

Ignacio DE CASTRO/Andrzej GADKOWSKI,
Switzerland

Confidentiality and Protection of Trade Secrets in Intellectual Property Mediation and Arbitration

Table of Contents

I.	Introduction	79
II.	WIPO Arbitration and Mediation Center	81
III.	Confidentiality in WIPO mediations	82
IV.	Confidentiality in WIPO arbitrations.....	84
V.	Disclosure of trade secrets and other confidential information	86
VI.	Examples of protective orders	89
VII.	Conclusion	90

I. Introduction

Mediation and arbitration are being used more frequently internationally as successful methods of out-of-court dispute resolution. The increasing interest in mediation and arbitration is also the consequence of the growing number of international intellectual property (IP) transactions and disputes, as well as the potential risks involved in IP court litigation.¹ Using mediation and arbitration for the resolution of IP disputes offers considerable advantages over resorting to litigation before national courts. Mediation and

1 Queen Mary University of London, School of International Arbitration, Pinsent Masons International Dispute Resolution Survey “*Pre-Emptying and Resolving Technology, Media and Telecoms Disputes*” (2016).

arbitration in most cases allow parties to resolve their disputes in a time- and cost-efficient way through a single neutral procedure, compared to potential litigation spread across several jurisdictions. A further advantage offered by mediation and arbitration is that procedures can be customized according to parties' wishes and that the case is decided upon by neutral mediators or arbitrators selected by the parties themselves. Contrary to court litigation, these alternative dispute resolution procedures can be adapted to the specific needs of the parties involved in a given case. On a more global level, they also have the potential to engender the development of tailored dispute resolution systems for specific recurring types of disputes in particular sectors. Most importantly, mediation and arbitration also offer, for the most part, the advantage of keeping the proceedings and their outcomes confidential. In practice, confidentiality is often perceived as the crucially important factor in IP disputes: it allows parties to focus on the merits of the dispute without concern over its public impact. This quality is vitally important in the context of IP disputes where sensitive technical or business information as well as trade secrets can be exchanged, which potentially places commercial reputations at stake.

Although many institutional mediation and arbitration rules contain confidentiality clauses that impose certain obligations, the assumption that all mediation and arbitration proceedings are inherently confidential is in fact unjustified.² In practice, confidentiality provisions, if they are included in mediation or arbitration rules at all, vary in the level of detail and comprehensiveness. In this context, the WIPO Mediation, Arbitration, and Expedited Arbitration Rules are particularly extensive and comprehensive, regulating as they do all aspects of confidentiality in a well-balanced manner.³

2 ILA Commercial Arbitration Committee's Report and Recommendation on "*Confidentiality in International Commercial Arbitration Resolution No 1*" 1; The 74th Conference of the International Law Association held in The Hague, The Netherlands, 15–20 August 2010. See also Boog/Menz, *Arbitrating IP Disputes: the 2014 WIPO Arbitration Rules*, 24 *Journal of Arbitration Studies*, Issue 3 (2014) 111.

3 See, for example, Perkins, *Protective Orders in International Arbitration*, 33 *ASA Bulletin*, Issue 2 (2015) 274–275; Boog/Menz (2014) 112.

The aim of this article is to discuss confidentiality in international IP mediation and arbitration. It offers practical insights on how confidentiality issues are addressed under the WIPO Rules. The first section provides a brief overview of the WIPO Arbitration and Mediation Center and the mandate under which it operates. The subsequent sections focus on the confidentiality provisions under the WIPO Mediation, Arbitration, and Expedited Arbitration Rules. A definition of confidential information under the WIPO Rules is also laid out. Finally, the article identifies the measures that can be sought by parties to WIPO proceedings in order to protect their trade secrets in international arbitration.

II. WIPO Arbitration and Mediation Center

The WIPO Arbitration and Mediation Center (WIPO Center) was established in 1994 as an independent and impartial body which forms part of the World Intellectual Property Organization, a specialized agency of the United Nations with 192 Member States, dedicated to developing a balanced and accessible international IP system. Through its offices in Geneva and Singapore, the WIPO Center facilitates the time- and cost-effective resolution of IP and related disputes through mediation, arbitration, expedited arbitration, and expert determination. Developed by leading experts in cross-border dispute settlement, procedures offered by the WIPO Center are recognized as particularly appropriate for international IP and technology-related disputes, as they feature certain specific provisions, e.g. on experimental evidence, site visits, agreed primers and models, as well as disclosure of trade secrets and other confidential information.

