

ARBITRATION AND CONFIDENTIALITY

by François Dessemontet*

Introduction

According to the view prevailing in Europe, arbitral proceedings are subject to a strict confidentiality¹. The much publicized case of *Esso v. Plowman* runs counter to this view, which is also questioned in the United States². What is the better approach ?

This paper attempts to place the debate on arbitration and confidentiality within the broader framework of the law of trade secrets. The law of trade secrets has just received its first restatement in a multilateral treaty with Article 39 TRIPS³. There is

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¹ See A. Bucher and P.-Y. Tschanz, *International Arbitration in Switzerland*, Basle/Francfort-on-the-Main 1988. p. 65 and 87; E. Gaillard, *Le principe de la confidentialité de l'arbitrage commercial international*, Recueil Dalloz 1987, p. 153 ss; S. Boyd, *Expert Report* (in *Esso/BHP v. Plowman*), 11 *Arbitration International* (1995), pp. 270-271; P. Neill, *Confidentiality in Arbitration*, 12 *Arb. Int.* (1996), p. 287 at 288.

² *Cf. Esso Australia Resources Ltd et consorts v. The Honourable Sidney James Plowman* (The Minister for Energy and Minerals), April 7, 1995. 11 *Arb. Int.* (1995) pp. 235 *et seq.*; *United States v. Panhandle Eastern Corp. et al.*, 118 F.R.D. 346 (1988, Del).

³ Article 39. *Cf.* 33 *International Legal Materials* (1994) at 98 :

1. *In the course of ensuring effective protection against unfair competition as provided in Article 10 bis of the Paris Convention (1967), Members shall protect undisclosed information in accordance with paragraph 2 below and data submitted to governments or governmental agencies in accordance with paragraph 3 below.*

2. *Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without*

now a world-wide law of trade secrets, and the arbitration community should take it into account.

This article is divided in three parts. First, some practical examples are mentioned (here below I). Then, the methodology to define the requirement of confidentiality vs. the public interest is set out (II). Finally, the scope of the information to be protected by the confidentiality, as well as the limits to that protection are outlined (III).

I. The Dilemmas

The cloak of confidentiality that surrounds the arbitral proceedings puts the parties, their counsel and the arbitrators in a somewhat awkward position in many instances.

their consent in a manner contrary to honest commercial practices¹⁰ so long as such information :

- *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;*
- *has commercial value because it is secret; and*
- *has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.*

3. *Members, when requiring, as a condition of approving the marketing of pharmaceutical or of agricultural chemical products which utilize new chemical entities, the submission of undisclosed test or other data, the origination of which involves a considerable effort, shall protect such data against unfair commercial use. In addition, Members shall protect such data against disclosure, except where necessary to protect the public, or unless steps are taken to ensure that the data are protected against unfair commercial use.*

¹⁰ *For the purpose of the provision, "a manner contrary to honest commercial practices" shall mean at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such parties were involved in the acquisition.*

A. The Fact of the Arbitration

The sheer fact that a litigation broke out and is now pending before an arbitral tribunal may be viewed as a secret in some case. For example :

1. In an arbitration between a licensor and a licensee for a technology which is put to use in a given sort of factory, one of the parties may disclose to a third party the fact that a litigation involving patents for invention bearing on that technology is now before an arbitration tribunal, so that the other party shall never receive a contract to supply a factory of that sort to the third party.
2. In an interview that he grants to a Hong Kong publication, the main shareholder of one of the parties to an arbitration discloses the petition as addressed to the tribunal and adds some comments that may throw an unfavorable light on Indonesia's willingness to protect foreign investment⁴.
3. Can an arbitrator member of a panel for a litigation between A and B disclose to the other members of that panel the fact that A or B is also party to other arbitration proceedings, which he knows by reason of the fact that he has been asked if he would accept to be arbitrator in that second case as well ?
4. S. Boyd mentions examples of arbitration proceedings held with the very purpose of avoiding any publicity at all, such as the case of the arbitration between a solicitor and a barrister for professional negligence, etc.⁵. As he has shown, the arbitration clause is chosen in many instances in view of the confidential nature of the information at stake⁶. Therefore, it is not possible to affirm that in any and all cases, each party is free to disclose the fact that arbitration proceedings are under way⁷. The interests at stake are too

⁴ Amco Asia Corp. *et al.* v. Republic of Indonesia, Decision of December 9, 1983, 24 International Legal Materials (1985), at 365.

