



## Protections: A Commentary on Trade Secrets in Nigeria

*“Forget patents, trademarks and copyrights... trade secrets could be your company’s most important and valuable assets.”<sup>1</sup>*

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### Introduction

From *Campari* to *Coca-Cola* to *Google’s PageRank*, businesses and corporations have continued to keep their trade secrets (TS), to enhance prospects of their long term, sustainable future through market relevance and profitable business operations. Some of these TS have spanned decades, generations and centuries,<sup>2</sup> therefore the need for adequate protection against prejudicial disclosures, cannot be overemphasised. Whilst Nigeria - through lack of subject-specific legislation - can be said to be partly indifferent about TS, other countries like Uganda (through her **Trade Secrets Protection Act 2009**), the United States of America (through their **Uniform Trade Secrets Act 1985 (UTSA)**<sup>3</sup> and the **Defend Trade Secrets Act 2016 (DTSA)**) and the World Trade Organisation (WTO, through **Article 39 Trade Related Aspect of Intellectual Property Rights 1995 (“TRIPS”)**), have sought to protect TS.<sup>4</sup>

Unlike patents that can be documented, the concept of TS lies in the fact that it is a ‘secret’;<sup>5</sup> hence a bit ‘difficult’ to regulate and protect. Where protection of TS is lax, the effect could be drastic and damning for

businesses. TS - as a subset of intellectual property - is a critical asset that must not be misused, essentially through unfair competition.<sup>6</sup>

TS, is essentially a formula, process, device, or other business information kept confidential to maintain an advantage over competitors; 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>7</sup>

Whilst the concepts and facets of TS continue to attract classification debates and the level of protection it should be offered, the reality is that our 21<sup>st</sup> century reality demand that countries must guarantee and protect TS. Unsurprisingly, the robustness of extant national TS protection framework could be a factor in

investment competitiveness, an issue of interest, especially to emerging economies. This article offers a perspective of TS through an analytical exploration of the applicable Nigerian legal framework, the relationship with other IP rights, a comparative analysis with other jurisdictions and concludes with suggestions for more efficacious TS protection in Nigeria, pursuant to identified gaps.

### Conceptual Issues: ‘Trade Secrets’

The concept of TS began to develop with the rise of industrial capitalism in the early 19<sup>th</sup> century.<sup>8</sup> While Patent had helped to restrain third parties from reaping the fruit of others’ research and development efforts; it nevertheless was too costly, unwieldy, and limited to protect the full range of technological and business innovations and know-how.<sup>9</sup> TS on the other hand, does not have to be innovations or inventions but valuable information (on processes, finance, technical know-how, and management decisions, etc.) that are not generally available. TS encompasses commercially valuable, sensitive and

<sup>1</sup>K.F. Jorda, ‘Trade Secrets and Trade-Secret Licensing’, in A. Krattiger, et al (eds.), ‘Intellectual Property Management in Health and Agricultural Innovation: A Handbook of Best Practices’, (MIHR 2007), p.1046: <http://www.iphandbook.org/handbook/chPDFs/ch11/ipHandbook-Ch%2011%2005%20Jorda%20Trade%20Secret%20Licensing.pdf> (accessed 19.02.2021).

<sup>2</sup>Col. Sanders’ handwritten original recipe of 11 herbs and spices for KFC in 1940, WD-40’s formula for a rust-prevention solvent and degreaser for the aerospace industry since 1953 and Coca-Cola’s recipe which was invented in 1886 are examples of TS that have been treasured and protected over the years. See R. Mark Halligan, ‘The Secret of Trade Secret Success’, *Forbes*, 19.02.2010: <https://www.forbes.com/2010/02/19/protecting-trade-secrets-leadership-managing-halligan-haas.html?sh=24daab941372> (accessed 16.12.2020).

<sup>3</sup>This is a uniform law which has been adopted by most States in the United States of America except some States like New York.

<sup>4</sup>Article 39 TRIPS specifically references it as “undisclosed information”, and not “trade secrets.”

