis of publicly available products or information are not improper means of acquisition.”*

There are no specific provisions which give the exclusive rights to the owner of the trade secret, but it is only shown when it infringes on the nature of trade secrets. Any acquisition, usage, or disclosure breached will be treated accordingly with section 41 and 42. For this section, the person who has not obtained the trade secrets through a disclosure has to be implied by the proper means of acquisition. The person who obtains trade secrets through the proper means is free to use or disclose such information to anyone without struggling with the liability of the law, but it must be kept in mind that such trade secret must not be acquired from those who are obliged with the duty of confidentiality.

Different from the owner of a patent, the trade secret controller or owner cannot claim against those who have independently discovered the confidential information. Similarly, others are still able to examine the products which are already publicly marketed with the consent of the trade secret owners, unlike the patent and copyright field, the protection shall be null on such acts. For example, to exploit the back work of the machine which is known as “reverse engineering,” a person may have obtained or even used trade secrets through their analysis of such public materials, or the objects; otherwise, with proper means.

With improper means of acquisition it is not possible to formulate a comprehensive list of conduct. To constitute "improper" means of acquiring a trade secret is if a trade secret is acquired through conduct regarded as tortious or criminal invasion of the trade secret owner's rights. Thus, a person who obtains a trade secret by burglarizing the offices of a competitor acquires the secret by improper means<sup>38</sup> as also a person obtains a trade secret by wiretapping on the owner's telephone or by employing fraudulent representations in order to induce the owner to disclose the trade secret. A person who obtains a trade secret by inducing or knowingly accepting a disclosure from a third person who has acquired the secret by improper means, or who induces or knowingly accepts disclosure from a third person that is in breach of a

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<sup>38</sup> *Id.* at p.18

duty of confidence owed by the third person to the trade secret owner, also acquires the secret by improper means.<sup>39</sup>

(6) Section 44 states the injunctions for appropriation of trade secrets as follows:

*“Section 44 Injunctions: Appropriation of Trade Secrets.”*<sup>40</sup>

*(1) If appropriate under the rule stated in Subsection (2), injunctive relief may be awarded to prevent a continued or threatened appropriation of another’s trade secret by one who is subject to liability under the rule stated in section 40.*

*(2) The appropriateness and scope of injunctive relief depend upon a comparative appraisal of all the factors of the case, including the following primary factors:*

- (a) Nature of interest to be protected;*
- (b) The nature and extent of the appropriation;*
- (c) The relative adequacy to the plaintiff of an injunction and of other remedies;*
- (d) The relative harm likely to result if the legitimate interests of the defendant if an injunction is granted and to the legitimate interests of the plaintiff if an injunction is denied;*
- (e) The interests of third persons and of the public;*
- (f) Any unreasonable delay by the plaintiff in bringing suit or otherwise asserting its rights;*
- (g) Any related misconduct on the part of the plaintiff; and*
- (h) The practicality of framing and enforcing the injunction.”*<sup>41</sup>

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<sup>39</sup> *Id.* at p.19

<sup>40</sup> *Id.* at p.19

<sup>41</sup> *Id.* at p.19

The allocation of trade secrets is in the regulation arena concerning property rights and dealing with the regulations. Contrary to the issues on trademark, they are based on the knowledge or ignorance of the buyer.

(7) Section 45 states the appropriation of trade values in the ways to relieve the appropriation of trade secrets as follows:

*“Section 45 Monetary Relief: Appropriation of Trade Secrets”<sup>42</sup>*

*(1) One who is liable to another for an appropriation of the other’s trade secret under the rule stated in section 40, is liable for the pecuniary loss to the other caused by the appropriation or for the actors’ own pecuniary gain resulting from the appropriation, whichever is greater, unless such relief is inappropriate under the rule stated in Subsection (2)*

*(2) Whether an award of monetary relief is appropriate and the appropriate method of such relief depends upon a comparative appraisal of all the factors of the case, including the following primary factors:*

*(a) The degree of certainty with which the plaintiff has established the fact and extent of the pecuniary loss or the actors’ pecuniary gain resulting from the appropriation;*

*(b) The nature and extent of the appropriation;*

*(c) The relative adequacy to the plaintiff of other remedies;*

*(d) The intent and knowledge of the actor and the nature and extent of any good faith reliance by the actor;*

*(e) Any unreasonable delay by the plaintiff in bringing suit or otherwise asserting its rights; and*

*(f) Any related misconduct on the part of the plaintiff.”<sup>43</sup>*

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<sup>42</sup> *Id.* at.p.42

<sup>43</sup> *Id.* at p.24

Under this section, the law gives monetary relief for the wrongful acquisitions, which infringe on the owner of the trade secret. This section prescribes the components for monetary relief and consists of the measures on compensatory damages, which are consistent with the loss of the plaintiff and combined with restoration measures concerning the dishonest conduct of the defendant.

### **3.4 The Uniform Trade Secret Act 1985**

The Restatement of Tort 1939 had influenced the formulation of trade secret protection of the United States. The Uniform Trade Secret Act is created to fill the gap, which occurred from the Restatement (Second) that had already been removed. Concerning the nature of trade secrets, the issues of the trade secret were brought in the National Conference with the purpose for the creation of the Uniform Trade Secret Act 1985. Under the Uniform Trade Secrets Act 1985, the law follows the provisions of the TRIPS agreement (See the aforementioned on the meaning of trade secret on the Chapter 2). The term “trade secret” that the Uniform Trade Secrets Act (UTSA) has given is consistent with the given terms on the TRIPS, Article 39.

The uniform trade secrets act (UTSA) provides the protection of trade secrets and ruled out the first template in 1979 and the launched a second revision in 1985. In 1979, the National Conference of Commissioners on Uniform State Laws promulgated the Uniform Trade Secrets Act 1979. The Prefatory Note states that the "Uniform Act codifies the basic principles of common law trade secret protection." The original Act or its 1985 revision has been adopted in a majority of the states, except as otherwise noted on prefatory of the law. The annual conference took place in Minnesota on August 2-5, 1985. The conference's agenda was to improve the legislation.

In the UTSA and the Restatement of Torts 1939, these two major sources have presented similarly on the scope of the definition of trade secret. It can be said that the trade secret under the protected terms of those two laws has to consist of the following elements: any formulation, pattern, or compilation, which has been used

and treated as confidential information. Also, the owner of such information must benefit from such secrecy and its nature. Section 757 of the Restatement of Torts has been given the meaning as similarity as the meaning under the Uniform Trade Secret Act (UTSA) 1985, section 1(4). To be divulged on the basic principle for trade secret, the significant elements are as follows:

- (1) Protectable data or information which has its own economic value;
- (2) If the information is easily identifiable it needs protection; and
- (3) For persons who have obligations on keeping the information confidential, they have to preserve and protect the confidential information with good faith and fidelity.

The prefatory note of the draft by the National Conference of Commissioners on the Uniform State Laws had stated that there was a need for the parameters of the trade secret, the statement given by one of the commentators was:

*“Under technological and economic pressures, industry continues to rely on trade secret protection despite the doubtful and confused status of both common law and statutory remedies. Clear, uniform trade secret protection is urgently needed...”*<sup>44</sup>

The Uniform Trade Secret Act laid down the fundamental principles of the common law in order to protect trade secrets and preserve essential elements, which distinguish it from other kinds of intellectual property and patent law.

