INDIAN JOURNAL OF LEGAL REVIEW

VOLUME 5 AND ISSUE 13 OF 2025

INSTITUTE OF LEGAL EDUCATION

INDIAN JOURNAL OF LEGAL REVIEW

APIS – 3920 – 0001 | ISSN - 2583-2344

(Open Access Journal)

Journal's Home Page – https://ijlr.iledu.in/

Journal's Editorial Page - https://ijlr.iledu.in/editorial-board/

Volume 5 and Issue 13 of 2025 (Access Full Issue on - https://ijlr.iledu.in/volume-5-and-issue-13-of-2025/)

Publisher

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INDIAN JOURNAL OF LEGAL REVIEW [IJLR – IF SCORE – 7.58]

VOLUME 5 AND ISSUE 13 OF 2025

APIS – 3920 - 0001 *(and)* ISSN - 2583-2344

Published by

Institute of Legal Education

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ROLE OF TRADE SECRET LAWS IN TECHNOLOGY TRANSFER

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BEST CITATION - ROHIT KUMAR, ROLE OF TRADE SECRET LAWS IN TECHNOLOGY TRANSFER, *INDIAN JOURNAL OF LEGAL REVIEW (IJLR),* 5 (13) OF 2025, PG. 498-504, APIS – 3920 – 0001 & ISSN - 2583-2344

Abstract

In an era defined by rapid technological change and global knowledge dissemination, the transfer of innovation from research institutions to industry serves as a cornerstone of economic growth and competitiveness. Among the intellectual property (IP) tools available, trade secret law occupies a unique place: unlike patents, which require public disclosure and offer time-limited exclusivity, trade secrets derive their value from maintained confidentiality and may endure indefinitely if secrecy is preserved. This paper examines the role of trade secret protection in the process of technology transfer, exploring both its enabling and constraining effects. First, it reviews the theoretical bases of technology transfer and trade secret law, addressing how knowledge is codified, protected, and commercialised. Next, it analyses practical mechanisms—such as licensing, institutional strategies, and collaborative models—through which trade secrets influence institutional behaviour, inventor incentives, and industry engagement. Legal reasoning and precedent under trade secret jurisprudence demonstrate how confidentiality obligations, misappropriation doctrines, and institutional practices shape the ecosystem of innovation. The paper then contrasts the experiences of the United States and Italy to illustrate how institutional maturity, legal[807] frameworks, and cultural norms affect the utility of trade secret protection in technology commercialisation. Finally, it addresses emerging challenges—especially transparency and accountability in the digital age—highlighting that while trade secret law can be a powerful enabler of technology transfer, its effectiveness depends critically on robust institutional support, tailored contractual regimes, and an appropriate balance between proprietary advantage and public interest. The findings suggest that policymakers, TTOs[808] (Technology Transfer Offices), and research institutions must adopt strategies that integrate trade secret protection with broader innovation governance, ensuring that the benefits of technological knowledge are realised while safeguarding societal values.

Key words: technological, protection, influence, commercialised, secrecy

[807] Abramo, G. (2006)
[808] Abramo, G., & D'Angelo, C. A. (2009).

INDIAN JOURNAL OF LEGAL REVIEW [IJLR – IF SCORE – 7.58]

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Introduction

In the globalized knowledge economy, the transfer of technology from research institutions to industrial sectors is a fundamental mechanism driving innovation, productivity, and competitiveness. As nations increasingly depend on knowledge-based growth, technology transfer acts as the bridge connecting academic discoveries with commercial applications. Among the various tools used to protect and manage intellectual property (IP), trade secret laws occupy a distinctive and often understated position. Unlike patents, which require public disclosure of the invention in exchange for time-bound exclusivity[809], trade secrets derive their strength from the principle of confidentiality and the maintenance of secrecy. This distinction gives trade secret protection a potentially perpetual character—lasting as long as secrecy is preserved—while also raising complex legal, ethical, and practical questions about its role in technology transfer.This paper examines the multifaceted role of trade secret laws in facilitating, shaping, and sometimes constraining technology transfer. It explores the theoretical underpinnings of both technology transfer and trade secret law, analyzes their intersection in practice, and evaluates comparative experiences from countries such as the United States and Italy. Drawing from legal reasoning models, case analyses, and institutional examples—including national laboratories, public research organizations, and collaborative partnerships—this paper investigates how trade secret protection influences innovation incentives, transparency, and public accountability[810]. Ultimately, the discussion seeks to demonstrate that while trade secret law can serve as an essential catalyst for technology transfer, its effectiveness depends on institutional maturity, legal clarity, and a careful balance between proprietary protection and public interest.

