



# The Legal Efforts to Maintain the Authenticity of Trade Secrets through a License Agreement

Fandilla Susanti<sup>1</sup>

<sup>1</sup>Faculty of Law, Universitas Negeri Semarang, Indonesia

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## Abstract

A trade secret is part of IPR which the information is not known by the general public in the field of technology and business, in trade secret has economic and useful values in business activities, also maintain confidential by the owner of the trade secrets regulated by the Law No.30 of 2000. The parties can use trade secret and license agreements, license is the permit given by the owner of trade secrets to other parties through agreements on granting the right to get economic benefits for a certain period of time. The advantage of IPR is personal wealth that can be owned and treated with other wealth forms. The legal research method used in this study is to use a normative juridical approach, which means that a study is conducted based on the review of laws. The efforts to protect trade secrets begin with binding provisions for employees based on the employment agreement, and the licensing agreement. In order to be protected by the trade secret the information must be totally confidential, because if the information has revealed the protection will be lost, the information will become public property. For dispute resolution, litigation and non-litigation can be taken according to the needs of the parties.

**Keyword:** trade secrets, economic value, agreement

## INTRODUCTION

Today the issue of IPR protection is a matter not only one country, but also an international community affair. Furthermore, since the signing of the Agreement Establishing the World Trade Organization (WTO). IPR protection in international is very stringent and law enforcement can be done by the Dispute Settlement Body (DSB). To implement the protection of IPR whose is efficient, effective and beneficial for all WTO members, cooperation between WTO members needs both regionally and internationally. In ASEAN countries has been formed a forum which discusses the issue of protection of IPR. Furthermore the Asia Pacific region, which has formed a forum consisting of experts in the field of IPR to increase protection of IPR in accordance with the protection standards established by the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs). Indonesia has a very strong commitment to the protection of IPR, where has also long been involved and active in both regional and international in the field of Intellectual Property Rights. It can be affirmed that the TRIPs agreement is the main foundation in WTO countries to protect IPR internationally (Getlan, 1995: 176) International agreements on trade aspects of the IPR (the TRIPs Agreement) explicitly do not provide definitions of IPR, but Article 1.2 states that IPR consists of :

1. Copyright;
2. Trademark;
3. Plant Varieties;
4. Industrial Design;
5. Patent;
6. Integrated Circuit Layout Design;
7. Trade Secret;

The enactment of Law No.30 of 2000 concerning Trade Secret is the one of the implementations of TRIPs.

It means that this regulation only exists, but the regulation has not been classified as part of Intellectual Property Rights. IPR generally relates to the protection of the application of ideas and information that having commercial value, one of the advantages of IPR is personal wealth that can be owned and treated with other wealth forms. Nevertheless, there are also losses caused by the application of the IPR system that are temporary and the short term. If Indonesia has been able to optimize the utilization of IPR, these negative impacts will change into benefits for the Indonesian nation in the future (Ismail, 1990: 63-64 )

The IPR is really related to the economy and investment, one of which is the Trade Secret, so that the good implementation of IPR will get benefits to a country because the IPR can accelerate the investment into a country, both domestic and foreign. Intellectual property rights can increase a country's domestic economy. (Lindsey, et. Al. 2000: 79) Furthermore the author formulates the problem to answer trade secret as follows ;

1. What are the elements in the Trade Secret?
2. How is the Legal Effort for infringement Trade Secrets?

## **RESEARCH METHOD**

The legal research method used in this study is to use a normative juridical approach (Marzuki, 2010: 35), which means that a study is conducted based on the review of laws. By reviewing the law, various legal aspects and basic principles contained in these provisions will be known. Then the type of data used as the main guideline in this study is secondary data consisting of both primary, secondary and tertiary legal research materials. Primary research materials are the Trade Secret Law, other IPR regulations and provisions relating to trade secrets. The secondary research is literature, then it conducted inductively, namely the specific provisions are freely described and the results are analyzed by descriptive juridical discussion.

## **RESULT AND DISCUSSION**

### **Rationale for the Protection of Trade Secrets**

The rationale for the protection of confidential information based on the TRIPs agreement is the same as the rationale for the protection of other IPR forms, such as copyrights, patents, designs or brands. That is to ensure the investors developing concepts, ideas and commercial value information and benefit from the investment by getting exclusive rights to use concepts or information, moreover to prevent other parties using or disclosing such information without permission. Legal protection for confidential information also encourages business and commercial development by ensuring that employers develop their knowledge, concepts and information, rather than merely stealing or imitating the creation of other parties. Value of Trade Secrets. Because of their confidential nature, it is difficult to accurately assess the value of trade secrets today or compare their current value to that of years past. (David Law Journal Berkeley Technology Vol. 27:1091 hal 1093).