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<sup>44</sup> American Bar Association Baltimore, Maryland, “*Uniform Trade Secret Act with 1985 Amendments Drafted by the National Conference of Commissioners on the Uniform State Laws..*”, last accessed on July 2nd, 2015, [http://www.uniformlaws.org/shared/docs/trade%20secrets/utsa\\_final\\_85.pdf](http://www.uniformlaws.org/shared/docs/trade%20secrets/utsa_final_85.pdf)



According to the Uniform Trade Secrets Act, the “trade secret” term has been prescribed as:

*“Section 1(4) “Trade Secret” means information, including a formula, pattern, compilation, program device, method, technique, or process, that:*

*(i) Derives independent economic value (actual or potential) from not being generally known and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use; and*<sup>45</sup>

*(ii) Is the subject of efforts that are reasonable, under the circumstances, to maintain its secrecy.”*<sup>46</sup>

Also, this section reflects the other kinds of acts, which are consistent with the TRIPS agreement Article 39 that is the disclosure of confidential information, the use of the trade secret. As the nature of a trade secret can be destroyed by the public knowledge, section 1(4) states the term “proper” means without its meaning. The term “proper” means is not specified in section 1(4). The trade secret term does not really give a clear understanding of the term “improper,” but the meaning of the term “proper” is defined as already stated in section 1(5). The term “proper” means including:

*(1) Discovery by the independent invention;*

*(2) Discovery by “reverse engineering,” that is, by stating with the known product and working backward to find the method by which it was developed. The acquisition of the known product must, of course, also be by fair and honest means, such as purchase of the item on the open market, for reverse engineering to be lawful;*

*(3) Discovery under a license from the owner of the trade secret;*

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<sup>45</sup> The Uniform Trade Secret Act 1985, section 1(4)

<sup>46</sup> The Uniform Trade Secret Act. Section 1(5)



(4) *Observation of the item in public use or on public display;*

(5) *Obtaining the trade secret from published literature.”*<sup>47</sup>

It can be said that the proper means is the exception of the trade secret acquisition. The definition of a trade secret under the Uniform Trade Secret Act is far more than those given on the first Restatement of Torts section 757. The law requires the continuous use in business operation. It is consistent with the Restatement (third) of Unfair Competition, 1995 section 39. Notwithstanding, there is a contrary point with section 39 at some point. The required method to maintain the confidential information depends on “*reasonable under the circumstances.*”<sup>48</sup> To give an understanding of the term “trade secret,” the following case is one of the well known cases which is often brought up to study, the case of *E.I du Pont de Nemours & Co., Inc. v. Christopher* (1970). The Court followed the reasonable use of a trade secret and focused on the control of disclosure to the employees, which concerned the requirement of secrecy.

In this case, the defendants, Gary Christopher and Rolfe, are photographers in Beaumont, Texas. The defendants were hired by a third party to take a photograph of the Beaumont Plant of E.I. DuPont de Nemours & Company, Inc. Those photographs were taken in the air by the defendants’ airplane and then sent to the third party who hired them. The plaintiff had asked the defendants to tell the name of the third party, but they refused. The plaintiff alleged that the defendants committed a wrongful act, disclosing his trade secrets and selling the photographs to the third party without the consent of Dupont. The plaintiff alleged that the defendants had taken photographs of the production methods of the methanol making process. The concerning evidence in this case was the plaintiff’s highly confidential information and such information had not been given any patent. The plaintiff claimed that he had invested a large amount of money developing such information

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<sup>47</sup> Supra Note 42. P.6

<sup>48</sup> Supra Note 44. P.7

and it was unfair to him that a third party would obtain his trade secret without using any efforts, except hiring the defendants to take the photographs. The plaintiff also alleged that his business' construction is still in process, the new construction was not completed and the new construction is regarding his precaution on maintaining the confidential information.

The Texas Supreme Court held that under the Restatement of Torts (1939) section 757, one who discloses or uses other's trade secret without the consent of the owner or any authority is subject to liability concerning the improper means by the acquisition, usage, and disclosure. The defendants should not destroy the value of other's trade secret by obtaining the confidential information without any effort or expenses. The third party has the right to obtain such confidential information if he uses his effort to gain the knowledge through the proper means. The plaintiff has been using his effort to maintain its secrecy by constructing the new structure. The plaintiff's new structure is still under the construction. Notably, the roof is used to cover the methanol making process. Regarding the case circumstantial to time, in this case, the defendant's act is regarded as espionage of the plaintiff's trade secret, considered an improper means. Thus, the defendant is subjected to a liability of the plaintiff's trade secret.

The aforementioned case reflects not only how the defendant infringes on the plaintiff's trade secret, but also reveals the term "trade secret." The methanol making process is considered a trade secret because it was seen as to how the plaintiff tried to protect it and also how the defendants were willing to get such knowledge, and how the third party (in this case such third party could be a competitor) has found a way to obtain the knowledge of the methanol making process. All factors reflect the methanol making process as a potential economic value. How the plaintiff protected his trade secret, the court considered from the circumstances and time.

In this chapter, it can be concluded that the term "trade secret" has its key points on how it contains potential economic value. The owner of such confidential information is benefitting from the economic value over others in the trading areas.

Although, such confidential information is not regarded as a top secret one, it is still considered a trade secret because it is obtained from the owner's investment and effort. The third Restatement has been explicitly clear that the term trade secret "*can be used in the operation of a business or other enterprises.*"<sup>49</sup> The statement can cover those various kinds of information, not only a long-term use one, but also the non-technical information. The term "trade secret" of the Uniform Trade Secret Act 1985 section 1(4) is similar to the given term on section 39 of the Third Restatement section 39 in that they contain three perspectives: (1) The definition of the two laws do not limit the term of trade secret. (2) Such information must have economic value. (3) Such information is not readily ascertainable by the others who work in the relevant areas related to the trade secret except those who are allowed to control or use such kind of information.

The two laws, the Third Restatement and the Uniform Trade Secret Act, also have the differences; the UTSA has broader commentary than the Third Restatement on the value of a trade secret. The term "trade secret" of the UTSA is been focusing on the interests that others gain from the trade secret rather than the competitive advantage. The Third Restatement does not require the owner to give a protection measure to his confidential information, but the two laws are still regarding the "reasonable under circumstance" in order to consider the term "trade secret." The court is still able to give the remedies when the surrounding circumstances could be construed as the owner of the trade secret alleges. The Third Restatement contemplates the effort of the owner maintaining of the trade secret as just one factor, even the owner fails to provide the burden of proof in order to protect his confidential information. The trade secret is still entitled to legal protection if they meet the two requirements, the economic value and the clarity of such confidentiality.

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<sup>49</sup> The Restatement (Third) of Unfair competition 1995. Section 39

## CHAPTER 4

### LEGAL CONTROL OF TRADE SECRET IN THAILAND

#### 4.1 Trade Secret under Thai law

The governing law on the term trade secret under Thai law has been following the TRIPS Agreement Article 39. The written meaning is also consistent with the section 1(4) of the Uniform Trade Secret Act 1985. The law has been obtaining the equitable rule through the legislation regarding the Article 39 of the TRIPS Agreement. Even though the laws from the different legal systems purport to apply the cases accordingly with Article 39 but there are differences on their faces.

In first case concerning trade secret has found in the Supreme Court decision 830/2475, holding the Penal Code BE 2451, section 280. In the case of Kimberly Miller (SIAM) V. Mr. Yen Fu and Mr. W. Schneider, the issue of this case is dealing with the principle of the disclosure of secret knowledge by an employee. The court held that

*"The issue is that the defendant was a manager of the department store of the plaintiff. The defendant revealed the secret of the plaintiff's business, a department store. The defendant copied the plaintiff's trade list. The issue is whether such kind of acts concerning as the wrongful act under section 280 of the Penal code or not"*<sup>50</sup>

Supreme Court held that the defendant is not guilty because the defendant obtained the secret while working as an employee and is compounded by the civil law within the meaning of Section 280. The employee shall disclose trade secret without considered as a criminal offense. From the aforementioned case, it reflects that the law could not protect the nature of trade secret. The criminal law could not give the remedies to the owner of a trade secret, the law concerning just the components of the

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<sup>50</sup> Supreme Court decision 830/2475

defendant's conduct that whether such conduct contains the intention and comprises of the requirements of the section 280 or not, the nature of trade secret is not regarded.

Thailand later became a member of the World Trade Organization (WTO). This is the changing on the intellectual property field for the country. The Trade Secret Act was drafted and launched in 2002. The conference of the Thai senate had to conclude the draft and finished the process of legislation within the specific time given by the Uruguay Round (see the chapter 2, concerning the TRIPS Agreement). In order to have a great deal and negotiate with other countries in the global markets, the Trade Secret Act B.E.2545 is one of the concerning tool.