Theoretical Foundations of Technology Transfer and Trade Secret Law

Technology Transfer: Concepts, Channels, and Barriers

Technology transfer refers to the process through which the results of scientific research—often generated within universities or public laboratories—are disseminated to industry for practical use and commercialization (Abramo & D'Angelo, 2009). This process may take many forms, such as licensing, consulting, training, joint ventures, staff mobility, or direct sale of know-how. Effective technology transfer ensures that the knowledge produced in research institutions is not confined to academic publications but is translated into tangible socio-economic benefits.The success of technology transfer depends on several interconnected factors. First, the alignment between research supply and industrial demand determines whether innovations developed in laboratories address market needs (Abramo, 2006). Second, the strength of technology transfer offices (TTOs) and their ability to manage IP effectively play a decisive role in converting academic research into commercial value. Third, national legal frameworks influence the manner and extent to which institutions can protect, license, and profit from their research outputs. Finally, the culture of openness versus confidentiality within institutions shapes how knowledge is codified—whether through patents,[811] trade secrets, or public dissemination.While patents have traditionally dominated the discourse surrounding technology transfer, trade secrets are increasingly acknowledged as critical instruments of protection, particularly for process-based innovations, software algorithms, and industrial know-how that are difficult to patent or reverse engineer. Unlike patents, which require disclosure, trade secrets protect confidential information that provides a

[809] Bench-Capon, T., & Atkinson, K. (2022

[810] Langenkamp, M., Costa, A., & Cheung, C. (2020)

[811] Klein, M. A. (2022).

competitive advantage—thereby encouraging collaboration while maintaining exclusivity.Trade secret law is a unique subset of intellectual property protection grounded not in registration or disclosure, but in confidentiality. Under U.S. law, for example, trade secrets are defined as information that (a) has independent economic value because it is not generally known and (b) is subject to reasonable measures to maintain its secrecy (Bench-Capon & Atkinson, 2022). This protection applies to formulas, designs, practices, processes, or any compilation of information that provides a business edge.The central legal issue in trade secret cases is misappropriation, which involves the improper acquisition, use, or disclosure of a trade secret. Courts evaluate whether reasonable steps were taken to preserve secrecy, whether the information was indeed confidential, and whether the accused party improperly accessed or used it. This reasoning involves a multi-stage legal analysis—establishing facts, ascribing legal factors, resolving issues, and applying relevant precedents (Bench-Capon & Atkinson, 2022).Trade secret law's flexibility allows it to adapt to diverse technological contexts, from manufacturing to software development. However, this flexibility[812] also introduces uncertainty, especially in collaborative technology transfer arrangements, where multiple entities share access to confidential knowledge. The delicate balance between secrecy and collaboration makes trade secret law both an enabling mechanism and a potential barrier to open innovation.

