

IN THE HIGH COURT AT CALCUTTA
CIVIL APPELLATE JURISDICTION
APPELLATE SIDE

Present:

The Hon'ble Justice Soumen Sen

And

The Hon'ble Justice Ajoy Kumar Mukherjee

FMAT 735 of 2021

Dr. Sudipta Banerjee

Vs.

L.S. Davar & Company & Ors.

with

FMA 1265 of 2021

CAN 1 of 2021

Dr. Sudipta Banerjee

Vs.

L.S. Davar & Company & Ors.

With

FMA 1266 of 2021

CAN 1 of 2021

Arpita Ghosh

Vs.

L.S. Davar and Company & Ors.

With

FMA 1267 of 2021

CAN 1 of 2021

Dr. Indira Banerjee

Vs.

L.S. Davar & Company & Ors.

With

FMAT 736 of 2021

Dr. Indira Banerjee

Vs.

L.S. Davar & Company & Ors.

With

FMAT 737 OF 2021

Arpita Ghosh

Vs.

L.S. Davar and Company & Ors.

For the Appellant
in FMA 1267 of 2021 and
FMAT 736 of 2021

: Mr. Ratnanko Banerji, Sr. Adv.
Mr. Aniruddha Mitra, Adv.
Mr. Dhilon Sengupta, Adv.
Mr. Anirban Ghosh, Adv.

For the Appellant in FMAT 735 of 2021, FMA 1265 of 2021, FMA 1266 of 2021 and FMAT 737 of 2021	: Mr. Aniruddha Mitra, Adv. Mr. Dhilon Sengupta, Adv. Mr. Anirban Ghosh, Adv.
For the Respondent In FMAT 735 of 2021 and FMA 1265 of 2021	: Mr Surajit Nath Mitra, Sr. Adv. Mr Shayak Mita, Adv. Mr Shounak Mitra, Adv. Mr Rishav Dutta, Adv.
For the Respondent in FMA 1266 of 2021 and FMAT 737 of 2021	: Mr Soumabho Ghose, Adv. Mr Shounak Mitra, Adv. Mr Rishav Dutta, Adv.
For the Respondent In FMA 1267 of 2021 and FMAT 736 of 2021	: Mr Suman Dutta, Adv. Mr Soumalya Ganguli, Adv. Mr Shounak Mitra, Adv. Mr Rishav Dutta, Adv.
Order dated	: 5 th April, 2022.

Soumen Sen, J. (Oral): Three separate appeals along with connected applications involving similar questions of law and fact are taken up together and disposed of by this common order.

Dr. Sudipta Banerjee and Dr. Indira Banerjee are well qualified patent professionals. They were working in L.S. Davar and Company, a reputed Intellectual property firm since 1st June, 1994 and 1st September 1994 respectively until their resignations in June 2020. Arpita Ghosh was working as an office assistant of L.S. Davar & Company since 2010 until she resigned on 22nd January, 2021. All of them joined another firm by the name of P.S. Davar and Company, after their resignations were accepted by their erstwhile employer.

On the allegation that the appellants are divulging the confidential information and trade secrets acquired during their course of employment in L.S. Davar & Company, in clear breach of the confidentiality agreement, L.S. Davar and Company filed a suit being T.S. No. 534 of 2021 before the learned 4th Civil Judge (Senior Division), Alipore praying inter alia for declaration that the defendants namely, Dr. Sudipta Banerjee, Dr. Indira Banerjee and Arpita Ghosh and each of them in express breach of their contractual obligation with the plaintiff arising out of their terms and conditions of service with the plaintiff have and are still using, divulging, passing on confidential and crucial electronic records, documents, data and information inclusive of proprietary drafts of precedents, agreements, forms presentation, petitions, confidential documents, legal opinions, legal action plans and strategies, computerised data base containing client information, proprietary client list, fee schedules, proprietary potential client list and other related information for themselves and/or any other entity including its data or any other information relating to any aspect of the business of the plaintiff.

In the suit the plaintiff has filed an application for injunction in which the ad interim order of injunction was passed on 14th July, 2021 and subsequently extended from time to time. The learned Trial Judge after taking into consideration that the defendant nos. 1 and 2 namely Dr. Sudipta Banerjee and Dr. Indira Banerjee are the former senior patent attorneys of the plaintiff firm associated with the business since its incorporation in 1994 held that they were bound by the policies of the

plaintiff firm during their course of employment, which included the confidentiality to be maintained with regard to all information, documents or materials gathered during the course of employment, granted an ad interim order of injunction by which the defendants/appellants were restrained from acting or continuing to act from disclosing, divulging or utilizing confidential, electronic records, data and information regarding various activities of the plaintiff company including trade secrets in any manner whatsoever to anybody else by themselves or through their men or agents till 10th August, 2021.