#### **4.1.1 The essence of the Trade Secret Act B.E 2545**

In the drafting process, the House of Representatives approval was on July 9<sup>th</sup>, 2543. The draft of Trade Secrets Act of Thailand was a result of a commitment of the World Trade Organization (WTO). The World Trade Organization member states comprised of 135 countries and Thailand entered into the agreement of the WTO on April 15<sup>th</sup>, 2537. Member countries could obtain the benefits from the implementation of the agreement, such as increasing the number of export products, increasing the competitiveness of industry and services, and even more on competing with other countries in the global trading platform. To join as associate members, the country's gross domestic product has increased. Meanwhile, Thailand needed to follow the obligations in the agreement, following the Uruguay Round. For instances, multilateral agreement on trade in goods, trade in services, environmental protection measures, intellectual property rights<sup>51</sup>.

Rationale of the drafting is relevant to the arenas of the commerce and the tremendous needs. Providing protection and prevention of any acts considered as unfair competition must be provided. The governing law concerning tortious acts in the country does not enough in order to protect the trade secret. The Parliament took

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<sup>51</sup> Law and Information Service Secretariat of the Senate, "Draft of the Trade Secrets Act. B.E..." p.5 Prefatory Notes

the matters of a trade secret issues as the main rationale of the conference. The draft was followed the Article 39, Article 61 of the Agreement of Intellectual Property Rights (TRIPS). World Trade Organization required the member countries, the developing countries to follow and compliance the obligations by the year 2002, Thailand was one of those countries. If the World Trade Organization found that any member country failed to comply with the agreement, such country might obtain the disadvantage in the global trade. For instances: retaliation on the country's exports in the world trade arena, the affection on the assessment to the various trade negotiations. The draft of the Trade Secrets Act had been approved by Parliament and published in the Gazette, the enforcement was on July 22<sup>nd</sup>, 2002. The aspect of the Trade Secret Act B.E. 2545, according to the provisions of the law, the structure of the law of trade secrets is comprised of the following substances:

(1) Defined terms trade secret. The definition of a trade secret, the owner of a trade secret, the controller of trade secrets such as pharmaceuticals, chemicals, agriculture and so on.

(2) The rights of controller of trade secrets, including the right to disclose, acquire to, or use of trade secrets, allow people to share out or use of trade secrets.

(3) The infringement of trade secrets. For instance, the action which is considered as the disclosure of the secrecy information, the acquisition, the usage of the trade secret without the owner's consent and contrary to the good faith in commercial practice.

(4) The actions not considered as infringement such as the acquisition of trade secrets by a transaction without the knowledge of the infringement of trade secrets, the state agency discloses or uses of such trade secrets in order to protect the health or safety of the public. Including, the discovery independently and reverse engineering.

(5) The judiciary control of trade secrets in the case of trade secret infringement, the trade secret controller can ask for the court injunction in order to prohibit the actions of the person who commit the infringement or claiming for the damages.

(6) The procedure regarding the infringement of trade secrets are specified in particular case. The judiciary process is established under the law of the Intellectual Property and International Trade enforcement. The provisions are consistent with the protection of trade secrets.

(7) Maintaining trade secrets by state agencies. The law requires the state agencies not to disclose or use trade secret as unfair commercially. Especially, those state agencies that having responsibilities on giving the permissions to the businesses. The types of businesses regarding in this section are the manufactures, import, export, selling of drugs or chemicals, and those selling agricultural chemicals.

(8) Board of Trade Secrets. The Board's duty is to determine the composition and organize the authority of the Board's members.

(9) In order to enforce the law effectively, the law states the penalties to hinder or facilitate the competent authority.

(10) The stated provisions are clear that the Trade Secret Act B.E.2545 shall not apply to any actions that occurred before the enforcement of the Act.

The Trade Secrets Act 2545, contains 39 sections and divided into 6 categories as follows: Chapter I Protection of Trade Secrets, Chapter II Procedure for Trade Secrets Infringement, Chapter III Maintenance of Trade Secrets by State Agencies, Chapter IV the Trade Secrets Board, Chapter V Competent Chapter VI Penalties Officer.



#### 4.1.2 Other Laws Related to the Protection of the Secrecy

##### Information

Prior the announcement of the Thailand Trade Secrets Act B.E.2545, there are other laws concerning the trade secret issues. There are:

(1) The Penal Code, section 323 and 324 which are the principles of the offenses for the disclosure of private secrets. The section 323 and section 324 state that:

*“Section 323 Whoever, knows or acquires a private secret of another person by reason of his functions as a competent official or his profession as a medical practitioner, pharmacist, druggist, midwife, nursing attendant, priest, advocate, lawyer or auditor, or by reason of being an assistant in such profession, and then discloses such private secret in a manner likely to cause injury to any person, shall be punished with imprisonment not exceeding six months or fined not exceeding one thousand Baht, or both*

*A person undergoing training and instruction in the profession mentioned in the first paragraph has known or acquired the private secret of another person in the training and instruction in such profession, and discloses such private secret in a manner likely to cause injury to any person, shall be liable to the same punishment.*<sup>52</sup>

*Section 324 Whoever, on the ground that oneself having the duty, professing to call the trust, having known or acquired the secret according to industry, discovery or scientific invention, disclosing or using such secret for the benefit of oneself or other person, shall be imprisoned not out of six months or fined not out of one thousand Baht, or both.”*<sup>53</sup>

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<sup>52</sup> Thailand Penal code. Section 323

<sup>53</sup> Thailand Penal code. Section 324



Section 323 indicates and emphasizes specific confidential information which is derived from a staff officer who is responsible for such information. The law focuses on these professions such as doctors, nurses, midwives, pharmacists, priests, doctors, lawyers and auditors, also such the assistants. The term of “secret” under this section is too broad. The provision does not specify the type or category of secrecy, thus the owner of the secrecy information only enforce for those under the section 323 to disclose the secrecy information<sup>54</sup>

Section 324 indicates the protection of the discovery in the industry, the discovery on the scientific field. This section is concerning the protection of the information in a narrow sense. The protection does not include all kind of trade secrets. Those who are guilty and are subjected to the punishment under Section 324. If the disclosure or the usage of such confidential information are being used by the means of the conflict of interest accordance with the duty of that person then, he has to be punished.

(2) The Civil and Commercial Code, the protection of a trade secret can be protected under the provisions of the contract principle and also the tort law.

(a) Provisions of the law of contract: if there is an agreement on the protection of trade secrets which is a valid contract under the Civil and Commercial Code, if a breach of contract is occurred then it is recognized by the law. The defendant may be sued for breach of contracts or may be sued for compensation instead. In commercial contracts or other types of contracts that using in the business areas, the protection of trade secrets can be defined by an agreement between the parties of disclosure. Such contract is not contrary to public order and good morals, it is enforceable but the enforcement is only enforced between the parties or others who are specified according to the contract or agreement.<sup>55</sup> Thus, the shortcoming of the provision is that if there are any outsiders know the trade secrets or business’s secrecy

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<sup>54</sup> Surapon Triwate. **Trade Secret Act B.E 2545**. Winyuchon, Bangkok, 2546: p.26

<sup>55</sup> *Id.* at p. 29

information and such information is brought for the disclosure or exploitation, the owners of trade secrets cannot be sued for compensation again because the information has become a public domain.

(b) Provisions of the tort law: under section 420 of the Civil and Commercial Code, the law has been prescribed that:

*“Section 420 A person who, willfully or negligently, unlawfully injures the life, body, health, liberty, property or any right of another person, is said to commit a wrongful act and is bound to make compensation therefore.”<sup>56</sup>*

Considering the section 420 in the case of a trade secret, if the person obtains the trade secret without the consent of the owner, the question is whether or not such action is considered as infringement and would be protected under Section 420? The answer is the mentioned provision is prescribed and enforced over the rights of general property and also trade secrets, but the enforcement is only for involving parties of such tortious case.