<sup>5</sup>“For a trade secret to have any practical value, the owner usually must share it in order to collaborate with a limited group of employees and business partners. Laws thus expect and account for a certain amount of protected disclosure, within a constrained circle. Nevertheless, even if trade secrets are not “secret” in the strictest sense of the term, they must in fact remain non-public and known only to a limited number of people.” OECD, ‘Enquiries into Intellectual Property’s Economic Impact’, 2015, p. 130: <https://www.oecd.org/sti/ieconomy/Chapter3-KBC2-IP.pdf> (accessed 09.12.2020).

<sup>6</sup>Faisal Santiago, ‘Trade Secret Protection on Globalization Era’, *European Research Studies Journal*, 2017 Vol. 20 No.4A, p. 67.

<sup>7</sup>Bryan A. Garner, ‘Black’s Law Dictionary’ (Thomson Reuters, 9th ed., 2009), p.1633.

<sup>8</sup>Robert G. Bone, ‘A New Look at Trade Secret Law: Doctrine in Search of Justification’, *California Law Review*, 1998 Vol. 86 No. 2, 251.

<sup>9</sup>Peter S. Menell, ‘Tailoring a Public Policy Exception to Trade Secret Protection’, *California Law Review*, 2017 Vol. 105 No. 1, p.8.

confidential, but competitiveness impacting, information or know-how.<sup>10</sup>

**Article 39 TRIPS** has classified TS as undisclosed information that needs to be protected so long as “such information:

1. is secret in the sense that it 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;
2. has commercial value because it is secret; and
3. has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.”

In **National Mutual v. Mortensen**,<sup>11</sup> this last condition under **TRIPS** which is also contained in **UTSA** was held by the United States Court of Appeals, Second Circuit to be a germane condition. There, it was decided that the fact that the Agency Office Automation (AOA) information existed in a different, better-protected format than the physical folders did not elevate it to TS status. Rather, it is the protection afforded the information that matters and not the medium of storage.

Thus, TS is different from Patent (which is the closest to TS amongst the other IP rights) in that there is no need for registration<sup>12</sup> and a timeline of 20 years,<sup>13</sup> no territorial limitation,<sup>14</sup> and periodic renewals.<sup>15</sup> To establish a TS claim, the plaintiff must be able to establish that: (a) the plaintiff’s information qualifies for TS protection; (b) the conduct of the acquirer of the TS is wrongful (thus amounting to misappropriation); and (c) the plaintiff’s conduct in protecting the TS has been reasonable under the circumstances.

### Trade Secrets: A Class of Intellectual Property Rights?

Globally, there has been a wide gulf in the course of the classification of TS; there has been the classification by subject-specific laws as a class on its own,<sup>17</sup> some have subsumed TS under the law of contract<sup>18</sup> or tort which attracts civil remedies like damages and injunctions<sup>19</sup> while another has had it classified under the law of unfair competition.<sup>20</sup> Another element of the controversy is whether to classify TS as an IP.

Whilst some have argued that TS does not confer exclusive rights against the world because an independent discovery of the secret by a third party would not necessitate an action, others have argued that it is only a form of property rights.<sup>21</sup> TS can therefore be tagged as *usufructuary rights*, which confer rights to use a resource and to be free from interference with the use, but which do not confer the right to exclude those who derive benefits from the resource by their independent efforts.<sup>22</sup>

A close look at the other IP rights will reveal that TS is in a class of its own, notwithstanding its resemblance to any of the IP rights. Whilst: *Copyright* protects original expression which may be expressed in writing, songs, artistic works, etc.; *Trademarks* seek to protect the consumer’s association with words,

images, etc.; and *Patent* seeks to protect innovations and inventions which are expressed in different processes, formulations, processes and inventions; TS *sui generis* only protects that which is undisclosed so far it has some economic value.