Separate appeals have been filed by which the ad interim order of injunction passed on 14th July, 2021 was extended from time to time.

The learned Trial Judge has also taken into consideration that on 29th March, 2019 the plaintiff firm implemented a revised organisation policy bearing no. LSD/MOPIO1A119-20 applicable to all the employees with effect from 1st April, 2019 containing different terms and conditions including a confidentiality and non competition clause and the said policy was formed as part of the terms and conditions of service which apparently were duly signed and accepted by the defendant no. 1 and 2 and a similar policy was implemented in the year 2020-21 which was duly signed by the defendant no. 3.

Plaintiff claimed that the defendant no.3 was a former employee of the plaintiff firm since 2010.

The plaintiff has alleged that by virtue of the senior position held by the defendant no. 1 and 2 in the plaintiff firm, several responsibilities were entrusted upon them, as a result of which the said defendants were in close contact with several clients who used to share their confidential information with them.

The defendants also used to travel nationally and internationally attending several meetings wherefrom they became privy to various confidential information in the nature of trade secrets and all such travel requirements used to be arranged by defendant No. 3. It was alleged that the defendant no. 3 in course of administrative functions used to receive confidential information regarding trade activities for recommunication to defendant nos. 1 and 2

It appears from the impugned order that the plaintiff contended before the trial court that the defendant nos. 1 and 2 while working as senior patent attorneys of the plaintiff company gathered an enormous experience in the business of the plaintiff company and they also used to share confidential information and data with the clients of the plaintiff company and also used to receive confidential information and data while attending the meetings of the company nationally or internationally; and if all such experiences are being shared with any other company, the plaintiff company would suffer huge business loss. Reliance was placed on the confidential agreement, dated 29th March, 2019 and 15th June, 2020 before the learned Trial Court to demonstrate that the defendants cannot join another firm which is working in the same field.

On consideration of the aforesaid materials including confidentiality agreement dated 29th March, 2019 and 15th June, 2020 the aforesaid ad interim order was passed and the same was extended from time to time.

Mr. Ratnanko Banerjee, learned Senior Counsel representing Dr. Indira Banerjee submits that the impugned order has completely overlooked Section 27 of the Indian Contract Act. The said impugned order in effect prevents two experienced patent attorneys from discharging their professional work. The impugned order is loosely and widely worded giving leverage to the plaintiff to initiate harassive and malicious proceedings.

Mr. Banerjee submits that there is no allegation in the plaint that the defendants after resigning had retained any material document, data, electronic or otherwise, and are using them to make wrongful gain. Mr. Banerjee submits that in **Percept D'mark (India) (P) Ltd. v. Zaheer Khan & Anr. reported at (2006) 4 SCC 227** it has been clearly stated that a restrictive covenant extending beyond the term of the contract is void and not enforceable under Section 27 of the Indian Contract Act. Mr. Banerjee submits that the learned trial Judge has completely misconstrued the confidentiality and non-compete clause that was alleged to have been introduced on 29th March, 2019 as the said clause does not restrain the appellants from discharging their professional duties. Mr. Banerjee has categorically submits that the appellants have not shared any information, documents or materials gathered during the course of their employment with the plaintiff organisation with any 3rd party. The confidentiality clause does not preclude the defendants from using their skill which they learnt by

experience as the Dr. Sudipta Banerjee and Dr. Indira Banerjee are well qualified in laws relating to intellectual property rights, and any order restraining them to gainfully use such skill of learning would be unjust and violates article 19(1)(g) of the Constitution of India read with Section 27 of the Indian Contract Act. Moreover the confidentiality clause or the non-compete clause cannot travel beyond the period of their contract of employment. Once Dr. Sudipta Banerjee and Indira Banerjee resigned from their respective posts on 31st July, 2020 and 30th July, 2020 the said restraint clause would have no manner of application at all. The other issue raised by Mr. Banerjee is with regard to the manner in which the ad interim order of injunction was obtained disregarding the caveat lodged by the respondent before the courts which would have jurisdiction to decide the suit of this nature. Mr. Banerjee submits that after receiving the caveat the jurisdiction has been created in favour of the present court on the basis of certain complaints alleged to have been made by three of the clients of the plaintiffs regarding soliciting work from them by Dr. Sudipta Banerjee, Indira Banerjee in connivance with Arpita Ghosh. Mr. Banerjee submits that the alleged communication are all procured in order to create the cause of action and jurisdiction and also to avoid service of notice upon the respondents/appellants.