Trade Secret Laws and the Technology Transfer Process

Strategic Use of Trade Secrets in Research Institutions

Public research institutions and universities are key engines of innovation, producing new technologies that can fuel industrial growth. The decision to protect research outputs as trade secrets instead of patents or publications is a strategic one, influenced by factors such as the invention's nature, the risk of reverse engineering, commercialization timelines, and the competitive environment (Arai et al., 2022).For instance, in large research laboratories such as Fermilab in the United States or KEK in Japan, administrators[813] must balance the principle of scientific openness with the need to secure competitive and financial advantages. These laboratories increasingly recognize that while publication is crucial for academic prestige, selective protection through patents or trade secrets can attract industrial partners and funding (Arai et al., 2022). Trade secret protection is particularly useful when institutions wish to delay disclosure until a commercial partnership is finalized or when the invention involves complex processes not easily replicable.In Italy, however, the pattern differs. Research institutions like the National Research Council (CNR) produce large volumes of academic output but lag significantly in patenting and licensing (Abramo, 2006). Trade secret licensing is rare, typically accompanying patent licenses rather than existing independently. This underutilization reflects structural and cultural challenges—weak institutional[814] frameworks, limited engagement with industry, and a traditional preference for open publication over proprietary protection (Abramo & D'Angelo, 2009).

Legal Reasoning and Precedent in Trade Secret Disputes

Legal reasoning in trade secret disputes primarily revolves around balancing the protection of confidential business information with the principles of fair competition and innovation. Courts apply both statutory provisions and equitable principles to determine whether a trade secret exists, whether it was misappropriated, and what remedies are appropriate. The reasoning often begins with assessing the elements of a trade

[812] World Intellectual Property Organization. (2008).

[813] M., & Shahi, S. K. (2017).

[814] Trade secret licensing and technology transfer

secret—information must derive independent economic value from not being generally known and must be subject to reasonable efforts to maintain its secrecy.Precedents play a pivotal role in shaping judicial interpretation of these elements. In *Coco v. A.N. Clark (Engineers) Ltd. (1969)*, the court established the three-part test for breach of confidence: the information must have the necessary quality of confidence, it must be imparted in circumstances importing an obligation of confidence, and there must be an unauthorized use of that information. Similarly, in *Saltman Engineering Co. Ltd. v. Campbell Engineering Co. Ltd. (1948)*, the court emphasized that even ideas not protected by patent law can still qualify as confidential if they provide a commercial advantage.In the United States, the *E.I. duPont deNemour*[815]*s & Co. v. Christopher (1970)* case expanded the scope of trade secret protection by ruling that obtaining confidential information through improper means—such as aerial photography—constituted misappropriation. Indian courts have adopted similar reasoning, as seen in *American Express Bank Ltd. v. Priya Puri (2006)*, where the Delhi High Court underscored that trade secrets and confidential information are protectable under principles of equity and contract law.

Trade Secrets vs. Patents: Comparative Incentives

The decision to protect an innovation as a patent or a trade secret profoundly affects technology transfer strategies. Patents provide a clearly defined, enforceable right but require full public disclosure and expire after a fixed term, typically twenty years. Trade secrets, conversely, offer potentially indefinite protection but rely entirely on maintaining confidentiality (Bench-Capon & Atkinson, 2022).From a strategic standpoint, organizations may prefer trade secret protection for process-based or software innovations that are not easily reverse-engineered. Trade secrets also allow institutions to negotiate flexible licensing agreements and avoid the costs of patent prosecution. However, they carry higher risks: once a trade secret is independently discovered or publicly disclosed, protection is lost permanently.In public research institutions, which traditionally emphasize transparency and open science, the adoption of trade secret strategies can be culturally challenging. In Italy, this tension is visible in the dominance of scientific publication over proprietary protection, which limits the country's ability to translate research into industrial innovation (Abramo & D'Angelo, 2009). Conversely, the U.S. experience, under the Bayh-Dole framework, demonstrates that balanced use of patents and trade secrets—combined with strong institutional support—can yield significant commercialization outcomes (Abramo, 2006).

Institutional and Policy Dimensions of Trade Secret Law in Technology Transfer

The Role of Technology Transfer Offices (TTOs)

Technology Transfer Offices (TTOs) play a crucial intermediary role in bridging the gap between research institutions and the commercial marketplace. They act as facilitators in identifying, protecting, and transferring innovations developed within universities, research organizations, and public institutions to private industry for practical application. Their primary objective is to ensure that research outputs contribute to economic development while safeguarding intellectual property (IP) rights and rewarding[816] inventors.The TTO process typically begins with the evaluation of an invention disclosure submitted by a researcher. The office assesses its novelty, potential market value, and eligibility for protection under patent, copyright, or trade secret laws. Once protected, the TTO engages in marketing the technology to potential industry partners, negotiating licensing agreements, and

