

Trade Secrets and Know-How as Objects of Intellectual Property Rights: Problems of Correlation and Legal Regulation

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ABSTRACT: This article examines the importance of know-how and trade secrets in civil legal relations under the legislation of the Republic of Uzbekistan. As you know, the role of intellectual property has increased immeasurably, as they have become, along with traditional material objects, full participants in economic turnover. In this regard, the article provides a comprehensive analysis of the essence and legal nature of know-how and trade secrets as an object of legal regulation, and offers suggestions for improving the current legislation regulating this area.

KEYWORD: confidential information, know-how, trade secret, legal regime, ways to protect rights.

In the process of globalization of international economic and technological cooperation, increased competition between business entities and, as a result, an increasing of commercial espionage, the importance of legal regulation of commercial confidential information is increasing.

In particular, in the world in 2021, 934 cases of leakage of confidential data of enterprises were recorded and published in the media, obvious losses from public leaks amount to 37.8 billion dollars, which is 16% higher than in 2020. In addition, the global expenditure of companies on information security in 2021 amounted to 89.13 billion dollars, which is 7 billion dollars more than in 2020. According to analysts, this amount will reach 96.3 billion dollars by the end of 2022[1]. Of course, the one who has timely, reliable and promising information has the opportunity to make a qualitative leap in entrepreneurship. It follows from practice that the more thoroughly the information is prepared for protection, the more effective it is. In this regard, it is impossible not to agree with the opinion of the President of the Republic of Uzbekistan Mirziyoyev Sh.M., who states that «improving the information security and information protection system, timely and adequate counteraction to threats in the information sphere are priority areas in the field of security»[2].

In world practice, the concepts of know-how and «business secret» (or «trade secret»), which are often identified as synonyms, differ somewhat in their use. The term «business secret», according to Dine J., is usually used in relation to the internal valuable commercial confidential information that is at the disposal of the organization and is an analogue of the term «trade secret», and the term «know-how» is applied to that part of the business secret of the organization that is transferred by contract to another owner. The transfer of know-how most often accompanies the sale of scientific and technical achievements and significantly increases their cost. In addition to know-how, its varieties such as «show-how» («show-how» – «I'll show how»), «know-how» («know-why» – «I know why») can also be transmitted[3].

More complete information about the history of the secret of production and various options for its use is given by Yeremenko V.I. In his opinion, «the term know-how has become widespread worldwide distribution after 1916. The term «know-how» is an abbreviation of «to know how to do it». The specified term is used without translation, or with a literal translation. Along with the term «know-how», the term «trade secret» is intensively used or «secret de fabrique», which in our country is translated in various ways: «production secret», «business secret», «commercial secret»[4].

The content of the concept of know-how, as Sobolev A.A. rightly notes, «has been considered in the literature more than once. The result of the attention of the scientific community to this issue was the emergence of many opinions about the content of know-how»[5].

Thus, Sitishko D.A. points out that «the secret of production (know-how) was initially understood only as technical achievements»[6].

According to Khalfina R., «the secret of production (know-how) includes not only technical, but also organizational solutions»[7].

Khimichuk E.V. believes that «there are technical know-how (technical, professional knowledge and experience, usually fixed in design drawings, manufacturing documentation, recipes of materials, substances) and commercial know-how, including managerial and financial (issues of production organization, customer files, financing data, advertising methods, etc. other commercial knowledge)»[8].

According to Biyarov M.N., «the secret of production is knowledge, experience and skills in the field of development, industrial development, production, sale, operation, maintenance, current and capital repairs and improvement of new technologies and materials and related knowledge and experience in the field of management, economics, financial and other nature»[9].

From the point of view of Potrashkova O.A., «the secret of production (know-how) is not only purely technical solutions, but also information of a different nature (economic, managerial, financial, etc.), including professional knowledge, skills and experience in various fields of activity. Not only objects of patent law fall into the orbit of know-how, but also objects protected by other intellectual property law institutions (for example, integrated circuit topologies, computer programs and databases)»[10].

Thus, based on the above opinions of various authors, know-how should be understood as any information that has a certain value for its owner and for which a special confidentiality regime has been established.

This can also be confirmed by the point of view of Amelina K.E.: «when describing information related to know-how, one should, first of all, take into account the possible legal consequences of such information. What could be the consequences of allocating only technical information as know-how? It seems that the possibilities of protecting such information, the possibility of keeping information secret do not have any specific features. From a legal point of view, the possibility of disposing of such information, the contract of transfer to other persons may also not have any significant features»[11].