The WIPO Center has administered over 650 cases to date, involving procedures such as mediation, arbitration, expedited arbitration, and expert determination. The majority of these proceedings were filed in the last five years. Thanks to its extensive panel of experts, the WIPO Center can administer cases involving a wide range of disputed IP and technology-related matters, examples of which include art marketing, copyright, information technology, joint ventures, patent infringements and licenses, research and development (R&D) agreements, technology transfers, software licenses, trademark licenses and co-existence agreements, distribution, franchising, sports, and

TV distribution rights. The WIPO Center is also the leading global provider of mechanisms to resolve Internet domain name disputes, without the need for court litigation. This service includes the WIPO-initiated Uniform Domain Name Dispute Resolution Policy (UDRP), under which the WIPO Center has processed over 46,000 cases related to the abusive registration and use of Internet domain names.

III. Confidentiality in WIPO mediations

Due to its entirely consensual nature, mediation is a dispute resolution procedure largely free of formalities. Nevertheless, one area where the law does assume importance is in the realm of confidentiality. Confidentiality serves to encourage the necessary candor and openness required to assure the parties that any admissions, proposals, or offers for settlement will not have any consequences beyond the mediation process. In principle, should there be any litigation or arbitration thereafter, any such disclosures made in mediation cannot be used.

The nature of confidentiality within the mediation process is twofold. The first aspect concerns the relationship between the participants involved in mediation. The second regards confidentiality vis-à-vis the external world. Contrary to arbitration or court litigation, where all information submitted to judge(s) or arbitrator(s) by one party is accessible to the other party as part of their right to due process, in mediation proceedings the mediator is free to meet and speak to each party individually with the clear understanding that any information relayed to them in such meetings shall not be disclosed to the other party without the explicit authorization of the party providing the information.⁴ Therefore, information is by default always treated as confidential in mediation proceedings. The mediator is obliged to abide by the rule of confidentiality and, should they feel the need for exceptions, the onus is on them to seek authorization from the party who provided the confidential information before it can be shared. This particular aspect of confidentiality within the mediation process stems from the fact that parties to a mediation do not transfer decision-making to a mediator; contrary to a judge or an

⁴ Art. 12 WIPO Mediation Rules.

arbitrator, a mediator is not a decision-maker but merely a facilitator of the discussions between the parties. As a result, there is no right for each party to have access to all information disclosed to the mediator by the other party. Moreover, the mediator's position as a confidant for each of the parties, as well as his or her obligation with respect to such confidential information also subtends the rule that "*the mediator shall not act in any capacity whatsoever, otherwise than as a mediator, in any pending or future proceedings, whether judicial, arbitral or otherwise, relating to the subject matter of the dispute*".⁵

The second aspect of confidentiality in mediation proceedings concerns the relationship between the participants and the external world. With respect to what information needs to remain confidential, the formulation of Article 16 of the WIPO Mediation Rules is broad and refers to any information concerning the mediation or obtained in the course of it. Under the WIPO Mediation Rules, the obligation of confidentiality is imposed on each person involved in the mediation process, in particular the mediator, the parties and their representatives and advisors, any independent experts, and any other persons present during the meetings between the parties and the mediator.⁶ The rules governing mediation, however, bind only parties to an agreement in which those rules were incorporated. Therefore, in so far as independent experts and other third parties are concerned, a statement in the rules is insufficient to bind them to confidentiality. Hence, Article 16 of the WIPO Mediation Rules provides that each person involved in mediation shall sign a relevant confidentiality undertaking prior to taking part in the mediation.