⁵ S. Boyd, Expert Report (in *Esso/BHP v. Plowman*), 11 Arb. Int. (1995) at 266 no. 9.

⁶ *Eo. loc. in fine.*

⁷ For a differing view H. Smit, Expert Report (in *Esso/BHP v. Plowman*), 11 Arb. Int. (1995),

important for them not to receive attention on a case by case approach. There appears to be no general rule in this regard.

B. Evidence

1. In an arbitration under a know-how licensing agreement in the ship building industry, the claimant did accept to file with the arbitral tribunal detailed blueprints of the hull of a given vessel series, but did not accept that the respondent be given access to them, since they allegedly disclosed manufacturing secrets. Only general sketches could have been harmlessly handed over to the other party for preparing its defense. In that particular case, Swiss law was applicable, so that the arbitral tribunal made application of Article 38 of the Swiss Federal Rules on Civil Procedure and mentioned other provisions protecting trade secrets in the Law on Patents for Inventions (Art. 68), the Law against Unfair Competition (Art. 15) and the Law on Cartels (now Art. 16 of the 1995 Act) to grant the motion filed by claimant to safeguard its trade secrets. This writer has seen similar decisions in cases involving secret commercial information, for example contracts entered into with third parties and relevant to substantiate a claim in damages for break of a contractual relationship between the parties to the arbitration.
2. In an arbitration bearing on distillation equipment for the petrochemical industry, a party acceded to the request of the other party to inspect given sites without a representative of the arbitral tribunal, asking the other party not to take photographs or detailed measurements. Further, the arbitral tribunal was requested to grant a motion for a protective order, validity of which would have extended five years beyond the final award. The protective order would have safeguarded all technical information exchanged during the course of the arbitral proceedings. Query : does the arbitral tribunal have powers to make procedural orders that last later than the final award which is both the aim and the end of the Terms of Reference ?

at 297 no. 6; see also the proposal of J. Paulson and N. Rawding, *The Trouble with Confidentiality*, 11 *Arb. Int.* (1995) at 315.

3. In an arbitration on licensing agreements in the publishing industry, a party relied on the decision of the tax authorities of a given country A that deemed for the purpose of application of A's taxation laws the royalties owed by a subsidiary of that party in a country B to be really to be owed by the party as if its subsidiary were located in the country A. Could the other party's legal opinion and memorials filed with the arbitral tribunal in this respect be handed over by their opponent to the tax authorities in A in order for them to re-examine the case ?
4. In an arbitration between two corporations of some size, a party claimed that the other party had terminated the licensing agreement because a management consultant had proposed that direct marketing on a given market be effectuated by the terminating party, rather than through its licensee of twenty years. Does the author of the management study have a say when the arbitral tribunal wonders if this document should be filed in the arbitral tribunal ?
5. Legal literature gives many examples of the difficulties to be encountered with witnesses who assist to the hearings without being under a pledge of secrecy, nor under an implied obligation to confidentiality. A learned English writer just argued that an expert witness (as distinguished, presumably, from an ordinary witness) "owes an obligation not only to the side for whom he appeared but also to the other side to respect the confidentiality of the arbitration proceedings"⁸.

The question arises mainly when the witnesses are allowed to follow all hearings, for example because they are managers or technical experts of one of the parties.

6. The same confidentiality does perhaps apply to documents produced as a result of the discovery process, with the possible exception of Australia⁹.

⁸ P. Neill, *op. cit.* at 290.

⁹ See M. Collins, Privacy and Confidentiality in Arbitration Proceedings, 11 *Arb. Int.* (1995), at 333 citing the *Esso v. Plowman* (1994) 1.V.R.1, at 34 (Vict.)

This confidentiality does not extend to the minutes of the hearings, or so it would seem according to English practice¹⁰.

Of course, under *Esso v. Plowman*, a statutory duty to inform a State Agency may prevail on the intended confidentiality of the information generated for or during the course of the arbitration proceedings¹¹. The same view has been held in the United States for the confidentiality duty of the arbitrator¹². Under Swiss law, administrative statutory requirements of disclosure cannot be said automatically to overrun confidentiality duties that are premised on private or criminal law¹³.