The aim of the enactment of the Trade Secret Law is based on the element of philosophy (studied in term of law making), the implementation and the aim of enactment (the aim of achieving justice). The aim of law is generally to achieve justice, and justice includes the usability and expediency. According to J. Bentham in the "theory of utilities", the law aims to realize the beneficial thing for people (the aspect of benefit is more concerned in the Trade Secret Law). The aim regulates the rule in society in a peaceful and fair manner (Van Apeldorn), determined by the principle of justice and benefit. (Wignyodipuro, 1983: 19)

There is a difference between Trade Secret and Other Intellectual Property rights, including two main differences between trade secrets and other intellectual property rights such as copyrights, patents and brands, namely :

1. The other forms of IPR are not confidential. In addition, they get protection because they are a type of wealth owned by others.
2. Trade secrets are protected even though they do not have the value of creativity or new ideas. Above all, the trade secret is not generally known. For example, an effective work system may not be very creative, but its effectiveness and confidentiality causes the commercial information.
3. The other forms of IPR are always in the form that can be written, described or determined by the government. Trade secrets should not be written, the most important things are the use of concepts, ideas or information themselves can be given to other parties verbally. This is different from patents and brands. (Lindsey, et. Al. 2000: 238-239)

There are overlapping trade secrets and patents, also differences of them. If a company has an invention, they will choose to maintain the confidentiality of the principles which underlie the invention or patent the

invention. If the company chooses to maintain the confidential invasion, the information will get legal protection as long as confidentiality is not lost. If the confidentiality has lost, there will not protection obtained by investors, therefore trade secret is not the right way to protect products sold on a broad scale of trade and or can be easily devised.

The parties can use trade secret with licensing agreements, license is the permit given by the owner of trade secrets to other parties through agreements on granting the right to get economic benefits for a certain period of time. The owner has the right to freely use the trade secret, as with other types of IPR, the owner may also give licenses to other parties to use the trade secret, through the licensing agreement, the agreement causes an obligation of the licensee to maintain confidentiality. The other parties may use secrets by inheritance, grants, wills, written agreements or other reasons justified by law.

### **Basic Elements of Trade Secret Law**

In Common Law countries, including the United Kingdom, Canada and Australia, laws for confidential infringement arise as a result of court decisions, which not found in a law. In other countries, including the United States, the law of confidential information is contained in laws that are similar to Indonesian laws. However, in most countries, the basic legal elements of confidential information are the same. There are six basic principles, namely;

- 1) To get legal protection, information must be confidential.
- 2) The Defendant has an obligation to the plaintiff to maintain the confidential information.
- 3) There must be use of confidential information without permission from the defendant.
- 4) The using without permission for information must cause loss to the plaintiff.
- 5) Disclosing confidential information can be justified in the public interest in certain situation.
- 6) Various legal efforts can be applied by the court. (Lindsey, et. Al, 2000: 240)

The meaning of Information in trade secrets is grouped in the field of technology and information in the business field. As for the including of information technology, are:

- a. Information about research and development of a technology;
- b. Information about production / process;
- c. Information about quality control.

While the meaning of business information, are:

- a) Information relating to the sale and marketing of a product.
- b) Information relating to the costumer
- c) Information about finance
- d) Information about administration (Semaun, Diktum Law Journal, Volume 9, Number 1, January 2011, pp. 30-42)

In the Trade Secret, it must contain information that is confidential because it is a principle, if information is a concept, idea or information that is only known by the owner, and cannot be obtained by other parties and is not yet known in general. By applying the principles that the creator chooses to disclose information or a concept, so that it is easily found to the public or other parties in the industry related to the publication of an article or advertisement that causes the information or concept to be available, the confidentiality is deemed lost. If the information is generally known, it is not determined based on the number of people who can access it.

A trade secret basically has a subject matter of information which including production methods, processing methods, sales methods or other information in the field of technology and / or business that has economic value and is not known by the general public (Article 2 of the Trade Secret Law). An information gets protection as a trade secret if it matches the qualifications as information that is not known to the public, has economic value and is always maintained confidential. While the parameter for protection is based on indicators of level of confidentiality, involvement with employees, measure to maintain confidentiality, information value for the competitors, level of protection and commercial value of information and the level of difficulty in obtaining information (Sutrisno, Liga Hukum Vol.1 No. 2 JUN 2009, 52)

Efforts to maintain Trade Secrets begin with binding conditions for employees by referring to the employment agreement, including the obligation not to disclose or divulge the company's trade secrets except as stipulated in article 15 of the Trade Secret Law. The clause needed in the license agreement to protect trade secrets can be implemented by the licensor with the licence making the model of the clause including the licence acknowledging and agreeing that the trade secrets stipulated in this agreement belong to the licensor which is very valuable, so that disclosure to other parties is prohibited. Another clause, the licensee agrees that all employees will implement an agreement to not disclose the secrets that are similar or identical according to

the license agreement. Infringement of trade secrets will be processed according to the article 16 and article 17 of the Trade Secret Law.