To reinforce the legal obligation of confidentiality and minimize the adverse effects on confidentiality of any court order requiring disclosure, the WIPO Mediation Rules provide for certain practical measures. First, pursuant to Article 15, "*no recording of any kind shall be made of any meetings of the parties with the mediator*". In practice, as no transcript is made of the proceedings, there is no recording or evidence that can serve for subsequent discovery in litigation. Furthermore, pursuant to Article 16, at the termination of the mediation each person involved in the proceedings

5 Art. 21 WPO Mediation Rules.

6 Art. 16 WIPO Mediation Rules.

shall return any brief, document, or other materials supplied by any other party. No copies thereof can be retained. In addition, on the termination of the proceedings each person involved in the mediation shall destroy any notes concerning the meetings of the parties with the mediator.

Naturally there are exceptions to the obligation of confidentiality in mediation. In some cases, parties themselves may agree to make their mediation proceedings public and, as a result, to depart from any contrary contractual understanding that they may have reached at an earlier stage concerning confidentiality. For this reason, Articles 16–18 of the WIPO Mediation Rules, when addressing the issue of confidentiality, use the wording “*unless otherwise agreed by the parties*”. Another exception to the obligation of confidentiality becomes evident in the case of a legitimate action undertaken by a party seeking to enforce a settlement agreement concluded alongside the mediation process. In such a scenario, at least the fact of the mediation having taken place and the modalities of the agreement might be publicized.⁷

IV. Confidentiality in WIPO arbitrations

The WIPO Arbitration and Expedited Arbitration Rules contain detailed and comprehensive confidentiality provisions, including the very fact of arbitration having taken place, disclosures made during the arbitration, and of the award itself.⁸

Article 75 of the WIPO Arbitration Rules provides that “*no information concerning the existence of an arbitration may be unilaterally disclosed by a party to any third party*”. This general obligation encompasses more specific information with regard to arbitration proceedings, for example, the cause of action, remedies sought, or the composition of the arbitral Tribunal. Nevertheless, the same provision establishes limited exceptions to the confidentiality principle. The existence of arbitration can be disclosed for two reasons: (1) in the case of a court challenge or an

7 More on confidentiality and the WIPO Mediation Rules, see: Gurry, *Confidentiality in Mediation*, WIPO Conference on Mediation (1996), WIPO Publication No. 750, 37-51.

8 Art. 75-78 WIPO Arbitration Rules (Art. 68-71 WIPO Expedited Arbitration Rules).

enforcement action; (2) if required by law or a competent regulatory body, particularly under certain national legislations when the arbitration could impact on the financial statements of a party. The same provision stipulates that a party is under obligation to disclose no more than what they are legally required to reveal and to inform the other party and the arbitral Tribunal of the details of the disclosure, including an explanation. It is worth noting that the duty to inform does not apply if the disclosure is made after the termination of the arbitration. Article 75 also provides that *“a party may disclose to a third party the names of the parties to the arbitration and the relief requested for the purpose of satisfying any obligation of good faith or candor owed to that third party”*.

The WIPO Rules also provide for confidentiality of the disclosures made during the arbitration process. Article 76 of the WIPO Arbitration Rules addresses the issue of disclosure to third parties in arbitral proceedings. Pursuant to this provision, a party to WIPO arbitration is prevented from disclosing evidence to third parties unless (1) the information contained in the evidence was in the public domain; (2) a party was privy to the information disclosed in arbitration before the commencement of proceedings (i.e. access to that information did not arise exclusively as a result of their participation in arbitration proceedings); (3) the party that produced the evidence consented to such disclosure; (4) such disclosure was ordered by a court having jurisdiction.

Moreover, pursuant to Article 76, a witness called by a party shall not be considered a third party. Accordingly, witnesses are automatically entitled to have access to information and evidence that would otherwise be restricted. Under the WIPO Rules, a party calling a witness is responsible for ensuring that the witness maintains confidentiality.

Article 77 of the WIPO Arbitration Rules complements the protection provided for in Articles 75 and 76, as it refers to the confidentiality of the award. Pursuant to this provision, the award shall be treated as confidential and may only be disclosed to a third party if (1) the parties consent to such disclosure; (2) the award became public as a result of an action before a court or another competent authority; (3) in order to comply with a legal requirement imposed on a party; or (4) when the disclosure is needed to establish or protect a party's legal rights against a

third party.