7. Do public policy considerations allow for invasion of the privacy of the arbitration in the absence of statutory provisions to this end ? The well-known case of the Cross Harbor Tunnel in Hong Kong shows that it is at times enough to publicize the result of the arbitration, and not necessarily the award itself or the documents produced in support of the party's arguments¹⁴.

¹⁰ See M. Collins, *op. cit.* at 325 n. 18 (procedure adopted by the arbitrators after the decision *Oxford Shipping Co. v. Nippon Yusen Raisha* (The "Eastern Saga"), [1984] 2 Lloyd's Rep. 373 [QB]).

¹¹ This seemed to be the case for the production of electricity in Victoria, see 11 Arb. Int. (1995), at 253.

¹² H. Smit, Case-note on *Esso/BHP v. Plowman*, 11 Arb. Int. (1995), pp. 299-300 (in general). See also the Canon VI.B of the Code of Ethics for Arbitrators in Commercial Disputes published by the American Bar Association and the American Arbitration Association (AAA) and the Rule 25 of the Commercial Arbitration Rules of the AAA, cited *in St. Bond*, 11 Arb. Int. (1995) at 278.

¹³ See below III B.2, pp. 20 *et seq.*

¹⁴ S. Boyd, Expert Report, 11 Arb. Int. (1995), at 265 n. 2.

C. Awards and Procedural Orders

1. Could an award that decided a case of first impression be published without the parties' consent, in the interest of the advancement of the law as it were ? What mutilations and modifications would be necessary to preserve the necessary confidentiality of the parties and of their business ? Obviously, a decision under anti-trust law, for example, would not be meaningful without some indications on the market share of the parties, the market itself and the countries at stake¹⁵. But giving all that information is sometimes tantamount to giving the name of the parties ...
2. Is the disclosure of procedural orders to serve as *samples* during the course of future arbitrator's training to be accepted for the sake of a better legal education ?
3. If one party discloses the award to financial newspapers, do the counsel of the other party have now a free hand to inform the public on the arbitration proceedings ? This case is of course to be distinguished from the disclosure by a party to a third party in order to protect its rights or their rights, for example in a case of assurance or reinsurance, in a case in the outcome of which subcontractors are interested, etc.¹⁶.
4. Finally, it should be noted that in many countries, an appeal against the award or a motion for recognition of a foreign award may entail the publication of the award, ordinary courts proceedings being held *coram publico* and resulting therefore in the award itself being public. Thus, the Paris Court of Appeal reasoned that the sheer fact to lodge a groundless appeal could be considered as a breach of confidence¹⁷. There appears to be some safeguards against the disastrous consequences of an appeal as

¹⁵ On the arbitrability of antitrust lawsuits see this author's paper "*Arbitrage, propriété intellectuelle et droit de la concurrence*", in Bull. ASA Special Series no. 6 (1994), pp. 55-97, especially at 77.

¹⁶ See J. Lew, 11 Arb. Int. (1995), at 285 no. 13.

¹⁷ Rev. arb. 1986, at 583 (sentence of February 18, 1986) commented notably by E. Gaillard, in Rec. Dalloz 1987, p. 153 *et seq.*

regards the confidentiality of an award in England and Switzerland¹⁸. On the other hand, some ancient arbitration rules require the opening of the award in public¹⁹.

II. Methodology

A. Balancing the Interests at Stake

Vis-à-vis all those practical dilemmas, the lawyer immediately acknowledges that there is no simple answer which could be applied in all circumstances. For example, it would need oversimplistic hopefulness to declare that the protection of confidentiality never prevails in the United States, whereas in fact Federal and State Courts sometimes hear trade secret cases *in camera*²⁰. Besides, the governments of the United States and of Western Europe requested an international rule protecting trade secrets and their common endeavor resulted in Article 39 TRIPs²¹. Further, the Patent Arbitration Rules (November 1993) of the American Arbitration Association provide for the "privacy of the hearings"²². So, even the United States

¹⁸ There is no public deliberation in the Swiss *Tribunal fédéral* if the appeal is unanimously dismissed or if no judge dissents on the solution put before them by the judge in charge of the file or by three judges. In England there is no public deliberation at all if the appeal seems to have been lodged without grounds.