## Legal Efforts for Infringement of Trade Secrets

Article 1 (1) Law No.30 year 2000 Trade Secrets explains the meaning of trade secrets as information :

- a. In the field of technology or business;
- b. Unknown to the public;
- c. Has an economic value because of its use in trade; and,
- d. confidentiality has been well maintained by the owner of the information.

The definition involves the first two elements of the legal elements of trade secrets in most countries discussed above, namely:

1. Information must be confidential and not publicly known;
2. There must be an obligation to maintain confidentiality, which the owner of the information has protected the confidentiality of the information.

Legal efforts to resolve Infringement of trade secrets, when using trade secret information without permission by the owner, cause loss to the owner of the trade secret. In this case the creator of the information that needs to involve that the recipient uses the concept or information without permission from the creator, so that it can be grouped into two forms of unlicensed use, namely;

1. Creator / Owner of trade information does not give permission to users at all.
2. The creator of information allows the licensee using information for a certain purpose, but the recipient of the information has used the information for other purposes beyond the approval.

The abusing trade secret information, it raises a loss for the creator, the creator must prove the action that causes the commercial or financial losses. However, in practice after the elements of other confidentiality Infringement have been proven, commercial or financial losses are often clearly visible. If a company has invested in developing information, the information will be commercial value, because it can increase the company's competitive position in the market. Obviously, commercial profits will be lost and the company suffers losses if other companies abuse information or have access to confidential information.

Therefore, the problem of loss is rarely responded even though other elements of confidentiality Infringement have been proven. The proof of loss will be a part of the evidence considered by the court in deciding the suitable punishment, because abusing confidential information. In this context, what must be decided is not on the question of whether the loss is suffered, but the amount of loss in the form of money.

In Common law countries such as Australia, Britain, Canada, the United States, there are four important forms of legal, namely;

### 1. Temporary Determination of the Court and Permanent

The legal effort is often the most useful and there is a confidentiality Infringement relating to commercial trade secrets. If a company is using the trade secrets of other companies to produce a product, that is sold in the market and competes with original products, the creator of the concept or information will suffer a loss every day due to the competing product. In this case, it is very important for the creator of the information or concept to get a temporary determination of the court, or a decision which prevents other companies from using the information continuously.

### 2. Compensation

The court could decide that the defendant who abuse the confidential information of the plaintiff must compensate the plaintiff for the losses.

### 3. Profit Calculation

An alternative legal effort for compensation is the calculation of profits; the defendant is ordered to give the profits to the plaintiff obtained through unlicensed use of the plaintiff's trade secrets. This rationale is the defendant's profit that will be the same as the commercial losses suffered by the information creator.

### 4. Delivery of goods

If a person abuses a trade secret owned by another party to produce a product that he sells, then the court can order that person to return all the products to the creator of the trade secret. Because this can prevent losses suffered as a result of other infringement. (Lindsey, et. Al. 2000: 247-248)

The law in most countries, trade secret laws are not infringed, if the uses of trade secrets are in the interests, security, health or safety of the community. In the provisions of Article 11 of No.30 year 2000 the secret of trade in legal effort can be done by ;

1. The holder of the Trade Secret Right or the licensee can sue anyone who intentionally without the right to do

the action as referred to in Article 4, in the form of :

- a. The compensation claim; and / or
  - b. The termination of all acts as referred to in Article 4.
2. The claim as referred to in point (1) is submitted to the District Court.

In Article 12 of Law No.30 Year 2000 Trade Secrets In addition to resolving claims as referred to in Article 11, the parties can resolve the dispute through arbitration or dispute resolution alternative. Therefore the solution can be done by the litigation and Non Litigation.

## CONCLUSION

Trade secret law protects almost all types of information of commercial value if the information is developed. They are maintained in a confidential manner, and there is no limit to how long the information is protected. Because trade secret laws provide unlimited protection, protecting various types of information such as customer lists and business methods. In order to be protected by the Trade Secret the information must be totally confident with the License agreement agreed by the parties, if the information has revealed, the protection will be lost and the information will become public property. The legal settlement, litigation and non-litigation can be done according to the needs of the parties.

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