### Rationale: Why Protect Trade Secrets?

One of the questions that have dominated the TS regime is - *why protect TS when it is a ‘secret’?* Protecting TS does not mean acknowledging that they are in the public domain, ripe for piracy by analysis or otherwise.<sup>23</sup> Rather, *it entails preserving the ingenuity of such a secret that has real economic value for such a business.* According to the World Intellectual Property Organisation (WIPO), protecting TS will help to:

1. maintain and promote standards of commercial ethics and fair dealing;
2. provide an incentive for businesses to innovate by safeguarding the substantial time and capital invested to develop competitively advantageous innovations, both technical and commercial, and especially those that are not patentable or do not merit the cost of patenting; and



<sup>10</sup>C. Cronin and C. Guillemin, ‘Trade Secrets: European Union Challenge in a Global Economy’, *International Fragrance Association*, p.2: [https://ifrafragrance.org/docs/default-source/policy-documents/22900\\_pr\\_2012\\_02\\_09\\_trade\\_secrets\\_eu\\_challenge\\_in\\_a\\_global\\_economy.pdf?sfvrsn=dd65b7d1\\_0](https://ifrafragrance.org/docs/default-source/policy-documents/22900_pr_2012_02_09_trade_secrets_eu_challenge_in_a_global_economy.pdf?sfvrsn=dd65b7d1_0) (accessed 16.12.2020).

<sup>11</sup>606 F.3d 22 (2d Cir. 2010) decided on 11.05.2010.

<sup>12</sup>An invention must be registered under section 3 Patents and Designs Act Cap P2, LFN 2004 (PDA) to enjoy the privilege of a patentable invention under section 6 PDA.

<sup>13</sup>Section 7 PDA provides that a patent shall expire at the end of the twentieth year from the date of the filing of such application.

<sup>14</sup>Enforcement of patent registered outside Nigeria becomes applicable in Nigeria provided; (i) there is an order in the Federal Gazette declaring a treaty, convention or other international arrangement or agreement to which Nigeria is a party (Section 27 PDA); and (ii) an application for an applicant to avail himself of a foreign priority in respect of an earlier application made in a country outside Nigeria. Section 3(4) PDA.

<sup>15</sup>The PDA provides for the payment of annual dues as a condition for the continual validity of the patent for twenty years. Section 17 and 18 Patents Rules (made pursuant to Section 30 PDA).

<sup>16</sup>W.S. Coats et al, ‘Internet Law and Practice’, (Thomson Reuters, 2012), p.18-6.

<sup>17</sup>The United States of America has by the UTSA and DTSA protected TS.

<sup>18</sup>An example is the use of non-disclosure agreements in contracts of employment.

<sup>19</sup>The classification of TS as a tort can be traced to collection in the ‘Restatement of Torts’ published in 1939. See Peter S. Menell, *op. cit.*, p. 14.

<sup>20</sup>See Article 10bis Paris Convention for the Protection of Industrial Property 1883 and Unfair Competition Prevention Law Act No. 47 of 1993 of Japan.

<sup>21</sup>The US Supreme Court in *Ruckelshaus v. Monsanto Co.* 467 U.S. 986 1001-1004 found that TS were in fact property and that “trade secrets have many of the characteristics of more tangible forms of property. A trade secret is assignable. A trade secret can form the res of a trust and it passes to a trustee in bankruptcy.”

<sup>22</sup>OECD, ‘Enquiries into Intellectual Property’s Economic Impact’, 2015, p. 134: <https://www.oecd.org/sti/ieconomy/Chapter3-KBC2-IP.pdf> (accessed 09.12.2020).

<sup>23</sup>Prof. François Dessemontet, ‘Protection of Trade Secrets and Confidential Information’, (undated), p.3: <https://www.unil.ch/files/live/sites/cedidac/files/Articles/Protection%20Trade%20Secrets.pdf;Protection> (accessed 14.02.2021).



- prevent competitors from using these innovations without having to shoulder the burden of costs or risks faced in developing the innovations.<sup>24</sup>

Aside the above, TS being property, can also be used as collateral in the event of debt financing.<sup>25</sup> However, preliminary execution of agreement amongst the parties concerned to keep the TS secret must first be executed. Another reason for protecting is because TS, a form of an intangible asset according to the Organisation for Economic Cooperation and Development **Base Erosion and Profit Shifting (BEPS) Guidelines Action 8** may be a source of revenue for an organisation.