¹⁹ See e.g. the Indonesian Arbitration Rules of 1978.

²⁰ See R. Milgrim, Trade Secrets, New York 1967, ann. suppl., § 14.02 [4]. In his comments on *United States International Commission v. Tenneco West*, 822 F.2d 73 (DC Cir 1987) and *Turick v. Yamaha Motor Corp.*, 121 F.R.D. 32, 35 (S.D.N.Y. 1988), Milgrim states that the secret character and the need for protection of the information not to be disclosed must be proved by the interested party.

²¹ See note 3 above.

²² Art. 24 : "*The arbitrator shall maintain the privacy of the hearings unless the law provides to the contrary ... The arbitrator shall (...) have the power to require the exclusion of any witness, other than a party or other essential person, during the testimony of any other*

often seen as the stronghold of the anti-confidentiality school of thought, are actually alert to the need of safekeeping trade secrets.

On the other hand, it is reasonable to reaffirm the paramount importance of any law requesting a party or both to disclose information to the public or to a state agency. It is reasonable to ask whether public policy be best served in a given case by an all-encompassing confidentiality. It is reasonable to provide for the legitimate private interests of a party to disclose certain facts outbalancing the interests of the other party to keep them secret. Confidentiality is never absolute.

Therefore, it would seem that some methodological observations for comparing the interests at stake may be proper. That comparison rests not only on the nascent transnational law of arbitration, but also on the rules protecting trade secrets, and - where allowed - on "common law copyright".

B. Applicable Rules

1. National Law

a) The Law of Contracts

aa) Nobody will deny that the parties may provide for the confidentiality of their relationship in a contractual arrangement. Numerous standard-form contracts have a provision to the effect, for example, that

"offers and bids are confidential and only these persons who are actually dealing with the present business may get to know them".

It is certain that such a provision shall, if validly entered into by the parties, govern subsequent arbitration proceedings²³.

bb) Therefore, it is apparent that the requirement of confidentiality does not have to derive from the arbitration agreement. Of course, if the

witness".

²³ See e.g. P. Loyer, *Non-respect du secret et arbitrage dans le transfert des techniques*, Rev. arb. 1979, pp. 50-51.

contractual provision(s) on arbitration do impose confidentiality, they will be enforced by the arbitrators and the courts²⁴. In fact, however, there has been precious few cases where either the arbitration clause or the terms of reference dwelt on the confidentiality of the arbitration, at least until the wave of shock caused by *Esso v. Plowman*.

cc) More often, the choice of an institutional arbitration entails the application of regulations that provide for a strict confidentiality. Well-known examples are the Geneva Chambers of Commerce rules²⁵, the Zurich Chamber of Commerce rules²⁶, the Reinsurance Arbitration Rules of the London Court of International Arbitration and the London Metal Exchange rules, or the German Arbitration Committee rules²⁷.

dd) It may happen that institutional rules limit the ambit of the duty of confidentiality to some persons, for example arbitrators and administrative personnel²⁸.

Even if they are not entirely satisfying to the mind, those last rules at least embody an essential prerequisite of the legal protection to be afforded to trade secrets, *to wit* the showing of an intent to keep confidential the information whose protection is sought afterwards²⁹. The parties submit their litigation to an institutional arbitration known at least for its **policy** of confidentiality.

²⁴ See F. Dessemontet, *Les accords de confidentialité*, in *Mélanges Pierre Engel*, Lausanne 1989, p. 28 *et seq.*

²⁵ Art. 4.

²⁶ Art. 51.

²⁷ See J. Lew, 11 *Arb. Int.* (1995) pp. 287-288 and 292-295.

²⁸ The general rules of the American Arbitration Association provide at their Section 35 under the title "*Confidentiality*" an obligation of discretion only for arbitrators and administrators working at the AAA. For the special rules in the field of patents, see note 22 below.