Any right that need to be protected, it must have laws that supports the coverage. Before the Trade Secret Act would be launched, there was a case concerning a trade secret protection but the court held that what the plaintiff had alleged, there was no any governing law concerning. It can be seen in the Supreme Court Decision 837/2507 the case of Charles Pfizer and Company Ltd. V. Atlantic Trading Co., Ltd. The fact is that the plaintiff has found out that there is the new drug which is parallel with the plaintiff's. The plaintiff's drug names "Oxy Tetracycline". and production of this drug has been produced in the US. The plaintiff is the owner of property rights and rights for inventions of the medicine. Its patent was registered in the United States and well-known, popular among the common people. The plaintiff's trademark name "Terramycin" and also registered trademarks in the United States and Thailand. The defendant is a trader supplies pharmaceutical which assumed to know

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<sup>56</sup> The Civil and Commercial Code. Section 420

that the plaintiff owns the patent pharmaceuticals. *Those* products are imported and brought up to sale in Thailand. The pharmaceutical Oxy Tetracycline, also known as Terramycin under the name OxyLin considered as infringement of the plaintiff's patent rights. The plaintiff claims for damages. The plaintiffs asked the court to rule that he owns the rights to an invention which has the scientific name pharmaceuticals. Oxy Tetracycline and asked for the prohibition for the defendant's imported products into the Kingdom and also any availability of such pharmaceuticals. The court gave the rationale on this case that the defendant's conduct it is not illegitimate and the plaintiff cannot make in favor of their rights under the Civil and Commercial Code, Section 420 and is not likely to cause any claims. The alleged product is not considered as the property under the Civil and Commercial Code, section 99 and therefore not hindering by the section 1336.

#### **4.2 The Definition of Trade Secret under The Trade Secret Act. B.E 2545**

The Trade Secret Act B.E 2545 states the term trade secret as:

*“Section 3 “Trade Secrets” means trade information not yet publicly known or not yet accessible by persons who are normally connected with the information. The commercial values of which derive from its secrecy and that the controller of the trade secrets has taken appropriate measures to maintain the secrecy.”*

The term trade secret under the Trade Secret Act is similar to those in the US laws; they are only different on some perspectives. The definition under the Trade Secret Act does not state term “reasonable under circumstances” as the section 1(4) and the stated term “information that can be used in the operation of a business “as stated in the Restatement (Third) of Unfair Competition 1995.

The term trade secret under the Trade Secret Act B.E.2545 contains three perspectives which are: the information is not readily ascertainable and not normally reached by those typically work in the related areas with such information, such

information contains the potential economic value, and the owner has to take eligible precaution on the trade secret.

When it comes to the court that whether the non-technical information is concerned as trade secret or not, such issue may cause the problem to the owner of the trade secret because the term trade secret under section 3 of the Trade Secret Act does not state the various kinds of trade secret as those in the US law. The court may consider the term trade secret following the legal components stated in section 3 only. Since the section 3 does not state the terms “reasonable under circumstances” as the section 1(4) of in the Uniform Trade Secret Act 1985 and the stated term “information that can be used in the operation of a business” as the Restatement (Third) of Unfair Competition 1995, the burden of proof falls into the plaintiff’s side. The term trade secret under Thai law has followed the TRIPS Agreement Article 39. The equitable rule is already applied in the Article 39. Thus, the term trade secret under the Trade Secret Act B.E.2545 is obtaining the equitable rule as those governing laws of the common law countries.

#### **4.3 Infringement of Trade Secret**

The infringement of trade secret rights which the owner or the controller have the right to claim and file a civil suit, or seeking to have the order suspended the act, Section 6 defines four elements as follows:

*“Infringement of Trade Secrets, section 6. The infringement of trade secret rights under this Act are the act of disclosure, deprivation or usage of trade secrets without the consent of the owner in a manner contrary to honest trade practices. In so doing, the infringer must be aware of or has reasonable cause to be aware that such act is contrary to honest trade practices.*

*Acts contrary to honest trade practices under paragraph one shall include breach of contract, infringement or inducement to infringe confidentiality,*

*bribery, coercion, fraud, theft, receiving of stolen property or espionage through electronics or other means.”*<sup>57</sup>

(1) Section 6, is the rules controlling the infringement. The acts regarding infringement are: “disclose to”, “acquire to”, and “use”. The given terms on this provision follows the Article 39 of the TRIPS agreement.

(2) Any acts as mentioned above, there are considered as the infringement if such acts occur without the consent of the owner of the trade secret.

(3) The acts must contrary to a honest manner of commercial practice. As noted in the Agreement on Trade –Related Aspects of Intellectual Property Rights Article 39 the agreement states the standard for an honest manner of the commercial practice as follows;

*“A manner contrary to honest commercial practices” shall mean at least practices 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>58</sup>

Section 6 has follows the standard which the TRIPS agreement has been given. Paragraph 2 of this section comprises of the various kinds of acts concerning infringement, there are: the breach of contract, breach of confidence, bribery, coercion, fraud, burglary, stolen goods, espionage by electronic means. The paragraph 2 is consistent with footnote 10 of the Uniform Trade Secret Act of the US.

(4) That person who acts contrary to honest manner of the commercial practice knows or need to know that his action is prohibited by the law.

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<sup>57</sup> The Trade Secret Act B.E.2545 Section 6

<sup>58</sup> The Agreement on Trade Related Aspects of Intellectual Property Rights. Article 39

#### 4.4 The Acts not considered infringement

The Trade Secret Act B.E. 2545 also states the acts which not considered infringement. The provision consists of the following substances:

(1) The disclosure which not considered infringement has to consist of the two components as follows:

(a) The person who disclose the secrecy information has obtained the secrecy information through transaction and;

(b) The person who obtained the secrecy information does not know or have reason to know that such secrecy information is obtained through infringement. As the law has prescribes below:

*“Acts not Considered Infringement. Section 7. Any of the following acts against trade secrets shall not be considered an infringement:*

*(1) Disclosure or use of trade secrets by a person who has obtained the trade secrets through a transaction without knowing or having reasonable cause to know that the other party to the transaction obtained the trade secrets through the infringement thereof.*

*(2) Disclosure or use of trade secrets by state agency which is responsible for their maintenance in the following circumstances:*

*(a) When it is necessary for the protection of public health or safety; or,*

*(b) When it is necessary for the benefit of other public interests with no commercial purpose. In such case, the state agency which is responsible for the maintenance of trade secrets, or other state agency or person concerned who has*

*access to the trade secrets has taken reasonable steps for the protection of the trade secrets from being used in unfair trading activities.*

*(3) Independent discovery i.e. discovery of a trade secret belonging to others by the researcher's own method of invention or development through his own expertise; or,*

*(4) Reverse engineering i.e. discovery of a trade secret belonging to others by means of evaluation and analysis of a widely-known product with the intention to discover the method by which such product is invented, manufactured or developed, provided that the product was obtained in good faith by the person who conducted the evaluation and analysis.*<sup>59</sup>

*The act under (4) cannot be raised as a justification if the person who conducted reverse engineering expressly agreed otherwise with the owner of trade secrets or seller of the product.*<sup>60</sup>

The exception under this section is to protect the person who obtained trade secret legally. In the course of legitimate trade secret activity, that person must not use any dishonest means in order to obtain the secrecy information nor any negligence or carelessness in such acts under dishonest means. The other countries also have the similar exception as stated in the section 7. For example, the ex-employee of the company A had stolen the know-how which written in a paper and kept in the computer of a company A. The ex-employee sales it to B. Then, B sales it to C. Thus when C establishes his company, then he uses that information which he has obtained in order to make his new invention. Thus, C's act is not considered as the acts contrary to the dishonest manner.

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<sup>59</sup> The Trade Secret Act B.E.2545 Section 7

<sup>60</sup> The Trade Secret Act B.E.2545 Section 7



(2) The disclosure by the state agency is accepted under this Act. The concerning issues are:

(a) An exception under this section must be conducted by the state agency. Firstly, it needs to be considered the elements of a violation of trade secrets under section 6 and secondly, the exceptions under section 7 are concerned.

(b) The act of the public agency has caused to against the public interests.

(3) Independent discovery is the exception of the acts considered infringement. As Thailand is a developing country, the governing law needs the developments for the industries. If the independent discovery of the trade secret is similar to the existences and the independent discovery is not obtained through any illegal acts, the right of the owner of such discovery is protected. The new findings also have rights to these trade secrets if he makes the effort to discover it and gives his own contributions in order to make it. In the case that the employees are currently working with the employers and recognizing the trade secrets of the employers, such act shall be subjected to a liability equally as those illegal acts which have writing down the trade secret in papers or any tangible medium.

(4) Reverse engineering; the right of trade secret is legally acquired by the reverse engineering. The rationale behinds this protectable mean is similar to the independent discovery. The governing law does not need to block ideas or narrow down the development of the businesses and the law needs to increase the gross income of the country. Thailand is a developing country, thus the more inventions and discoveries are needed. Under this exception in Thai law, it is consistent with the exception of the US law, the Uniform Trade Secret Act and those on the Restatement (Third) of Unfair Competition 1995.