### Management and Protection of Trade Secrets in Nigeria

Despite the increasing number of Small and Medium-scaled Enterprises (SMEs) and technology-driven start-ups in Nigeria, the regulation of IP is still limited to Patents, Designs, Copyright, and Trademark.<sup>26</sup> This no doubt imposes a challenge on the protection of TS in Nigeria and further raises the concern of possible remedies where such secrets are being breached. In the absence of any definite legislation protecting or regulating TS in Nigeria, the originator of such TS has to put in extra effort to protect such from being disclosed to a third party or the entire world.

### Confidentiality/Non-Disclosure and Non-Compete Agreements

One such option is to execute a confidentiality/non-disclosure agreement (CNDA) with every employee and contractor of the business, most especially those exposed to or who come in contact with and may have knowledge of such TS.<sup>27</sup> Alternatively, an appropriately worded non-compete clause could be inserted into employment, service or other contracts (as the case may be) to protect the interest of the originator of the TS, in the event of disengagement by resignation or dismissal from service.<sup>28</sup>

This was the situation in **Koumoulis v. Leventis Motors Ltd**<sup>29</sup> where the Appellant who was in the employment of the Respondent and in the know of the Respondent's TS, resigned and started working with the Respondent's competitor, Nigerian Technical Company Limited. After the Appellant left the Respondent, the Respondent found out that the business plan which constitutes their TS that was being discussed within the Respondent's company had now being divulged and explored by, the Appellant's new employer, thereby leading to loss of business opportunities.

The undertaking in the Appellant's agreement with the Respondent that he will not for "a period of one year undertake to carry on either alone or in partnership nor be employed or interested directly or indirectly in any capacity whatever in the business of Merchants Engineers or any other business carried on by the Company within a radius of fifty miles from any Trading Station in West Africa" was held to be valid. Accordingly, the Appellant was liable to the damages imposed by the lower court.

Drafting the non-compete clause is critical to ensure that the provisions do not run the risk of being declared null and void by the court for being too restrictive.<sup>30</sup> In **7th Heaven Bistro Limited v. Desphande**,<sup>31</sup> the National

Industrial Court (NIC) found that one of the terms of the Executive Employment Contract (Expatriate) viz, that the employee is not to accept employment with any other employer in Nigeria or the same line of business as the company and/or its shareholders outside of Nigeria for a period of three (3) years from the date of termination or resignation, was too restrictive. Consequently, the NIC declared the provision null and void.

Similarly, the NIC in **Samson Systems and Investment Limited v. Chmchoum**<sup>32</sup> and **Infinity Tyres Limited v. Kumar & Ors**<sup>33</sup> had held the non-compete clauses that prevented the employees from working for five (5) years and from working in any other company in Nigeria respectively were too restrictive, hence null and void.

### Filling the Gaps: Injunctive Remedy and Other Judicial Approaches to TS Enforcement

Another remedy that could be in favour of the owner/valid licensee of the TS is the equitable remedy of injunction - applied where there is a *prima facie* case, insufficiency of damages to remedy the wrong done, the balance of convenience tilts in favour of the applicant and undertaking as to damages by the Applicant.<sup>34</sup> The courts, always mindful of the foundational legal principle of *ubi jus, ibi*

*remedium* (where there is a wrong, there must be a remedy) will intervene in order for justice to come to the aid of the injured or likely to be injured party.



<sup>24</sup>WIPO, 'Trade Secrets', Module 4, [https://www.wipo.int/export/sites/www/sme/en/documents/pdf/ip\\_panorama\\_4\\_learning\\_points.pdf](https://www.wipo.int/export/sites/www/sme/en/documents/pdf/ip_panorama_4_learning_points.pdf), (accessed 14.02.2021).

<sup>25</sup>Daniel P. Saredau, et al, 'The Legal Regime for Protection of Trade Secrets in Nigeria: Breach of Confidence Claim as Gap-Filler', NAUJCP (2020) Vol. 7 No. 1, p.3: <https://journals.unizik.edu.ng/index.php/icpl/article/view/355/330> (accessed 14.02.2012).

<sup>26</sup>See the PDA, Copyright Act Cap. C28, LFN 2004 and the Trademarks Act Cap. T13, LFN 2004.