²⁹ See St. Bond, 11 *Arb. Int.* (1995), pp. 273 *et seq.* with several citations.

b) The Law of Trade Secrets

aa) The law of trade secrets is an area of the law in rapid evolution. Article 39 TRIPs³⁰ is the first universally accepted provision bearing on trade secrets, although patent and copyright conventions are more than one hundred years old. Of course, the actual harmonization of the legal regime of trade secrets throughout the world may take a few years or decades.

bb) Under continental law, the protection of trade secrets mostly derives from criminal enactments, for example, Articles 162, 273 and 321 of the Swiss Penal Code, Articles 4 and 6 of the Swiss Act against Unfair Competition, Article 47 of the Swiss Bank Law, etc.³¹ Swiss State rules of civil procedure aim at safeguarding the confidentiality of trade secrets³². Even before specific enactments were made in Switzerland, case law was to the effect that secrecy should be preserved by all proper means, for example by the disclosure of very confidential information to the court only, to the exclusion of the other party³³. A corresponding provision is to be found in the Federal Rules of Civil Procedure³⁴, that are however of scant application because no more than twenty cases annually are brought before the Federal Tribunal as a court of first degree in civil matters. Nevertheless, they may apply by the choice of the parties in an international arbitration with the seat of the arbitral tribunal in Switzerland.

³⁰ See note 3 above.

³¹ See O. Weniger, *La protection des secrets économiques et du savoir-faire* (Know-how), thesis Lausanne 1994, notably pp. 144-145.

³² See for all others W.J. Habscheid, *Schweizerisches Zivilprozess- und Gerichtsorganisationsrecht*, 2d ed. Basle 1990, no. 659, p. 396 and note 11.

³³ *Recueil de jurisprudence neuchâtelaise (RJN)* 1969-1973, pp. 101 *et seq.* = *Revue suisse de la propriété intellectuelle (RSPI)* 1975, p. 115-116; ATF 100 Ia 103, 95 I 107 and 445; 92 I 187; 90 II 467 no. 3 lit. d *in fine*; 78 I 88; *Blätter für Zürcherische Rechtsprechung (BIZR)* 1962 no. 56; *Revue Suisse de Jurisprudence (RSJ)* 1985 no. 51, at 269.

³⁴ See art. 38 of the Federal Rules of Civil Procedure.

Under the Geneva Rules of Civil Procedure as amended in 1984, a general *provisio* is made for the protection of trade secrets³⁵.

It is of course a difficult point whether an *ex parte* disclosure of some documents to the arbitral tribunal without any access being given to the other party is conforming to the due process requirement of the European convention on Human Rights, Article 6 of which calls for equal access to the file³⁶. At least, it would seem difficult to cite among the reasons of an award a document upon which the other party did not have the opportunity to comment.

c) Arbitration Rules

aa) Numerous institutions have provided in their rules for the confidentiality of the proceedings held under their authority. The most complete regulation is to be found in Articles 73 through 76 of the WIPO Arbitration Rules. They are also the most recent ones among the major institutions, and they can be envisioned as expressing a large consensus among the practitioners of arbitration law. The expert reports by Dr. J. Lew and Prof. H. Smit in *Esso v. Plowman* on the confidentiality of arbitration could not take them into account as these rules were not yet adopted. Nevertheless, it is interesting to note that a recent arbitral award at least invoked those rules *per analogiam* to justify the indemnification of a party which has been aggrieved in circumstances similar to an example mentioned above (I. A. 1.)

bb) The regulations of arbitration institutions do not always bind the parties³⁷, but they may extend beyond parties to other persons like

³⁵ See art. 203 of the Code of Civil Procedure of Geneva.

³⁶ See W.J. Habscheid, *op. cit.*, at 396 note 12. According to French authors, the European Convention should not apply to arbitral proceedings. See Ch. Jarrosson, *L'arbitrage et la Convention européenne des droits de l'homme*, Rev. arb. 1989, at 574, no. 21, 22 and 34, cited with approval by J.-L. Devolvé, *Vraies et fausses confidences, ou les petits et les grands secrets de l'arbitrage*, Rev. arb. 1996 at 391 fn. 26.

³⁷ See e.g. the Basle Chamber of Commerce Rules, art. 52.

arbitrators, their clerical help, the secretariat of the institution and third parties who will be somehow involved with the proceedings.