The following cases exploit of how the Court have states the ways reverse engineering as acceptable, there are US Court decisions because in Thai Court the related cases as reverse engineering merely be brought to trials. For instances, in



Midland-Ross Corp. V. Sunbeam Equipment Corp., the Western District of Pennsylvania court held the case as follows:

*“The sale of a product containing trade secrets constitutes a public disclosure which defeats acclaim founded upon those trade secrets where the nature of the trade secrets is ascertainable by inspection of the product.” In reference on the products at issue—two types of furnaces—the court reasoned that even though a marketed product would have to be rendered inoperative and examined by a skilled engineer in order for a discovery robe made of the trade secrets contained therein. The sale of such a product nevertheless constitutes a public disclosure which will defeat a claim founded upon the trade secret contained in the product.”*<sup>61</sup>

Similarly in the case of Carson Products V. Califano, the Fifth Circuit:

*“Any competitor wishing to find the identity of the secret ingredient in the product could, by doing its homework of studying certain available sources, readily ascertain its presence in the product. “Based on ‘considerable authority,’ another court went as far to opine that “the obvious implication is that a public sale obliterate: any trade secret embodied in the particular article sold”.*<sup>62</sup>

The Court held that the secrecy information can be ascertained by reverse engineering and used the time-consuming including efforts and expenses. The one who makes that reverse engineering invention will be protected and accepted. The TRIPS Article 39 does not specify reverse engineering as exception but for the developing countries and those developed countries in the common law system, reverse engineering is accepted.

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<sup>61</sup>Jeffrey K. Riffer and Joanna H. Kim, “Pitfalls to the Defense of Reverse Engineering”, last accessed on July 2nd, 2015 , <http://cdfirm.com/pitfalls-to-the-defense-of-reverse-engineering/>

<sup>62</sup> *Id.* 53

#### 4.5 Analysis of legal problems

According to the Supreme Court Decision 10217/2553, this study has found that there is the ambiguity of the term trade secret under Thai law. The court ruled that providing customer lists and customer premises could not be concerned as a trade secret. The court analyzed in a fair interpretation from the context but if looking in terms of competitive advantage, using the same list of clients list, can be said that they have the exact same markets. The customer list contains what exactly the customers' needs and contains details which might take times and money to gather all of such information. The Court did not hold the protection for the plaintiffs. The rationale is that it would give excessive monopoly for plaintiff. The court held that the customer list in this case does not provide things concerning trade secrets. The Court only analyzed on the ineligible precaution of the trade secret by the owner.

In the case of the Heat & Combustion Co., Ltd. V. Somsak Sukkasem, The Supreme Court Decision 10217/2553 as follows;

(a) Facts: the plaintiffs are the limited company, and the limited partnership represented by Mr. Wisit Jiragulwiwattat as an authority on behalf of plaintiffs. The plaintiffs are the first dealership of G Crompton Schroeder Ratingen (Germany). At time the issue erupted, the defendants were the employees of the plaintiffs as salesmen accordingly with the job applications and the employment contracts. The plaintiffs alleged that the defendants infringe their trade secret, the customer list. The plaintiffs claim for 5,000,000 baht with interest rate of 7.5 percent per year from the filing date until completed of a payment to the plaintiff and also claim for the prohibition of the abuses by the defendants. The plaintiffs ask for the injunction relief by the court, not allow any selling of the alleged customer list and also the other customer lists of the plaintiffs. The plaintiffs alleged that the defendants know about those trade secrets because of the knowledge that they obtained while working with the plaintiffs.

The plaintiffs alleged that defendants signed the employment contracts with the plaintiffs. The plaintiffs alleged that the defendants knew that there was the obligation accordingly with the rule of its company. All of the information that used in the operation of business must be maintained as confidentiality. All the employees were not allowed to disclose or reveal the information to the outsiders otherwise, they would be punished. The plaintiffs had asserted its customer list as the main evidence of the case. The plaintiffs asserted that the customer list was infringed and caused the damages to the business. The plaintiff appealed that the quotation document number 12 which purposed sale to the CIMB Engineering (Thailand) Co., Ltd. is a trade secret of the plaintiffs.

(b) Issues: is the alleged acts of the defendants concerning as infringement of the trade secret?

(c) Holding: The Intellectual Property and International Trade Court, B.E. 2539 (1996) Section 45; and Civil Procedure Code Article 225, paragraph 1

(d) Rationale: the Court ruled that the plaintiffs' indictment doesn't bring up any statements mentioned the quotation document number 12. Thus, the Court could not consider that whether that quotation document is concerned as trade secret or not. The Court ruled that if concerning the customer list as a trade secret as the plaintiff alleged, it shall contrary to the purpose of law. The Court also considered that the employment contract is not counting as the eligible precaution of the secrecy information of the business. The plaintiffs' effort in order to protect his trade secret is not enough.

In the aforementioned case, the protecting trade secrets may be the most difficult questions if a third person was involved in a liability of infringement of trade secrets. The Court mentioned the rationale of the protectable elements accordance with the provisions of the Trade Secret Act B.E.2545. Including the purpose of the Trade Secret Act B.E.2545 which accordance with the TRIPS agreement Article 39, also the Article 10*bis* of the Paris Convention, concerning the protection from the

unfair competition. The Trade Secret Act B.E. 2545 has followed the components of the TRIPS agreement. Concerning the roots of the trade secret protection, it can be seen that in the areas of the confidential protection, the law focuses on providing legal protection to the owners of trade secrets according to the nature of the secrecy information. The problem is that it is not possible for the section 3 to state all the various kinds of trade secrets, the law cannot prescribe a clear definition of trade secrets under section 3. The section 3 is not a bad law but it just gives the ambiguity of the term trade secret. The Trade Secret Act B.E.2545 does not state the term “Customer lists or Client lists” as one of the protectable trade secrets.

This kind of information is one of a significant burden of proof for the Plaintiffs. The plaintiffs alleged that the actions of the defendants are infringement and employment contract is regarded as the duties of maintaining the employer’s confidential information and the defendants have reason to know that such customer list is confidential information of the plaintiffs.

The Supreme Court went through the rationale in this case as that the law of trade secrets is in line with the objectives of the TRIPS. The actions against unfair competition are referenced by the Article 10*bis* of the Paris Convention which can be seen in the Article 39, the disclosure of secrecy information. The court also held the Article 3 as the concerning point. The court gave the rationale on this point that the plaintiffs do not give eligible precaution on trade secret protection. The trade secrets must be protected with precaution and if concerning the customer list as a trade secret it would give the plaintiff too monopoly, if the customer list can be concerned as a trade secret it would contrary to the honest means in commercial practice. With respect to the decision of the Supreme Court, the study has found two decisive sources relevant to the term trade secrets, which are:

(1) The court considered the case that without taking eligible precaution, such information could not be classified as a trade secret. “...*taken appropriate measures to maintain the secrecy*”. The court decision is consistent with section 3.

(2) The plaintiff failed to assert the evidence concerning the nature of trade secrets. To show the court that such customer list should be a trade secret. The plaintiff had already defended but the plaintiff did not raise such issues in the indictment thus, considered as an error of the plaintiffs in the procedure. The precaution measures of the secrecy information is not enough to specify which one is a secrecy information or which one is not. The contained information in the customer list reflects its potential economic value. The customer list should not be regarded as just the similarity with a phonebook but the contained information in list should be considered as the business significant tool in order to give the competitive advantage to its owner.