Mr. Surajit Nath Mitra, senior Counsel appearing on behalf of the respondent/plaintiff submits that it is an admitted position that Dr. Sudipta Banerjee and Dr. Indira Banerjee were associated with the plaintiff since inception and by raising of their position in the organisation for all these

years they were privy to various confidential information and trade secrets which if shared with 3rd parties made cause serious prejudice to the plaintiff. It is submitted that the learned trial judge on consideration of the materials on record has passed an ad interim order for a limited duration. It is a reasoned order which may not interfered with at this stage on the basis of the materials on record it was possible for the trial court to pass such an ad interim order.

In reply Mr. Ratnanko Banerjee, Senior Counsel submits that in any event the confidential and non compete clause are only for a period of 2 years from the date of cessation of relationship of employer and employee and that the said period is going to expire shortly.

There is no specific legislation in India to protect trade secrets and confidential information. Nevertheless, Indian Courts have upheld trade secret protection on basis of principles of equity, and at times, upon a common law action of breach of confidence, which in effect amounts to a breach of contractual obligation. The remedies available to the owner of trade secrets is to obtain an injunction preventing the licensee from disclosing the trade secret, return of all confidential and proprietary information, and compensation for any losses suffered due to disclosure of such trade secrets.

In India, a person can be contractually bound not to disclose any information that is revealed to him/her in confidence. The Indian courts have upheld a restrictive clause in a technology transfer agreement, which imposes negative covenants on the licensee to not disclose or use the

information received under the agreement for any purpose other than that agreed to in the said agreement.

The adjective “confidential” means anything spoken or given in confidence. It is a very private matter. It is suggestive of intimacy and contemplates entrustment with another's secret affairs. **(The New Collins Concise Dictionary)**

Some of the facts that are relevant in determining whether a given body of information is confidential are, the extent to which such information is known outside the business of the owner, the value of the information to him and the competitors and the ease or difficulty with which such information could be properly acquired or duplicated by others. If a person is proven to have used confidential information directly or indirectly obtained from the plaintiff without their expressed or implied consent, he would be guilty of an infringement of the plaintiffs' rights. The essence of this branch of law whatever the origin may be, is that a person who has obtained information in confidence is not allowed to use it as a spring board for activities detrimental to the person who made the confidential communication. Protection of confidential information proceeds and depends on the principle of equity that, he who has received information in confidence shall not take unfair advantage of it. The confidant must not make use of it to the prejudice of him who gave it without obtaining his consent. It is well-settled that information imparted in confidence would be protected. If ideas and information were acquired by a person in circumstances such that it would be a breach of good faith to publish them

and he has no just cause or excuse for doing so, the Court shall grant injunction against him. (**Law of Copyright and Industrial Designs, P.Narayanan, 4th Edition**)

The object behind Section 27 is to uphold freedom of trade. It had been said in **Oakes & Co. Vs. Jackson** reported at **ILR 1876 (1) Mad 134** that trade and commerce in India is in its infancy and that the legislature may wish to make the smallest number of exceptions to the rule against contracts whereby trade may have been restrained. Initially, there were three exceptions. However, exception nos.2 and 3 were repealed by the Partnership Act.

The law on restraint of trade as laid down in Section 27 of the Indian Contract Act is undoubtedly dissimilar to the most modern phases of the English Rule. Indian law is very strict and invalidates many agreements which would otherwise be allowed by English Common Law, as it does away with the distinction observed in English Cases between partial and total restraint of trade and makes all contracts falling within its terms void unless they fall within certain necessary exceptions. Whether the restraint is general or partial, qualified or unqualified, if it is in the nature of a restraint of trade it is void.

In Percept D' Mark (supra) the Hon'ble Supreme Court observed that the interpretation given by Couch, C.J. in **Madhub Chunder Vs. Rajcoomar Doss** reported at **[1874] 14 Beng. L.R. 76** has been uniformly and consistently followed from 1874 onwards by all the High Courts in India and has been expressly approved by the Apex Court in **Niranjan Shankar**

Golikari v. Century Spg. And Mfg. Co. Ltd. reported at **AIR 1967 SC 1098**. The Hon'ble Supreme Court did not find any necessity in Percept D' Mark (supra) to reconsider the said 132 years old interpretation and observed that such an exercise is not required to be undertaken at the said interlocutory stage of proceedings. It was stated that the legal position clearly crystallized in our country that while construing the provisions of Section 27 of the Contract Act, neither the test of reasonableness nor the principle of restraint being partial is applicable, unless it falls within express exception engrafted in Section 27.