<sup>27</sup>'Factory owners and other innovative businesses came to use physical security around their facilities, nondisclosure agreements, and other techniques to secure protection for the broader range of technological advances and strategic information driving their competitive advantage.' Peter S. Menell, (supra), (emphasis supplied). Such CNDA may be separate, embodied in a clause of another agreement, explicitly undertaken or impliedly in fact or may be accompanied with an undertaking to pay cost.

<sup>28</sup>François Dessemontet, (footnote 23 (supra)), p.5.

<sup>29</sup>(1973) LPELR-1710(SC).

<sup>30</sup>See Israel Olawunmi, 'Non-Compete Clauses in Contracts of Employment: Contractually Beneficial or a Challenge to Public Policy?', DNL Legal & Style, 03.08.2020 <https://dnlegalandstyle.com/2020/non-compete-clauses-in-contracts-of-employment-contractually-beneficial-or-a-challenge-to-public-policy-israel-olawunmi/> (accessed 16.12.2020).

<sup>31</sup>Unreported Suit No: NICN/LA/87/2015, Obaseki-Osaghae, J's Judgment of 27.09.2018.

<sup>32</sup>Unreported Suit No: NICN/LA/396/2015, Peter, J's Judgment of 13.03.2019.

<sup>33</sup>Unreported Suit No: NICN/LA/170/2014, Kanyip, J's Judgment of 11.07.2018.

<sup>34</sup>See *Obeya Memorial Hospital v. A-G Federation* [1985] 3 NWLR (Pt. 60), 325 SC. In *Celgrad, LLC v. Shenzhen Senior Technology Material Co Ltd* [2020] EWHC 2072 (Ch.) the Chancery Division, England considered similar grounds in granting injunction against the Defendant. In this case, Celgrad was held to have adduced sufficient evidence to establish that the Defendant was producing battery separators using Celgrad's confidential information and TS obtained from two of Celgrad's former employees.

However, in the absence of specific legislation, the Court has leaned on the side of the employer to protect information that can be classified as TS. In **Aero Contractors Co. of Nig Ltd v. Akingbehin**,<sup>35</sup> the disclosure of the Defendant to his Counsel who in return threatened to publish confidential information with the intent to blackmail the Plaintiff was held to be a breach of the confidentiality imposed on the Defendant.

Similarly, the National Industrial Court in **Akinsanya v. Coca-Cola**<sup>36</sup> held that the Plaintiff's disclosure of official confidential information - the records of a sensitive internal report pursuant to a whistleblower's complaint - to her spouse, was a breach of the company's Code of Business Conduct. The Court however failed to grant any damages against her, because of her wrongful dismissal by the Defendant.

A clog in the wheel of confidential proceedings on TS in Nigeria is the provision for public proceedings of civil matters under **section 36(1) and (3) 1999 Constitution of the Federal Republic of Nigeria (as amended) (1999 Constitution)**. While the use of Alternative Dispute Resolution (ADR) can help stem the disclosure in adjudicating disputes, the enforcement procedures of the award through the judicial system may undermine the secrecy initially enjoyed during the ADR proceedings.

#### Concerns: Statutory Confidentiality Protections

One issue of concern is potential exposure of TS subject to mandatory disclosure as a result of regulatory applications or other regulatory interactions, to (inimical) third party access. Given the absence of subject-specific TS legislation, review of disparate provisions is required to see whether they indirectly define or protect TS, notwithstanding that the challenge with these legislations is that they are limited when compared to TS focused provisions. For example, the **Revised Guidelines for Registration and Monitoring of Technology Transfer Agreements in Nigeria (Guidelines)** made pursuant to the **National Office for**

**Technology Acquisition and Promotion Act**<sup>37</sup> (**NOTAPA**) mandates the submission of relevant technology transfer (service) agreements (which could implicate disclosure of TS), as part of documentation requirements for NOTAPA's registration of such agreement. However, there is no corresponding provision for protection in both the **Revised Guidelines** and the **NOTAPA**. Even if practice the risk of unauthorised disclosure is remote, it is however not non-existent.