The Supreme Court Decision contrary to those decisions under the US jurisprudence in the similar cases. For example the California federal held an interesting statement on this similar kind of issue as follows:

*“Here, plaintiff’s customer lists do not consist of solely of the customers’ names, birthdates and drivers’ license numbers, which information would be readily available to the public. Rather, the customer lists contain information including names, addresses and telephone numbers, as well as the amounts and types of insurance purchased from the company, premium amounts, the character, location and description of the insured property, personal history data of insurance policyholders, and renewal and termination dates of policies in force”*<sup>63</sup>

Also the related case decision can be seen in this following case, the case of *Columbus Bookkeeping & Business Services V. Ohio State Bookkeeping*, the plaintiff sued its competitor and its ex-employer for a trade secret theft. In this case, the fact is as follows: On 29 November 2010, the plaintiff filed the plaintiff’s former employees, Hughes and Petrella, their business associate, Jones, and their business entity, Ohio State BK. The plaintiff alleged for injunctive and monetary relief. The plaintiff has alleged that there are the defendants misappropriated of trade secrets,

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<sup>63</sup> Christopher cole, *“the Exclusive Trade Secret known as a “Customer list”*, accessed on June 25<sup>th</sup>, 2015, <https://www.sheehan.com/view-pdf.aspx?pubID=903>

breached confidences, breached a duty of good faith. In this regard, Hughes and Petrella had been working with the plaintiff for 10-12 years and knowing the plaintiff's customers information totally about 80-85% of the total information. Hughes was the plaintiff's manager handling with reviewing payroll process and preparation of financial statements and Petrella was the payroll supervisor working with all payroll customers.

In August 2012, both of them suddenly resigned their job and did not provide the real reason of leaving. They quitted for setting up a new company, the defendant's business is working in the same line as the plaintiff. However, both of them did not sign the non-competition contract with the plaintiff. The point is that most of the defendant's payroll customer lists are similar to the plaintiff's customer list. Therefore, it comes to question that the defendant acted bad faith to the plaintiff causing the result of allegations filed by the plaintiff against the defendant or not. Both plaintiff and defendant had testified their claims which can be concluded as follows:

Regarding the plaintiff's side, Mark Centofanti who is the sole owner testified that plaintiff has run business since 1954 and incorporated as a limited liability company in 1998, serving payroll bookkeeping, and income tax services and at the time of hearing, there were approximately 500-520 customers. He proved that the customer list is kept in the files and computer which required password to access it and the database was kept on a secure. He did not allow any employee to access the entire client list. Also, the employees were given only some of them in order to provide them service and that information is required to be confidential. In addition, although the file is placed on a vacant cubicle in the office, it was not seen from outside even using binoculars. In addition, although the plaintiff shared office with another company, however it is not allowed to bring the customers' lists documents out of the office. On the other hand, Hughes and Petrella testified the different facts that they did not duplicate the plaintiff's customer list, but their 30% of 40% of payroll customer lists came from Hughes' memory. From the aforementioned evidence, the court found that defendants violated the law. The unauthorized use of the plaintiff's

trade secrets in the form of customer lists. The court gave the rationale on this case that customer lists may be trade secrets only if the information is not generally known or readily ascertainable to the public. In this regard, a customer list entitled to trade secret since it provides the name of the business and the information shall be confidential which is not available to the public, i.e. the name of a contact person, a mobile phone number, an email address and other relevant business data related to client's relationship, which are clients' personal data and are valuable information for most company. In addition, the company typically has spent many hours of labor and interaction to develop the information reflected in the list, and disclosure to a competitor grants the competitor a tremendous advantage in not having to spend the time and money to develop that same information.

Therefore, on 8 February 2011, the trial court granted the plaintiff a preliminary injunction, finding the defendants violated with respect to the plaintiff's customer list and enjoining the defendants per the terms of the order until January 2012.

Overall, to conclude this chapter with respect of the Supreme Court decision, the author agrees with the US court decisions. It can be said that accordance with the nature of trade secret information of the customer list. The customer list does not contain only customers' telephone numbers as a phonebook, but the list also provides the information which could tell what exactly customers want or what the customers really need or even when they need. The customer list can be characterized as a market tool for the business. And such nature of the list, it does have economic value per se. In this case, the alleged issue was also defeated by technical reasons under the provision of the Civil Procedure Code. The court said that the plaintiff did not take adequate measures to maintain confidentiality. This is just one perspective, compared to the court ruling of the United States Court from the above cases. In order to consider the issue "whether the customer list is protectable as a trade secret or not" to make a term trade secret clear, the various kinds of trade secret should be specified or giving more options for the court to consider the term trade secret as those in the US laws as the section 39 of the Restatement (Third) of Unfair Competition 1995. In



order to give more choices to the court and really give the remedies to the owner of the trade secret when the surrounding circumstances reflect that there might be the dishonest mean by the defendant. The section 1(4) of the Uniform Trade Secret Act states that “..is subject of efforts that are reasonable under the circumstances to maintain its secrecy.” In the aforementioned case of the Supreme Court decision 10217/2553. It is hard for the owner of a trade secret, the customer list, to maintain its secrecy because those two defendants’ job description is dealing with the owner’s trade secrets. As the plaintiffs alleged, there are rules and those stated terms in the contract of employment that all the workers in the plaintiffs’ business cannot disclose any information. Considering with the nature of the defendants’ job descriptions and the nature of the trade secret, the customer lists, under these circumstances these could be that the plaintiff is having the reasonable efforts under the circumstances to maintain the secrecy of the customer list.



## **CHAPTER 5**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Conclusion**

The majority of legal opinions envision the intellectual property as one criteria of property. It is the primary basis for determining remedies. For example, to capture a trade secret in the case of employment: the trade secrets of business and information considered the property of the employer, the employee cannot use such in conflict of interest with employers. It is important to protect the trade secret by not disclosing it without consent from its owner.

Protection of trade secrets would create incentives for researchers and manufacturers because legal help standardize of the competition. As noted in the aforementioned statement in the Chapter 2, Lord Wiberforce in the case of Joblling V. Associated Diaries (1981), as “...we do not live in a world that is pure common law...” this reflects the important of the study in the diverse jurisprudence. It is impossible to state all various kinds of trade secret in literally but it is possible to submit the various choices to court in order to make a justice judgment. In order to deal with a high competition in business areas, those legal protection which is given by the patent law, copyright, or trademark may not enough on the areas of intellectual property protection.

Since all of the member countries of the TRIPS Agreement have to follow the Article 39 in order to give a protection for a trade secret, the terms trade secret in the various countries, for example the US laws and Thai law, are obviously similar. The Article 39 does not give a specific term of a trade secret but it is reflected in the Article 39 (2)(a) the nature of trade secret has been shown there. Considering the elements of Article 39 of TRIPS, the Article states kinds of acts that infringe on trade secret rights. Per the norms laid down for the legislation of the member countries, the infringement can be “disclosed to, acquired by and used.” The aforementioned must

be without consent from the owner of a trade secret or those who control the information. Article 39 specified more of the acts contrary to the honest manners of the commercial practices, containing acts considered infringement of trade secrets, which are “disclosed, acquired by, or used by” and such actions have shown that the burden of proof is on the owner. In order to prove that the infringement really has occurred, it must have been executed in only three ways mentioned above.

All of the above-mentioned must not conflict with the honest commercial practices. The honest commercial practices can be an infringement of the contract, breach of confidentiality, including information that should not be disclosed to third parties who knew or recklessly acquired the information related to such a practice. In addition, the Agreement has clarified the attitude of the members. The written provisions on the Agreement shall be construed accordingly and interpreted in good faith.

The Agreement states that so long as such undisclosed information is not readily ascertainable or not generally known, contains an economic value and the owner is taking steps to protect his trade secret. Then, such undisclosed information is classified as a trade secret. The Trade Secret Act section 3 is definitely contained the similar terms as those in the Article 39. But when it comes to court, there might be some ambiguity on the classification of the alleged issue, whether or not such information concerned as a trade secret.

The US laws, the Uniform Trade Secret Act 1985 and the Restatement (Third) of Unfair Competition 1995 are having the terms concerning the nature of trade secrets. Their governing laws are specified what kinds of information regarded as trade secret and the broader statements they give in the laws; these can help the owner when they really need a remedy. The stated statement is telling the court that they can make another consideration besides the stated components under the specified trade secret term. The Restatement (Third) of Unfair Competition 1995 Section 39 gives more choices for the court, as the provision states that “..any information that can be used in the operation of a business”. This statement covers all

various kinds of information. The competitive advantage that the owner of such trade secret would obtain from the law is that the protection concerning non-technical information and those concerning short term information. And the Uniform Trade Secret Act 1985 section 1(4), the court can make a reasonable decision under circumstances.

