



Relationship between Article 47 TRIPS and trade secrets

European Union and Spanish perspectives on the preservation of confidentiality of trade secrets in the course of copyright litigation and pre-litigation

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“One should never tell anyone anything or give information [...]. Telling is almost always done as a gift, [...] it is also a bond, a granting of trust, and rare is the trust or confidence that is not sooner or later betrayed, rare is the close bond that does not grow twisted or knotted and, in the end become so tangled that a razor or knife is needed to cut it”.

Javier Marías, Your Face Tomorrow. Fever and Spear, New Directions Publishing, 2005. Translated by Margaret Jull Costa

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INTRODUCTION

- Conflict between duties to inform and protection of trade secrets in the course of litigation and pre-litigation
- Two examples of major groups of copyright cases:
 - Inspection or information claims of undisclosed information related to software
 - Information claims to calculate damages

INTRODUCTION

- Theoretically easy to resolve; however, in practice, a wide range of possible measures exist. Resolution will ultimately depend on judiciary discretion
- Key pending question (at least from a continental European perspective): should there be more specific (statutory) guidelines as to the manner in which confidentiality will be safeguarded?

ART. 47 TRIPS

- Right of information:

“Members may provide that the judicial authorities shall have the authority, unless this would be out of proportion to the seriousness of the infringement, to order the infringer to inform the right holder of the identity of third persons involved in the production and distribution of the infringing goods or services and of their channels of distribution”

ART. 47 TRIPS: right of information

- Key tool for the enforcement of intellectual property rights, specifically against copyright infringers
- A “may” provision (not mandatory)
- Restricted to the infringer
- Proportionality
- No explicit reference to the preservation of confidential information

ART. 47 TRIPS and EU law

- Art. 8 EU Directive 2004/48 (Enforcement Directive)
 - supplements Art. 47 TRIPS
 - obliges EU Member States to establish the right of information in domestic legislation (mandatory provision, albeit up to each individual country to devise its own legislation on how to achieve the goal)
 - not only against the infringer, but also other persons involved in infringing activities
 - broad scope of information to be provided – all necessary information to
 - identify all persons involved (producers, manufacturers, suppliers, etc.)
 - calculate damages

ART. 47 TRIPS and EU law

- Art. 8 EU Directive 2004/48 (Enforcement Directive)
 - Statutory provisions governing the protection of confidentiality of information sources (or the processing of personal data) remain unaffected (art. 8.3 [e])
 - Does it imply an obligation for EU Member States to provide for the protection of confidentiality of information sources during IP litigation?
 - As for trade secrets, EU Directive 2016/943 (Trade Secrets Directive)

ART. 47 TRIPS and EU law

- Broad implementation of Art. 8 EU Enforcement Directive
 - *Saisie-contrefaçon* (France); *Auskunftsanspruch* (Germany); *Anton Piller order* (UK), amongst others
 - Spain (*diligencias preliminares*)
 - Pre-action procedure in court proceedings
 - Petitioner: IP rights holder (including exclusive licensees [aka assignees]) and collecting societies
 - Recipient of the request: not only the potential defendant, but also any person reasonably related to the information requested (acts carried out on a commercial scale)
 - Reasonable likelihood of infringement standard (lower than that of the *prima facie* case of preliminary injunctions)
 - *Ex-parte* granted, but the requested person is served of the order and is entitled to challenge the execution of the order before it takes place

ART. 47 TRIPS and EU law

- Spain (*diligencias preliminares*)
 - Include, in patent and trade secrets cases, orders that require the defendant to allow a court official to inspect the defendant's premises and seize, copy or photograph materials demonstrating the alleged infringement (*diligencias de comprobación de hechos*)
 - This covers, amongst others, software source code

TRIPS and EU law: other related provisions

- Production of evidence that lies within the control of the opposing party during litigation
 - Art. 43 TRIPS
 - Art. 6 Enforcement Directive
 - In Spain:
 - During proceedings on the merits
 - Alternative to pre-action measures
 - Useful in practice to obtain information to calculate financial claims, specifically to obtain information necessary to calculate
 - » profits obtained by the infringer,
 - » a lump sum that comprises a royalty over income or profits obtained by the infringer, or
 - » to what extent the competition of the infringer determines a loss of profits suffered by the injured party

TRIPS and EU law: other related provisions

- Measures for preserving evidence
 - Art. 50.1 [b] TRIPS
 - Art. 7 Enforcement Directive
 - Also covered by *saisie-contrefaçon* (France); *Anton Piller order* (UK), amongst others
 - Spain (*medidas de aseguramiento de prueba*)

PROTECTION OF TRADE SECRETS

- The information requested pursuant to the right of information (or other related measures) may consist of undisclosed know-how and business information (trade secrets)
- Examples:
 - Undisclosed information related to software
 - Cost and revenue drivers of the plaintiff that are necessary to calculate loss of profits
 - Cost and revenue drivers of the defendant that are necessary to calculate profits obtained by the infringer

PROTECTION OF TRADE SECRETS

- Art. 39 TRIPS
- EU Directive 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure
 - Specific provision on the preservation of confidentiality of trade secrets in the course of legal proceedings (Art. 9)
 - Only refers to proceedings relating to the unlawful acquisition, use or disclosure of a trade secret

PROTECTION OF TRADE SECRETS

- Art. 9.2 EU Directive 2016/943
 - Specific minimum requirements aimed at protecting the confidentiality of the litigated trade secret
 - possibility of restricting the circle of persons entitled to have access to evidence or hearings
 - at least one natural person from each of the parties as well as the respective lawyers of the parties and, where applicable, other representatives appropriately qualified in accordance with national law (Recital 25)

MEASURES TO PRESERVE CONFIDENTIALITY OF TRADE SECRETS

- As a general rule, court records and judicial proceedings are open to the public
- It is necessary to establish measures to preserve the confidentiality of trade secrets in the course of IP litigation and pre-litigation
- Confidentiality of trade secrets should not be understood as a defense to avoid a request made pursuant to the right of information (or other related measures)

MEASURES TO PRESERVE CONFIDENTIALITY OF TRADE SECRETS

- Spain
 - Although statutory provisions are vague, courts (basically limited to those of Barcelona in patent cases related to the Mobile World Congress) have adopted, upon a reasoned application by a party, sensible and proportionate measures such as:
 - restricting the circle of persons entitled to have access to undisclosed know-how of the plaintiff to the defendant's lawyers and parties' experts, subject to a specific confidential agreement
 - only granting access to undisclosed know-how in a specific court room and before a court official (*letrado de la administración*)
 - preserving the evidence consisting of undisclosed know-how in sealed envelopes held in the court's custody

MEASURES TO PRESERVE CONFIDENTIALITY OF TRADE SECRETS

- In other EU Members States, the measures also seem to depend on judicial discretion and in the view of the experience in patent related cases:
 - Germany: *in camera* proceedings; *Düsseldorf* procedure; public accountants
 - France: defendants can request that the bailiff place the seized documents in a sealed envelope and that the court appoint an expert (sworn to secrecy) to make a selection in the presence of the parties' legal counsels (also sworn to secrecy)
 - UK: appointment of impartial solicitor sworn to secrecy
- Other proposed measures: clean teams / clean rooms

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