Of course, witnesses who testify before an arbitral tribunal are not necessarily bound to secrecy, but some rules, as those of the Zurich and Geneva Chambers of Commerce, might be construed in such a way that witnesses are bound to respect the confidentiality of arbitral proceedings, at least when duly warned by the arbitral tribunal. This could help solve some cases mentioned above (I. A. 3; I. B. 4.)

2. Rules on Conflict of Laws

The law applicable to the confidentiality of arbitration may be determined first by the law applicable to the arbitration, second by the law applicable to the protection of trade secrets.

a) Law Applicable to the Arbitration

As is well known, the law applicable to the arbitration (*lex arbitrii*) is not necessarily the same as the law applicable to the contract giving rise to the litigation (*lex causae*) or as the law of the seat of the arbitral tribunal (*lex fori*).

Now, if the parties have decided that the law of the arbitration shall be the law of the seat of the arbitral tribunal, which they often do, the procedural rules of that forum shall apply to the measures aiming at protecting the trade secrets. For example, the reference to the "Laws of the Republic and Canton of Geneva" means that the broad-worded Article 203 of the Geneva Code of Civil Procedure will allow the arbitral tribunal to issue protective orders³⁸. If there is no choice of law by the parties, the arbitral tribunal shall most often apply the procedural rules of the forum, unless the parties expressly release the tribunal of any obligation in that respect, which would allow the arbitrators to choose the law most adequate in that particular case, taking into account the need to ensure recognition of the award, for example, as dictated by Rule 26 ICC. Sometimes, the parties

³⁸ Art. 203 : "Each party may appeal to the judge to order the indispensable measures for the protection of manufacturing secrets or commercial secrets".

or the arbitrator(s) may wish to set their own rules (see Rule 11 ICC). Then, protective orders are certainly within the powers of the arbitral tribunal under most laws of the world, all the more so because more than 150 States have signed, ratified or acceded to the TRIPs Agreement, Article 39 of which makes a duty for the contracting States to protect trade secrets.

b) Law Applicable to Trade Secrets

The rules on conflict of laws regarding the protection of trade secrets are a little explored area of international private law. This writer's contention is that the law applicable to the ownership of trade secrets is generally the law of the main place of business of their alleged owner, unless there is a contract giving him title to the trade secrets, such as an employment contract, a R + D contract, or a sale of know-how agreement. In that case, the law applicable to the relevant contract shall govern the acquisition of the ownership of the trade secrets. The law applicable to the ambit of the protection is the law of the country for which territory protection is sought³⁹.

There may be some hesitations when the protection of trade secrets is grounded on unfair competition counts, or criminal law, since those statutes are seen as strictly territorial. Then, even the question of the entitlement to the protection of trade secrets may be governed by the law of the forum.

³⁹ See F. Dessemontet, Transfer of Technology under UNCTAD and EEC Draft Codifications : a European View on Choice of Law in Licensing, The Journal of International Law and Economics vol. 12 (1977), p. 1 *et seq.*, especially pp. 20-24. Although the choice of the applicable law is left to the parties, there must of course be a really international contract to have it governed by the law of another country. See A. Rogers/D. Miller Non-Confidential Arbitration Proceedings, 12 Arb. Int. (1996) pp. 344-345.

III. The Duty of Confidentiality

A. The Requirements for Trade Secrets to be Protected

1. Objective Secrecy

The information to be kept confidential shall be secret from an objective point of view. It means that the information shall not be "generally known among or readily accessible" to the people "who normally deal with the kind of information in question"⁴⁰.

Even if recognized, the principle of confidentiality could not extend the cloak of secrecy to matters that are in fact already in the public domain, the public domain being here defined as under Article 39 TRIPs and not as everything which is outside the scope of patent or copyright protection⁴¹.

The concept of **secrecy** may no longer vary from one country to the other, as Article 39 TRIPs precisely defines what is to be understood by **secret**. For example, it would no longer be admissible to require an absolute secrecy, i.e. the fact that no other competitor knows of technology or of the trade information. For example, if two or three corporations have, each for itself, probed the exactness of a given mathematical model to explain the chemistry of some distillation processes, the exactness and practical bearing of that model are still secret, as long as the other competitors are not aware of it and cannot have an easy access to the results of these experiments. Therefore the arbitration involving the practicability of that model shall remain shrouded in secrecy.