Similarly, the Federal Ministry of Interior through **Paragraph 4 Immigration Regulations 2017** and the **Handbook on Expatriate Quota Administration (Revised 2020)** made pursuant to the **Immigration Act** requires that Nigerian companies with foreign participation obtain a Business Permit before commencing operations. A checklist of documents amongst others includes a Feasibility Report/Business Plan which could involve the disclosure of the business model and trade secrets.<sup>38</sup>

Whilst arguably, corporate documents submitted to regulatory agencies accordingly become public documents,<sup>39</sup> **Rule 030416 and 030417 Public Service Rules 2008** only imposes an obligation of "due care and diligence to prevent the knowledge of any such article, note, document or information being communicated to any person against the interest of the Government"<sup>40</sup> but **prohibits disclosures without compliance with official routine, special permission of Government or with the special permission** of the Permanent Secretary/Head of Extra-Ministerial Office of such body.

Again it is unlikely that disclosure to third parties without legitimate right to receive such can enjoy the validity cloak of the exceptions.

By **sections 54 and 55 Finance Act (No.2) 2020** which amended **sections 39 and 50 Federal Inland Revenue Service (Establishment) Act**,<sup>41</sup> there is now a stricter penalty for breach of the imposed obligation for confidentiality of tax payers' information<sup>42</sup> and criminal liability for conviction for a fine of N1 million or three (3) years imprisonment or both. Disclosure must only be on the basis of the stipulated exceptions (such as in pursuance of any mutual assistance or double taxation agreements). These provisions as laudable as they may be, failed to provide for compensation or accounts for profits and undertaking to pay requisite damages to the taxpayer(s) where there is a breach of the obligation of secrecy, howsoever arising.

Similarly, **section 1 Official Secrets Act**<sup>43</sup> makes it an offence to transmit, obtain, reproduce or retain classified matter without requisite authorisation on behalf of the government.<sup>44</sup>

The limitation of this provision to TS is the restriction of classified matter to information that would be prejudicial to the security of Nigeria. Although this does not directly protect any TS submitted as part of regulatory application, presumably the sanctions provide the necessary incentive for compliance, and thereby obviate the risks and consequences of breach.



<sup>35</sup>Unreported Suit No: NICN/LA/123/2013, Oyewunmi, J's Judgment of 16.06.2015.

<sup>36</sup>Unreported Suit No: NICN/LA/40/2012, Kanyip, J's Judgment of 07.04.2016.

<sup>37</sup>Cap. N62, LFN 2004.

<sup>38</sup>See generally, Afolabi Elebiju, 'Musing II: Is Business Permit under the Immigration Act Still Tenable in Nigeria', LeLaw Thought Leadership Perspectives, December 2020 [https://lelawlegal.com/add111pdfs/AE-Business\\_Permit\\_in\\_Nigeria.pdf](https://lelawlegal.com/add111pdfs/AE-Business_Permit_in_Nigeria.pdf) (accessed 15.02.2021).

<sup>39</sup>See for example, **section 102(b) Evidence Act 2011** which provides that public records kept of private documents are public documents.

<sup>40</sup>The restriction to the "interest of the government" does not favour individual(s) or corporation(s) who have had their TS being disclosed without any corresponding remedy like damages, account for profit and confiscation of goods where necessary.

<sup>41</sup>No. 13 of 2007.

<sup>42</sup>For example, detailed information/documentation requirements under the **Transfer Pricing Guidelines 2018** may make TS disclosure inevitable.

<sup>43</sup>Cap. O3, LFN 2004.

<sup>44</sup>See **section 7** for sanctions of terms of imprisonment and fines for offences committed under **sections 1, 2, 3 and 5 of the Act**. The fines are paltry (maximum of N200), whilst by **section 7(3)**, proceedings may not be brought without the consent, authority or instructions of the Federal or State Attorney-General/Director of Public Prosecutions (DPP).





Probably the most significant “reassuring” provision from a regulatory interface TS protection perspective is **section 15(1)(a) Freedom of Information Act 2011 (FOIA)**.<sup>45</sup> It mandates public institutions to deny applications for information that contains “**trade secrets and commercial or financial information obtained from a person or business where such trade secrets or information are proprietary, privileged or confidential, or where disclosure of such trade secrets or information may cause harm to the interests of the third party.**” **Section 15(1)(a)** is thus a welcome curtailment of the **section 1** right of an applicant to request information in the custody of any public official, agency or institution.