The term trade secret under the Trade Secret Act B.E.2545 contains three perspectives which are: the information is not readily ascertainable and not normally reached by those typically work in the related areas with such information, such information contains the potential economic value, and the owner has to take eligible precaution on the trade secret.

When it comes to the court that whether the non-technical information is concerned as trade secret or not, such issue may cause the problem to the owner of the trade secret because the term trade secret under section 3 of the Trade Secret Act does not state the various kinds of trade secret as those in the US law. The court may consider the term trade secret following the legal components stated in section 3 only. Since the section 3 does not state the terms “reasonable under circumstances” as the section 1(4) of in the Uniform Trade Secret Act 1985 and the stated term “information that can be used in the operation of a business” as the Restatement (Third) of Unfair Competition 1995, the burden of proof falls into the plaintiff’s side. The term trade secret under Thai law has followed the TRIPS Agreement Article 39. The equitable rule is already applied in the Article 39. Thus, the term trade secret under the Trade Secret Act B.E.2545 is obtaining the equitable rule as those governing laws of the common law countries.

In the Supreme Court decision 10217/2553 as mentioned in the previous chapter, the surrounding circumstances show that the defendant are reasonable to know that the customer list belongs to the plaintiffs and also it could be a significant operation of the plaintiffs’ business, as they are having an employment contract with the plaintiffs. The court considered that such employment contract is ineligible

precaution measures of the plaintiffs. Thus, such customer list cannot be concerned as a trade secret.

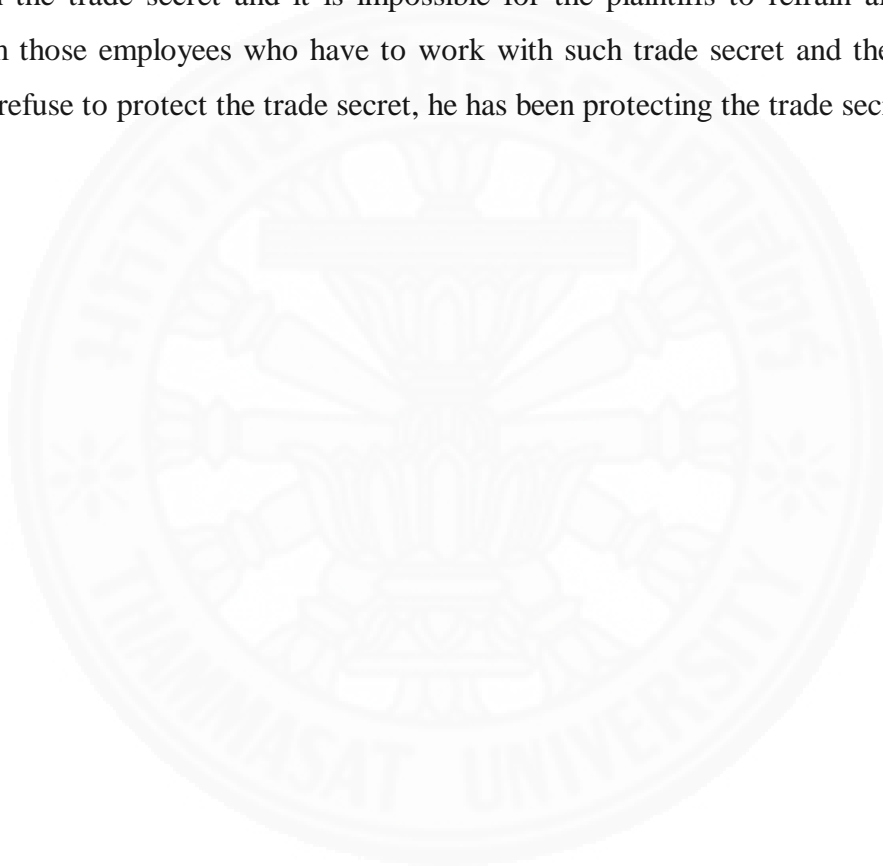
The plaintiffs and the defendants are having the relationship by the employment contracts, the employment contracts should be the reflection between the parties more than the precaution measures. Under the surrounding circumstances, as the defendants' job descriptions are dealing with the trade secret as they're salesman, the rules of the business and the statement which stated in the employment contract has shown the subject of efforts that are reasonable in order to maintain its secrecy. The nature of trade secret is not really considered, the potential economic value of the customer list, as the tool of the business that used in the operation of a business. The nature of the information contained in the list is not just a phonebook. The owner of such customer list has to take times and money in order to acquire those information. The owner of trade secrets should be protected more on their efforts and their significant business information.

## **5.2 Recommendation**

In order to decrease the ambiguity of the term trade secret with the concerning of the nature of the trade secret, there are some statements which may need to be inserted. The study of the US jurisprudence reflects the effectiveness of the law on the protection of a trade secret. Concerning precaution measures of the plaintiff with the surrounding circumstances, the plaintiffs should be subjected for the protection in the course of his efforts of the maintaining of the trade secret. The example can be seen in the Supreme Court Decision 10217/2553, the defendants are salesman. Thus, they could know the information contained in the list.

The section 1(4) ii of the Uniform Trade Secret Act 1985 and the statement contained in the section 39 of the Restatement (Third) of Unfair Competition 1995 are the concerning provisions which the author would recommend, in order to protect the nature of the trade secret and its owner.

The statement says “..any information that can be used in the operation of a business ..”under section 39 of the Restatement (third) of Unfair Competition 1995 and the statements says “is the subject of efforts that are reasonable under the circumstances to maintain its secrecy” of the Uniform Trade Secret Act 1985 can decrease the ambiguity of the term trade secret when it comes to court. The section 39 covers various kinds of information and the section 1(4) ii could help when the surrounding circumstances show that the defendants’ job descriptions have to deal with the trade secret and it is impossible for the plaintiffs to refrain all information from those employees who have to work with such trade secret and the owner does not refuse to protect the trade secret, he has been protecting the trade secret as he can.



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The seal of Thammasat University is a circular emblem. It features a central five-tiered umbrella (parasol) with a sword resting on top. The sword's hilt is on the left, and the blade points towards the right. The entire emblem is encircled by a border containing the university's name in Thai script at the top and "THAMMASAT UNIVERSITY" in English at the bottom.

## **APPENDICES**

## APPENDIX A

### SUPREME COURT DECISION 10217/2553

*“Supreme Court decision 10217/2553*

*Heat & Combustion Co., Ltd. V. Somsak Sukkasem*

*Acts on the establishment of an procedure for Intellectual Property and International Trade Court, B.E. 2539 (1996) Section 45; and Civil Procedure Code Article 225, paragraph 1*

*According to the definition of "trade secrets" and “the controller of the trade secret” under Section 3 of the Trade Secret Act B.E 2545, trade information as a trade secret must be protected by the owner or the controller of trade secrets and has taken appropriate measures to maintain confidentiality. The agreement on a labor contract between the plaintiff and the two employees that prohibit employees from disclosing confidential company information to third parties, which may be punished if they breach the obligations, not enough to be considered appropriate to treat such information as confidential as the purpose of the provisions of this law.<sup>64</sup>*

*Both the plaintiffs did not specified on the complaint said quotations are based on data, trade secrets, the two defendants disclosed. Although both plaintiffs would attest that such information is a trade secret, it is outside of both plaintiffs filed. As it had not raised that it was like in the Intellectual Property and International Trade Center. Supreme Court litigation department of intellectual property and international trade not been diagnosed.*

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<sup>64</sup> Supreme Court Decision 837/2507,  
<http://deka2007.supremecourt.or.th/deka/web/docdetail.jsp>

*Both plaintiffs filed and resolve the complaint. The four defendants penalties under the Trade Secrets Act 2545, Section 6, 33, 34, 35, 36 Penal Code section 83, 84, 86, 90, 91 and forced the four defendants together or interchangeably. Payment of 5,000,000 baht with interest rate of 7.5 percent per year from the filing date until payment to the plaintiff, either. The four defendants suspended the infringement of trade secrets and commercial information of both plaintiffs from the date of filing. If they fail to pay five million baht a year from the date of filing will stop the abuses. All four defendants are not allowed to sell to the customers of both plaintiffs listed in the indictment and other customers of both plaintiffs. The defendant and the second one has known about the client roster of both plaintiffs.*

*Intellectual Property Court and the International Trade Centre Court of the matter and agreed that a prima facie case to accept the charge.*