The issues of the correlation of know-how and information constituting a trade secret are currently debatable.

As Terekhova E.V., Hart O., Moore J. rightly point out, «for a very long time the question of correlation of information constituting a trade secrets and know-how actively discussed in the legal literature»[12].

Completely diametrically opposed opinions of various authors stood out.

The position of some scientists is that know-how and trade secrets are categories that are in different planes and only partially overlap with each other[13].

Other scientists are considering information constituting a trade secret and know-how are synonymous and believe that, despite certain differences in their content, nevertheless, the legislator does not give clear legal grounds for their differentiation[14].

In addition, some researchers argue that know-how is an object of intellectual property, and commercial secrecy in relation to know-how acts as a regime that ensures its protection[15].

Thus, Popondopulo V.F.[16], Sergeev A.P.[17] refer information constituting a trade secret to intellectual property objects, since this information can be the result of creativity and has all the properties of an intellectual property object.

Rassolov I.M.[18], Zenin I.A.[19] and Gorodov N.A.[20], on the contrary, prove that information constituting a trade secret is not the object of exclusive rights, since the information constituting trade secrets and know-how differ in nature, volume and the grounds for the emergence of rights to them, the trade secret regime has a multiple subject, whereas know-how may include a property exclusivity, and know-how is not completely absorbed by trade secrets, so as its potential value is not related to a specific business.

Pogulyayev V. also draws attention to the third approach to this problem in the legal literature: only the actual monopoly of its owner acts with respect to know-how, expressed in the ability to establish a regime of access to information constituting know-how and take preventive measures against them[21].

Thus, there is a common ground between information constituting a trade secret and know-how it is manifested, first of all, in the immaterial nature of the result, immaterial form of information. In addition, the content of information constituting a trade secret and know-how constitutes confidential information, in respect of which identical criteria for the protection of rights to it are applied:

- actual or potential commercial value due to unknown to third parties;
- lack of free access on a legal basis;
- measures taken by the owner of the information to protect its confidentiality.
- The differences between the information constituting a trade secret and know-how are as follows:
- different composition of the information included in their content;
- various legal nature of trade secrets and know-how;
- different composition of the subjects of the right to these objects and their powers[22].

Information, components a trade secret is practically any information that competitors` access to which may cause harm to the copyright holder. The know-how, based on the generally accepted practice, is information about the results of scientific and technical activities, methods, technologies, production processes, information related to the ways of implementing economic and organizational decisions when promoting products and services to the market, etc., received as a result of intellectual (creative) activity. However, a sign of the creative nature of know-how is not recognized by all scientists.

In particular, Dozortsev V.A. notes that «a decision that constitutes a secret of the craft is not required that it necessarily be the result of creative activity, at least at the level required for inventions»[23].

Simultaneously ambiguous the concept of the results of intellectual activity is defined: one they are designated as «directly defined in the law and expressed in an objective form, creative works of the immaterial character»[24], while others classify it as creative and uncreative, as well as in the structure of intellectual activity there is a creative component and a non-creative one[25].

As for the legislation of the Republic of Uzbekistan, in the Civil Code of the Republic of Uzbekistan, the concepts of «trade secret» and «know-how» coincide literally: «A person who lawfully possesses technical, organizational or commercial information, including production secrets (know-how), unknown to third parties (undisclosed information), has the right to protection of this information from illegal use, if the conditions established by Article 98 of the Civil Code are met». Thus, the domestic legislator identifies these concepts. Based on this, the information that makes up trade secrets and know-how are protected results of intellectual activity, by virtue of Article 98 of the Civil Code of the Republic of Uzbekistan, objects of civil legal relations.

As you know, the main form of protection of trade secret rights is jurisdictional protection, which, as a general rule, has a judicial protection procedure involving the applicant`s appeal to the court with a claim for the protection of violated rights.

An analysis of judicial practice on intellectual property rights has shown that the violator is responsible for the illegal use of information constituting a trade secret only if its owner took the necessary measures to protect its confidentiality.

Know-how is an independent kind of confidential information, the distinguishing feature of which is its utilitarian property. In our opinion, know-how does not always refer to information constituting a trade secret, since know-how should include information about ways to solve practical problems, as well as other confidential information, the use of which gives a positive result in any sphere, activities in which there is competition. In this way, it is fundamentally different from the information that makes up a trade secret that has exclusively commercial value for its owner.

Thus, know-how, as a kind of confidential information, falls under the regime of not only commercial secrets. In some cases, know-how should be protected in a special mode of other types of secrets (for example, official secrets).