Since disclosure otherwise than in valid performance of official duties is either expressly forbidden or would be generally as presumed unlawful at common law, whilst the **FOIA** excludes TS from disclosure, arguably the cumulative effect of the Nigerian regulatory regime is that there is some, albeit insufficient protection of TS.

#### Monopoly and Anti-Trust Concerns

The question may be asked: will the protection of TS by private individuals and corporations not lead to a dominant position or monopoly thereby leading to market abuse? This writer does not think so. By **section 70(2) Federal Competition and Consumer Protection Act 2019 (FCCPA)**,<sup>46</sup> an

undertaking is said to be in a dominant position where it “*enjoys a position of economic strength enabling it to prevent effective competition being maintained on the relevant market and having the power to behave to an appreciable extent independently of its competitors, customers and ultimately consumers.*”

Monopoly on the other hand deals with the commercial terms of manufacture, sale and supply of goods and services so far it affects competition in Nigeria.<sup>47</sup>

The above when compared to TS reveals that there is no confluence. Whilst TS is restricted to secrets that have economic implications, dominant position and monopoly are concerned about competition through price fixing, free trading and supply of goods and services.

#### Comparative Scan: Trade Secrets in Other Jurisdictions

**United Kingdom (UK):** The UK had overtime relied on the common law (especially contractual principles) in granting remedies for infringement of TS until the **EU Trade Secrets Directive 2016/943** and the **Trade Secrets (Enforcement, etc.) Regulations 2018 (Regulations)** were issued.<sup>48</sup> **The Regulations** introduced confidentiality document disclosures by way of application or knowledge in the course of proceedings, which applies even after the proceedings have ended.<sup>49</sup> Also, the grounds for grants

of interim injunction and final award of remedies are spelt out to guide the Court such as the value and other specific features of the trade secret, the measures taken to protect the trade secret, etc.

**Peoples’ Republic of China:** China in also protecting TS has enacted the **Anti-Unfair Competition Law 2019**. Specifically, **Article 9** provides that a business is not allowed to: (a) acquire TS through theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (b) disclose or allow another person to use a TS acquired from the right holder, or in breach of confidentiality obligations; and (c) abet any form of infringement of the TS. Breach triggers remedies such as damages to the tune of up to 500% of the amount of damages caused (or a maximum of five million yuan (¥5,000,000) where the actual loss cannot be determined), injunction and confiscation of the income and imposition of financial penalties.

There is a further provision for confidentiality during investigation<sup>52</sup> and punishment under the law where an employee of the Government Authority engages in acts that foster the infringement of TS that the employee becomes aware of in the course of an investigation.<sup>53</sup>

<sup>45</sup>No. 4 of 2011.

<sup>46</sup>No. 1 of 2019.

<sup>47</sup>Part X FCCPA.

<sup>48</sup>Prior to Britain’s exit from the European Union (‘Brexit’), **Article 288 Treaty on the Functioning of the European Union 1957** provide that a directive shall be “binding, as to the result to be achieved, upon each Member State to which it is addressed, but shall leave to the national authorities the choice of form and methods.” It is based on this that Britain in 2018 issued the **Regulations**.

<sup>49</sup>**Regulation 10.** This further applies to restricting access to documents and persons to the proceedings and making an abridged version of the reports of the case whereby, information containing the TS has been expunged or redacted.

<sup>50</sup>Article 17.

<sup>51</sup>Fines of between ¥100,000 (One Hundred Thousand Yuan) and ¥1 Million, but where the circumstances are serious, a fine of between ¥500,000 and ¥5 Million could be imposed: **Article 21.**

<sup>52</sup>Article 15.

<sup>53</sup>Article 30.

<sup>54</sup>Article 32.