Finally, the WIPO Arbitration and Expedited Arbitration Rules impose an obligation on the WIPO Center and the arbitrator(s) to maintain confidentiality.⁹ The WIPO Center and the arbitrators shall maintain the confidentiality of (1) the existence of the arbitration; (2) the award; and (3) any documentary or other evidence disclosed in the arbitration proceedings (provided that such information is not in the public domain). However, the WIPO Rules provide for three exceptions to the duty of confidentiality imposed upon the WIPO Center and the arbitrators: (1) where parties consent to disclosure; (2) disclosure is necessary in connection with a court action relating to the award; and (3) disclosure is required by law. The WIPO Rules specify that, notwithstanding the duty of confidentiality imposed upon it, the WIPO Center may publish statistical data on administered proceedings, provided that such information does not enable the parties or the particular circumstances of the dispute to be identified.¹⁰

Further, the WIPO Rules contain a specific provision on the protection of trade secrets and other confidential information, which is analyzed below.

V. Disclosure of trade secrets and other confidential information

Article 54 of the WIPO Arbitration Rules¹¹ addresses the protection of trade secrets and other confidential information to be disclosed during arbitration.¹² This provision does not generally concern the confidentiality of the arbitration proceedings or disclosures

9 Art. 78 WIPO Arbitration Rules (Art. 71 WIPO Expedited Arbitration Rules).

10 More on confidentiality under the WIPO Arbitration Rules, see: Landolt/Garcia, *Commentary on WIPO Arbitration Rules* (2017) 100-103.

11 Art. 48 WIPO Expedited Arbitration Rules.

12 For a detailed analysis of Art. 54 of the WIPO Arbitration Rules, see: Groz, *Disclosure of Trade Secrets and Other Confidential Information. Article 54 WIPO Arbitration Rules/Article 48 WIPO Expedited Arbitration Rules* in Arroyo (ed.), *Arbitration in Switzerland. The Practitioner's Guide*² vol. II (Kluwer Law International, 2018) 1955-1967. See also: Landolt/Garcia (2017) 67-70.

made within such proceedings but provides for specific measures to protect confidential information that a party wishes or is required to disclose in the arbitration. The confidentiality protection that a party may obtain under Article 54 is in addition to the one provided by default under Articles 75–78 of the WIPO Arbitration Rules.

Article 54 empowers the arbitral Tribunal to order measures of protection in respect to information that it considers confidential for the purposes of the WIPO Rules. In practice, such confidentiality measures take the form of protective orders issued by the arbitral Tribunal and may include, e.g., restricting access to confidential information to selected individuals or the redaction of documents (in part or as a whole). For those measures to apply, the arbitral Tribunal has to be satisfied that two basic requirements are met: (1) the information at issue must be confidential; and (2) the absence of special measures of protection in the proceedings would be likely to cause serious harm to the party invoking its confidentiality.

For the purpose of Article 54, confidential information is defined as being (1) in the possession of a party; (2) not accessible to the public; (3) of commercial, financial, or industrial significance; and (4) treated as confidential by the party possessing it.

The first requirement (i.e. information must be in possession of a party) is evident, as the aim of Article 54 is to protect confidential information that a party wishes or is required to submit in the arbitration. In practice, such information will usually be in the possession of one party only and therefore not all the parties to the proceedings. Only then will such a party have an interest in preventing the unrestricted access of other parties to this information. Secondly, and for obvious reasons, to claim confidentiality the information must be inaccessible to the public. The third requirement reflects the purpose of protecting information – such information must be of an intrinsic value. Trade secrets are an apt example of this kind of information. The party applying for protective measures under Article 54 needs to demonstrate the significance of the information in question and therefore the interest in an order for protective measures. The “significance” of the information is determined on a case-by-case basis and with a view to whom the confidential information may be disclosed. Finally, the party requesting protective measures has to show

that it treats the information confidentially, i.e. it uses reasonable efforts to keep it confidential.

To the extent that all four requirements outlined above are met, confidential information shall mean any information regardless of the medium in which it is expressed, e.g. in digital form or hardcopies.