Based on generally accepted practice, including international, know-how can be divided into three large groups:

- information about the essence of non-proprietary invention, utility model or industrial design;
- information, methods, processes, technologies, professional experience or other objects of commercial value, but deprived of the ability to be protected by a patent;
- additional information obtained by using patented technologies, which without being patentable in itself, makes it possible to use the patented device or method more effectively[26].

In some countries, for example, in the Russian Federation there is a specialized legal act «On know-how (production secrets)», despite the fact that the Russian Federation was among the first of the CIS countries in the legislation to fix the legal status of a trade secret in the Federal Law of the Russian Federation «On trade secrets».

In the same cases, when the legal regulation of know-how takes place within the framework of the trade secret regime, it is reflected in the relevant laws «On trade secrets». The corresponding provision, in our opinion, should be reflected in the Law of the Republic of Uzbekistan «On trade secrets».

Based on the special nature of know-how as a kind of confidential information, in Article 3 of the Law of the Republic of Uzbekistan «On trade secrets», it is advisable, in our opinion, to determine the exact interpretation of know-how:

«Article 3. The basic concepts know-how is documented information of a technical or non-technical nature, representing an effective solution to a practical problem or other information, the use of which gives a positive effect in any professional activity, unknown to third parties, to which there is no access on a legal basis and the owner of which takes measures to protect its confidentiality in the commercial mode, official or state secrets».

In addition, in our opinion, it is necessary in the Law of the Republic of Uzbekistan «On trade secrets» provide a separate chapter establishing the legal regime of know-how, in cases where it falls under the regime of commercial secrets in order to distinguish these concepts. In this regard, the legislation of the Republic of Azerbaijan is very noteworthy, which has fixed in the Law of the Republic of Azerbaijan «On trade secrets» a separate chapter devoted to the peculiarities of legal protection of know-how in the regime of commercial secrets.

Know-how differs from commercial secrets in that, being an independent type of confidential information, it may fall under special regimes of various types of secrets (commercial, official, state, etc.). In this regard, we propose in the Law of the Republic of Uzbekistan «On trade secrets» to provide a separate chapter dedicated to the legal protection of know-how, which would allow to establish the legal status of the owner of the know-how, as well as to determine the list of rights and obligations of the owners of the know-how.

Based on the meaning of Article 1097 of the Civil Code of the Republic of Uzbekistan, a person with undisclosed information (know-how is such) may transfer all or part of the information constituting the content of this information to another person under a license agreement. We do not fully agree with the concept of «licensed contract» in this context, proposing to replace it with «contracts for the transfer of rights to use know-how».

Accordingly, based on the meaning of Article 1097 of the Civil Code of the Republic of Uzbekistan, the licensee is obliged to take appropriate measures to protect the confidentiality of information obtained under the contract and has the same rights to protect it from illegal use by third parties as the licensor. Since the agreement does not provide otherwise, the licensor is obliged to maintain the confidentiality of information even after the termination of the license agreement, if the relevant information continues to remain undisclosed information.

Thus, it is necessary to fix in this legal act the norm defining the rights of the licensee when granting rights to know-how. It is also necessary to provide a norm that will allow to establish the rights to know-how that have appeared as a result of the implementation of civil law contracts, in particular, the rights of the customer and the contractor as a result of the implementation of civil law contracts, to establish the obligations of the contractor not to transfer the specified know-how to third parties without the written consent of the customer.

Based on the above, we propose to supplement the Law of the Republic of Uzbekistan «On trade secrets» with the following articles:

«Article... The rights of the owner of the know-how

Know-how as an intellectual property object is protected in the mode of trade secrets.

The rights of the owner of know-how include:

- 1) the use of know-how in personal production with its inclusion in intangible assets;*
- 2) transfer on a contractual basis to another person in the prescribed manner of all rights or a certain part of the rights to know-how;*
- 3) remuneration for the use of know-how;*

4) *the rights of the owner of know-how arises with the fact of the appearance of know-how and the adoption of protective measures against it. The granting of rights to know-how does not require specific registration (registration, obtaining a certificate, etc.)».*

«Article... Provision of information constituting know-how

The information constituting the know-how may be fully or partially transferred by its owner to other individuals and legal entities on the basis of a contract for the transfer of the rights to use the know-how.

The contract, concluded in writing, provides for the procedure for the transfer of know-how, establishment and compliance with the trade secret regime, the amount of know-how and how to use it, the amount of remuneration and the procedure for its payment, the term of the contract and other important conditions».

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