In an action for infringement, all the owner/obligee of the TS has to establish is: (a) preliminary evidence that he (the owner/obligee) has taken steps to ensure confidentiality; (b) the TS has been infringed; and (c) any of these: (i) evidence of access of the infringer to the TS and that the information used is identical to his; or (ii) that the information has been disclosed or risks being disclosed by the infringer; or (iii) any other evidence of infringement by the infringer.<sup>54</sup>

**United States of America (USA):** In the USA, **Section 2(2) DTSA** provides for *ex parte* application for the propagation or dissemination of the TS. The Court is also expected to grant protection from publicity by the Respondent, the content of the injunctive order and the materials seized pursuant to the injunction. Where there is a case of misappropriation of TS, the court

may grant an award of damages, injunction or two-times amount of damages where such misappropriation was wilful and malicious. Furthermore, where the case of misappropriation is made in bad faith, the law allows an award of reasonable attorney's fees to the other party.

### Conclusion

The need to protect TS in Nigeria is gaining traction daily, most especially with the adoption of remote working and the entrepreneurial underpinnings of business impacting technological innovations and other non-technical ideas that are being developed. While the Court has at some point helped to preserve the ingenuity of these TS, the lack of subject-specific laws and mandatory confidentiality requirements is still a huge hindrance to its maximum protection. For instance, the use of the Court to protect TS or through enforcement of awards pursuant to an ADR

process can be counterproductive considering the fact there could be eventual disclosure to third parties or the entire world in the courtroom and through case law reporting.

As it stands in Nigeria, apart from the few remedies already stated, there is no other law or mechanism set up that protects TS. The National Assembly<sup>55</sup> or the State Houses of Assembly should enact subject-specific legislation like the **DTSA** and the **Regulations** which provide for injunctive relief against propagation or dissemination of TS, protective measures in trials<sup>56</sup> and for materials seized and remedies in case of actual or attempted prejudicial disclosure like injunction and damages, and award of cost of attorney's fees where an injunction was obtained unduly.



**LeLaw Disclaimer:** Thank you for reading this article. Although we hope you find it informative, please note that same is not legal advice and must not be construed as such. However, if you have any enquiries, please contact the author, Gabriel Omoniyi (at: [g.omoniyi@lelawlegal.com](mailto:g.omoniyi@lelawlegal.com)); or email: [info@lelawlegal.com](mailto:info@lelawlegal.com).

<sup>54</sup>Arguably, State Governments can enact laws on TS since TS is not on the **Exclusive List in Schedule II, Part I** and the **Concurrent List in Schedule II, Part II, 1999 Constitution. Item 13 and 43, Part 1, Schedule II** (the **Exclusive Legislative List**) only made provision for copyrights, patents, trademarks, trade or business names, industrial designs and merchandise marks. Any matter which is not contained in both the Exclusive and Concurrent List is deemed to be a 'residual matter' and therefore within the purview of the State Houses of Assembly and the National Assembly for the Federal Capital Territory (FCT) alone. The Supreme Court in supporting this conclusion held in **A.G. Ogun State v. Aberuagba & Ors (1985) LPELR-3164 (SC)** per **Mohammed Bello JSC** that "a careful perusal and proper construction of section 4 would reveal that the residual legislative powers of government were vested in the States. By residual legislative powers within the context of section 4, is meant what was left after the matters in the Exclusive and Concurrent Lists and those matters which the Constitution expressly empowered the Federation and the States to legislate upon had been subtracted from the totality of the inherent and unlimited powers of a sovereign legislature. The Federation had no power to make laws on residual matters." See also **A.G. Lagos State v. A.G. Federation (2003) LPELR-620 (SC)** per **Onu JSC** where he held that "since town and regional planning is not in the Exclusive and Concurrent Lists, it is clearly a residual matter for the States." Meanwhile, the National Assembly by **sections 4(4)(b) and 299 1999 Constitution** can only legislate on TS for the purpose of the FCT. See **Fawehinmi v. Babangida & Ors (2003) LPELR-1255(SC)** where it was held that the **Tribunals of Inquiry Act** is only limited to the FCT.

<sup>55</sup>**Section 36 (1) and (3) 1999 Constitution** must be first amended to grant the Heads of Courts or the State Legislatures the allowance for 'secret trials' in civil proceedings that involves TS. Parties can therefore first file an abridged version of the court process and an *ex parte* application for a secret trial stating in the accompanying affidavit that the matter to be filed involves TS. Where the court in the course of proceedings finds out otherwise, the court can order that the matter be transferred to the general cause list to allow public trials.