*All four defendants denied*

*Intellectual Property Court and the International Trade Centre considered and dismissed. Dues takes up on himself*

*Both plaintiffs appealed to the Supreme Court*

*Supreme Court Litigation Department of Intellectual Property and International Trade diagnosed. Then consider The fact that the plaintiffs in the preliminary hearing is completed, the second one a limited company to a limited partnership as plaintiff. Both plaintiff, Mr. Wisit Jiragulwiwatta as an authority on behalf of plaintiffs who first dealership of G Crompton Schroeder Ratingen (Germany) While the first incident, the first defendant, was employed by the second plaintiff as a salesman at one position in applications and contract workers fourth defendant, a limited company with a third defendant was authorized to represent. On August 14, 2545, the first defendant named as directors of the four defendants. To issue a decision under appeal filed both have that: four defendants guilty as charged or not.*

*The plaintiffs appeal that both Customer lists and customer locations both plaintiff as the plaintiff's trade secrets, either that Article 3 of the Trade Secret Act 2545 defines "trade secrets" that commercial data is not yet known. or generally accessible to persons who are not normally required on such information. This is valuable information because of commercial confidentiality. And a data controller of trade secrets has taken appropriate measures to maintain as confidential. The term "trade secret control" means the owner of a trade secret and shall include the possession, control or maintenance of trade secrets. The terms of trade information is a trade secret. Such information must be the owner or controller of trade secrets has taken appropriate measures to maintain confidentiality.*

*In this issue, Mr. Wisit testified that the defendant, and the second one led to secret information on the origin of goods, product prices, name and address of the customer to disclose to the defense the fourth through the defense 3 to suggest that the defendant's fourth trade competition with both plaintiffs. The defendants, first and second, obtained information from active duty to the plaintiff. Both defendants had a duty to maintain the confidentiality of such. Not to disclose when it is revealed both plaintiffs has been damaged.*

*But the evidence of both the plaintiffs did not appear to have document control system to prohibit the personnel concerned access to documents that are confidential. Storage of customer data both plaintiffs it does not appear that any measures to prevent information leaks to the persons who are not directly involved. In such case, the plaintiff had no reasonable measures to keep such information confidential within the meaning of such provisions. The prosecution appeal that both plaintiffs have rules that employees must keep confidential such information is not disclosed to third parties. And suppose that every employee knows this information was concealed by the rules of the company, held that such measures are appropriate then that the claims of both plaintiffs are claiming the terms of the employment agreement between both plaintiffs: prohibiting employees of the company to disclose confidential information to third parties. If there is a violation may be punished for it. Terms of the employment agreement alone will not be enough to be considered appropriate to treat*

*such information as confidential. Because otherwise the plaintiff both virtually every subject, it may be considered a trade secret. This shows that it is not the intent of the law in this regard. Information about the names and addresses of customers of both plaintiffs and therefore not considered a trade secret. The plaintiffs appeal that both information on the quotation document refers number 12 of the plaintiffs in both the proposed sale to CIMB Engineering (Thailand) Co., Ltd. is a trade secret of both plaintiffs. The two defendants described as the first and second know the trade secrets about the company and product details of customers who place orders from both plaintiffs. It is a fact that must be reserved for non-disclosure because of their perceived or because of duty and both plaintiffs have measures of confidentiality and trade. All rights prohibition on disclosure of commercial information and trade secrets, then the defendants 1 and 2 bring the confidential information disclosed to the defendant, the third of which is authorized to represent the defendant 4 makes both plaintiffs were damaged as follows.*

*According to the indictment of both plaintiffs Both the plaintiff claimed as trade secrets is information about the manufacturer, product and customer addresses of both plaintiffs. Both the prosecution nor the complaint said such information document refers to the quotation number 12 is a trade secret that first and second defendants had disclosed, although the two are similarly attest that such information is a trade secret of both plaintiffs. It was filed outside as it was not raised in the Intellectual Property and International Trade Center Court. Both plaintiffs have no right to appeal in this issue. The appeal filed by both of the other material to the case. It may not change the case. The diagnosis is not required*

*When the case cannot be proved that the plaintiff sued the four defendants guilty on both. All four defendants are not liable to pay damages for infringement of the both plaintiffs. The Intellectual Property Court and the International Trade Centre Court ruled, Supreme Court agreeing on the outcome. Appeals Court both unreasonable.*

*The Appeal Court affirmed. Dues take up on him.*

**APPENDIX B**  
**RESTATEMENT (THIRD) OF UNFAIR COMPETITION**  
**Topic 2. Trade Secrets**

**§ 39. Definition Of Trade Secret**

A trade secret is any information that can be used in the operation of a business or other enterprise and that is sufficiently valuable and secret to afford an actual or potential economic advantage over others.

**§ 40. Appropriation Of Trade Secrets**

One is subject to liability for the appropriation of another's trade secret if:

- (a) the actor acquires by means that are improper under the rule stated in § 43 information that the actor knows or has reason to know is the other's trade secret; or
- (b) the actor uses or discloses the other's trade secret without the other's consent and, at the time of the use or disclosure,
  - (1) the actor knows or has reason to know that the information is a trade secret that the actor acquired under circumstances creating a duty of confidence owed by the actor to the other under the rule stated in § 41; or
  - (2) the actor knows or has reason to know that the information is a trade secret that the actor acquired by means that are improper under the rule stated in § 43; or
  - (3) the actor knows or has reason to know that the information is a trade secret that the actor acquired from or through a person who acquired it by means that are improper under the rule stated in § 43 or whose disclosure of the trade secret constituted a breach of a duty of confidence owed to the other under the rule stated in § 41; or
  - (4) the actor knows or has reason to know that the information is a trade secret that the actor acquired through an accident or mistake, unless the acquisition was the result of the other's failure to take reasonable precautions to maintain the secrecy of the information.

**§ 41. Duty Of Confidence**

A person to whom a trade secret has been disclosed owes a duty of confidence to the owner of the trade secret for purposes of the rule stated in § 40 if:

- (a) the person made an express promise of confidentiality prior to the disclosure of the trade secret; or
- (b) the trade secret was disclosed to the person under circumstances in which the relationship between the parties to the disclosure or the other facts surrounding the disclosure justify the conclusions that, at the time of the disclosure,
  - (1) the person knew or had reason to know that the disclosure was intended to be in confidence, and
  - (2) the other party to the disclosure was reasonable in inferring that the person consented to an obligation of confidentiality.

#### **§ 42. Breach Of Confidence By Employees**

An employee or former employee who uses or discloses a trade secret owned by the employer or former employer in breach of a duty of confidence is subject to liability for appropriation of the trade secret under the rule stated in § 40.

#### **§ 43. Improper Acquisition Of Trade Secrets**

“Improper” means of acquiring another's trade secret under the rule stated in § 40 include theft, fraud, unauthorized interception of communications, inducement of or knowing participation in a breach of confidence, and other means either wrongful in themselves or wrongful under the circumstances of the case. Independent discovery and analysis of publicly available products or information are not improper means of acquisition.

#### **§ 44. Injunctions: Appropriation Of Trade Secrets**

- (1) If appropriate under the rule stated in Subsection (2), injunctive relief may be awarded to prevent a continuing or threatened appropriation of another's trade secret by one who is subject to liability under the rule stated in § 40.
- (2) The appropriateness and scope of injunctive relief depend upon a comparative appraisal of all the factors of the case, including the following primary factors:
  - (a) the nature of the interest to be protected;

- (b) the nature and extent of the appropriation;
  - (c) the relative adequacy to the plaintiff of an injunction and of other remedies;
  - (d) the relative harm likely to result to the legitimate interests of the defendant if an injunction is granted and to the legitimate interests of the plaintiff if an injunction is denied;
  - (e) the interests of third persons and of the public;
  - (f) any unreasonable delay by the plaintiff in bringing suit or otherwise asserting its rights;
  - (g) any related misconduct on the part of the plaintiff; and
  - (h) the practicality of framing and enforcing the injunction.
- (3) The duration of injunctive relief in trade secret actions should be limited to the time necessary to protect the plaintiff from any harm attributable to the appropriation and to deprive the defendant of any economic advantage attributable to the appropriation.



**BIOGRAPHY**

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