In practice, a party invoking the confidentiality of any information it wishes or any information it is required to submit in the arbitration, including information to an expert appointed by the arbitral Tribunal, should file a reasoned application to have the information classified as confidential by notice to the arbitral Tribunal, with a copy sent to the other party. Without disclosing the substance of the information, the party is required to give in the notice the reasons why it considers the information to be confidential. In such scenarios, the arbitral Tribunal will determine the confidentiality (or otherwise) of the information and, if necessary, how that information may be protected through protective orders. In doing so, the arbitral Tribunal is required to determine whether the information is to be classified as confidential and if the absence of special measures of protection in the proceedings would likely cause serious harm to the party invoking its confidentiality.

The issue of “serious harm” must be considered on a case-by-case basis and requires from the arbitral Tribunal a balancing of competing interests. On the one hand, the arbitral Tribunal must assess both the sensitivity and the level of importance of the information for a party requesting confidentiality measure. On the other hand, granting protection must be balanced against the interest of other parties to the proceedings to have unrestricted access to evidence submitted and to documents produced in the arbitration. If the arbitral Tribunal concludes that there is a need for a protective order, it must determine the proper measures to be imposed on the parties.

VI. Examples of protective orders

Protective orders have been used in several proceedings administered by the WIPO Center.¹³ One example is a WIPO Expedited Arbitration of a patent dispute between an Asian inventor and a US manufacturer with regard to the payment of royalties under their license agreement. In these proceedings, the inventor requested a declaration that his patents had been infringed. During the evidentiary phase of the arbitration, the US manufacturer alleged that there was a risk that the inventor could be negotiating a license with one of their competitors and requested the arbitral Tribunal to issue a protective order to prevent the inventor's access to certain documents disclosing the US manufacturer's business secrets. The protective order issued in these proceedings covered various issues, among others (1) designation of confidential information; (2) restriction on disclosure of designated confidential materials to certain persons/entities; (3) filing of designated materials; (4) cancellation of designation; and (5) the disposition of designated materials at the termination of the proceedings.

In another WIPO Expedited Arbitration opposing audiovisual producers and concerning the breach of a co-production agreement, a protective order was issued by the arbitral Tribunal to grant restricted access to an online platform containing information which, from the point of view of the Claimants, were relevant to assess the quality of materials produced under the co-production agreement, and therefore, the arbitral Tribunal considered relevant for resolving the dispute. The access to the online platform was initially limited to the Respondent who wanted to protect the materials from being modified or used in the production of the film. At the request of the Respondent, the arbitral Tribunal issued a protective order, only granting access to the online platform to the Tribunal-appointed expert and designated representatives of the Claimants. Furthermore, the protective order stated that the designated persons were forbidden to share, modify, download, or copy the materials from the platform. Moreover, prior to

¹³ More on protective orders in international arbitration, see: Perkins (2015) 274–275.

obtaining access, the designated representatives were required to sign a confidentiality undertaking.

VII. Conclusion

Among many advantages that mediation and arbitration offer as dispute resolution procedures, confidentiality stands out. It is particularly noticeable in the context of IP and technology disputes. Parties to such disputes are sensitive to the requirement of confidentiality, either because IP rights subject to the dispute have a high profile in the market, or because the rights themselves consist of trade secrets. Confidentiality allows the parties to effectively control disclosures and access to sensitive information, in addition to keeping the entire process and its outcome beyond the public domain.

The WIPO Rules have proved effective in this respect as they contain detailed and comprehensive provisions aimed at safeguarding the confidentiality of and within the proceedings. In particular, protective orders issued by the arbitral tribunals proved to be efficient tools enabling the parties to resolve their dispute without disclosing confidential information, including trade secrets. While the WIPO Rules were drafted to address the specificities and particularities of IP and technology disputes, the WIPO Rules are also appropriate for any commercial disputes and the WIPO Center regularly administers international commercial cases where no IP elements are in dispute.

Zeiler Gerold, Zojer Alexander (eds.), Trade Secrets: Procedural and Substantive Issues, NWV, 2020, pp. 79-90.