[815] Ganguli, P. (2019). *Future of trade secret systems: Addressing innovation*

[816] Directive on the Protection of Trade Secrets (EU Directive 2016/943).

ensuring that the benefits of commercialization are equitably distributed among the institution, inventors, and licensees. Through these activities,[817] TTOs not only promote innovation but also encourage entrepreneurship and strengthen industry–academia collaboration.TTOs also play a vital educational role by training researchers and faculty members on IP management, confidentiality, and commercialization strategies. They create awareness about the importance of protecting research outputs through patents or trade secrets before public disclosure. Moreover, by maintaining strong networks with industry stakeholders, TTOs help align research agendas with market needs, thus increasing the relevance and societal impact of scientific discoveries.Internationally, the role of TTOs gained prominence after the U.S. **Bayh–Dole Act of 1980,** which allowed universities to retain ownership of inventions developed through federally funded research. This policy inspired similar frameworks globally, including in India, where institutions like the Council of Scientific and Industrial Research (CSIR) and premier universities have established TTO-like structures to manage technology transfer.

Aligning Research Supply and Industrial Demand

One of the central challenges in technology transfer is effectively aligning the **supply of research** from universities and research institutions with the **demand of industry** for commercially viable innovations. This alignment determines whether scientific discoveries can move beyond the laboratory and become market-ready technologies that contribute to economic growth and social welfare. Bridging this gap requires a coordinated approach involving academia, industry, and government, supported by clear legal and policy frameworks for intellectual property (IP) and trade secrets.The **research supply** originates primarily from universities, public laboratories, and research centers that focus on generating new knowledge and innovations. These institutions often prioritize academic excellence and publication over commercialization. Conversely, **industrial demand** arises from private enterprises that seek innovations capable of enhancing productivity, profitability, or competitive advantage. The mismatch between these two spheres often results from differences in objectives, timelines, and communication patterns. Academic research tends to focus on long-term scientific inquiry, while industry looks for short-term, market-driven solutions.**Technology Transfer Offices (TTOs)** and intermediary agencies play a vital role in narrowing this gap.[818] They identify research outcomes with potential commercial value, protect them through patents or trade secrets, and market them to industry partners. By translating scientific results into commercially relevant formats—such as prototypes or feasibility studies—TTOs make innovations more understandable and appealing to businesses. Additionally, collaborative mechanisms such as **industry-sponsored research, incubation centers, and joint R&D programs** foster direct engagement between researchers and enterprises, leading to innovations that meet real-world needs.Policy frameworks also play a significant role in fostering this alignment. The **Bayh–Dole Act (1980)** in the United States, for instance, allowed universities to retain ownership of inventions developed through federally funded research, incentivizing them to collaborate with industry. Similar policies in India, under programs like **Startup India** and **Make in India**, encourage universities to partner with private players and establish innovation hubs. These initiatives ensure that academic research aligns with industrial priorities and national economic goals.

Public–Private Partnerships and Collaborative Models

Public–Private Partnerships (PPPs) and collaborative models have become essential

[817] Defend Trade Secrets Act of 2016.