In my view, Mr. Banerjee is correct in contending that any restrictive clause prohibiting the respondents to carry on business same or similar in nature would be void and hit by Section 27 of the Indian Contract Act as our law has not advanced as much as the English Common Law over the years. The time has possibly come to have a re-look at Section 27 of the Indian Contract Act since times have changed and there is a necessity to impose some restrictions and recognize negative covenants in service contracts especially where it involves specialized knowledge as it must live up to the present needs. While freedom of contract and trade need to be upheld, they must also be balanced. No one should be allowed to take advantage of the trade secrets and confidential information developed by an individual and uses it for their own gain and when confronted, take the shelter of this section. Confidential information and trade secrets are required to be protected by law.

The instant section recognizes the right of an individual to carry on their lawful profession, trade or business of any kind and any agreement by which any one is restrained from exercising such rights is to that extent void. Even though the service contract contains a restrictive clause restraining an employee from leaving service of the employer which may be considered as a negative covenant, it can still be enforced since negative covenants operate through the period of contract of employment when the employee is bound to serve his employer exclusively or generally. These are not regarded restraint of trade and, therefore, do not fall under this section. A service covenant which extends beyond the termination of service under our law is void. Any restraint imposed by the employer on the employee would prima facie be illegal and void as being directly hit by Section 27 and needs to operate after the expiry of the period of service contract.

Determining whether information is confidential is dependent upon several factors. In ***Saltman Engineering Co. v. Campbell Engineering Co. Ltd*** reported at **1963 (3) All ER 413** the Court of Appeal held that the “confidential” information: *“must not be something which is public property and public knowledge. On the other hand, it is perfectly possible to have a confidential document, be it a formula, a plan, a sketch, or something of that kind, which is the result of work done by the maker on materials which may be available for the use of anybody; but what makes it confidential is the fact that the maker of the document has used his brain and thus produced a result which can only be produced by somebody who goes through the same process”*.

The existence of irreparable harm is an essential consideration for a court in determining whether to award an injunction. Plaintiff would commonly claim that when confidential information is disseminated or trade secrets are lost, so too will be its competitive advantage.

The dissemination and/or sharing of any confidential information is liable to cause harm which does not involve proof of actual harm or special damage.

In **Saltman's Case** (supra) it was held that the maintenance of secrecy, according to the circumstances in any given case, either rests on the principles of equity, which is to say the application by the court of the need for conscientiousness in the course of conduct, or by the common law action for breach of confidence, which is in effect a breach of contract.

The court while assessing an ad interim order of injunction is required to assess if the plaintiff was able to make out a prima facie case and thereafter to consider the other two factors namely balance of convenience and irreparable loss that might result in the event the ex parte ad interim order of injunction is not passed. In fact, an ad interim order of injunction should be of limited duration which the learned Trial Court granted, however, we find that extension of the said ad interim order was made mechanically and could be prejudicial to the appellant. The non compete clause in the instant case may be prejudicial to the appellants but no order has been passed restraining them from carrying on their profession.

Be that as it may in our view the communication between an attorney and his clients is a privileged communication that cannot, in any circumstances, be divulged to a third party.

The information and/or trade secrets for the purpose of the intellectual property rights are of the clients of the plaintiff who had come into contact with the appellants during their course of employment and are privileged communication which cannot be divulged and/or share with any third party.

The plaintiff as a professional body may not have any trade secrets *per se* but the persons who were/are in employment of the plaintiff would certainly be privy to privileged information and any sharing of such information and communication would not only be unethical but also a breach of the confidentiality clause which may result in serious prejudice and harm that may be caused to the clients of the plaintiff firm and may expose the plaintiff firm to civil and criminal consequences.

The nature of the complaints on which the plaintiff relies is to be assessed at the final disposal of the injunction application. However, at this stage it cannot be said that the trial court has overstepped its limit or did not follow the accepted guidelines in passing the ad interim order of injunction. However, we must hasten to add, that there is a possibility of the ad interim order being misconstrued as it appears to be widely worded to cover issues which are beyond the scope of the confidentiality and non compete clauses and not intended by the impugned order. Accordingly the ad interim order is modified by restraining the appellants from disclosing;

divulging or sharing confidential information gathered during the course of their employment in any manner whatsoever till the disposal of the injunction application on merits.

The order of injunction passed by the trial court is modified and clarified to the aforesaid extent.

The appellants are directed to file their affidavit in opposition on or before 19th April, 2022 reply thereto, if any, on or before 29th April, 2022. The parties shall be at liberty to request the learned Trial Court to dispose of the injunction application on or before 30th June, 2022. It is needless to mention that the learned trial judge shall not grant any adjournment to either of the parties unless it is unavoidable.

(Soumen Sen, J.)

I agree

(Ajoy Kumar Mukherjee, J.)