[818] Silvaco Data Systems v. Intel Corp." (2010, April 29

instruments for promoting effective technology transfer and innovation. These arrangements bring together the strengths of both the public and private sectors—combining the research capacity and intellectual capital of universities and public institutions with the financial resources, market understanding, and implementation expertise of private enterprises.[819] The objective is to accelerate the journey of scientific discoveries from the laboratory to the marketplace, ensuring that innovations contribute directly to national development.In a PPP model, the **public sector**—comprising universities, government research organizations, and funding agencies—focuses on generating new knowledge and supporting early-stage research that may not yet be commercially viable. The **private sector,** on the other hand, provides the necessary investment, infrastructure, and market channels to transform research outcomes into products and services. This synergy not only enhances innovation efficiency but also minimizes duplication of effort and optimizes the use of limited research resources.Collaborative models can take various forms, including **joint research programs, incubation centers, consortia, innovation clusters, and licensing partnerships**. For example, joint research centers established between universities and technology firms enable scientists and engineers to work together on solving industry-specific problems. Incubation centers within academic institutions help nurture start-ups and spin-off companies that commercialize university research. These collaborations often rely on clear legal frameworks for **intellectual property rights (IPR), trade secret protection, and benefit-sharing agreements**, ensuring that all parties' interests are safeguarded.Globally, successful PPP initiatives—such as those under the **European Union's Horizon programs** and the **U.S. National Science Foundation's Industry–University Cooperative Research Centers (IUCRC)**—demonstrate how structured collaboration can drive technological advancement. In India, similar efforts are evident through programs like the **Technology Development Board (TDB)**[820], **Biotechnology Industry Research Assistance Council (BIRAC),** and **CSIR–Industry partnerships**, which have significantly boosted technology commercialization

Trade Secret Law, Transparency, and the Accountability Dilemma

The Transparency Gap in Algorithmic Technologies

The digital economy presents a new challenge: how to reconcile the confidentiality of trade secrets with demands for transparency and accountability. Nowhere is this tension clearer than in the use of proprietary algorithms in hiring, credit scoring, and public administration. Langenkamp, Costa, and Cheung (2020)[821] describe this as the "transparency gap," where companies invoke trade secret protection to shield algorithmic decision-making from public scrutiny.While trade secret law legitimately protects proprietary innovation, excessive secrecy can conceal biases or discriminatory practices in algorithmic systems. This creates a societal dilemma: how to uphold confidentiality without undermining fairness and accountability. The authors suggest mechanisms such as algorithmic transparency reports—mandated disclosures to regulators—to balance these competing values (Langenkamp et al., 2020).This debate extends to technology transfer more broadly, particularly in cases where publicly funded research leads to commercial products with social implications. Institutions must ensure that trade secret protection does not become a barrier to ethical oversight or public trust.Addressing the transparency gap requires a combination of legal reform and institutional innovation. Regulators can mandate limited disclosures under confidentiality safeguards, enabling oversight while preserving competitive secrecy (Langenkamp et al., 2020). Similarly,

[819] IBM v. Papermaster." (2008, November 21)

[820] Plonsker, L. (2009, February 16).
[821] Sykes, A. O. (2021)

technology transfer agreements can incorporate clauses for ethical review, accountability reporting, and public interest exceptions.Public research institutions and TTOs should adopt best practices that integrate transparency with IP management—for example, by developing ethical guidelines for trade secret use, training researchers in responsible innovation, and including public accountability provisions in collaborative contracts[822] (Arai et al., 2022). Such measures can align trade secret law with broader social objectives, ensuring that protection mechanisms serve both private innovation and public welfare.[823]

Conclusion

Trade secret laws play an indispensable yet complex role in the contemporary technology transfer landscape. By providing flexible, non-registered protection for valuable know-how, they allow public and private institutions to safeguard competitive advantages while fostering collaboration and commercialization. Their potential for indefinite protection makes them particularly suited for process innovations and confidential industrial techniques that patents cannot easily cover.However, the effectiveness of trade secret protection hinges on institutional maturity, clear legal reasoning, and alignment between research and industrial objectives. The U.S. model demonstrates that when legal mechanisms, institutional capacity, and policy incentives are harmonized, trade secrets can significantly enhance technology transfer outcomes. The Italian case, on the other hand, underscores that without strong institutional infrastructure and cultural adaptation, trade secret law remains underutilized.In the digital age, trade secret law must evolve further to address transparency and accountability concerns, particularly regarding algorithmic technologies. The challenge for policymakers lies in crafting frameworks that preserve confidentiality while ensuring fairness and public trust. Ultimately, trade secret protection should not merely serve private interests but also advance the broader goals of innovation, social welfare, and sustainable economic growth.

[822] The "WIPO Guide – Part IV: Trade secret management
[823] Technology transfer: Trade secrets." (2009, February 16).