⁴⁰ See the text of art. 39 TRIPs (*cf.* footnote 3 above) and art. 7.2 of the EC Regulation 556/89 of November 30, 1988 Relating to the Application of art. 85 § 3 of the EC Treaty to Certain Categories of Know-How License Agreements, OJ L 61/1 of March 4, 1989, now replaced by art. 10.2 of the EC Regulation 240/96 of January 31, 1996 Relating to the Application of art. 85 § 3 of the EC Treaty to Categories of Technology Transfer Agreements, OJ L 31/2 of February 9, 1996.

⁴¹ See St. Bond, 11 Arb. Int. (1995), at 274 no. 7 : the ICC publishes only what is in the public domain.

The burden of the proof is on the party claiming that the information he wants to see protected is actually secret, or was before the wrongful disclosure occurred. In this writer's view, most documents that are generated for the arbitral proceedings enjoy a presumption of secrecy. That presumption would appear to extend to all documents, be they produced at the request of the arbitrator or *sua sponte* by a party⁴². Thus, confidentiality may cover memorials by the parties, written depositions and affidavits, expert reports and all compilations of technical or commercial data - but the ones that were already published on Internet (e.g. www) or in trade journals or technical reviews.

On the contrary, the documents pre-existing to the arbitration are not necessarily secret⁴³. They may be stamped as confidential, or they may have been compiled in such circumstances where it is most likely that they were considered as confidential. Otherwise, no automatic protection should attach to them.

The *onus* of proof rests with the party contending that there is a need for protection. Nonetheless, as no firm evidence can be brought as to the fact that no publication ever occurred, a *prima facie* showing of confidentiality shall shift the burden of proving confidentiality to the other party. If that party alleges that the information is no longer secret by reason of some specific disclosure to the public, it shall usually be easy for him to produce evidence in that respect.

A last observation on the secrecy requirement : the fact is that several persons - the litigators and the arbitrators, plus the parties' employees and officers, and the administrative personnel of the arbitration institution, not counting clerical help - may in the end be aware of the so-called trade secrets. Nevertheless, the secrecy is not doomed to disappear during the arbitration proceedings. On the contrary, the protective orders and an **implied** obligation of confidentiality where appropriate may provide for continuing secrecy. Under copyright law as well, a huge number of persons may get to know a given work of art or literature without the work being "published" in the copyright parlance⁴⁴.

⁴² See P. Neill, *op. cit.*, pp. 308-309; J.-L. Devolvé, *op. cit.*, pp. 383-384.

⁴³ See for the distinction between preexistent documents and documents created especially for the arbitration J. Paulsson and N. Rawding, 11 *Arb. Int.* (1995) at 309.

⁴⁴ *E contrario* Swiss Copyright Act Art. 9 par. 3 : "A work shall be considered published when

The notion of "private circle" is of paramount importance there. Now, under most arbitration regulations, the arbitral tribunal has power to exclude from the proceedings any person who is not privy to it (Rule 15.4 ICC, Article 53 (c) of the WIPO Rules). Thus, there really is a link between the wish of "persons [entering into an arbitration clause] with the express view of keeping their quarrels from the public eyes"⁴⁵ and the confidentiality of information disclosed within the course of the arbitration. Their recourse to arbitration is among the protective steps they have to take in order to get a legal protection for their secrets.

2. Reasonable Steps to Maintain Secrecy

Article 39 TRIPs requires that the allegedly secret information has been "subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret".

Such requirement is to be found in many industrial countries, for example under most Swiss precedents⁴⁶. It has not been widely noted that in the case *Esso v. Plowman* one of the parties was even before the arbitration started already under a contractual duty to pass along detailed commercial information to the other party in order for a price increase to be justified; that party, however, increased its prices without disclosing such information⁴⁷. It is a classical dilemma, but the particular duty to disclose the information at stake would already have prevented most jurisdictions to protect it by sheer application of the law of trade secrets under Article 39 (2) (c) TRIPs. It was precisely not a good test-case, for that reason already, and shall therefore enjoy little authority as regards secret information for which reasonable protective steps have been taken, and this not against a contractual commitment.

it has been made available for the first time, by the author or with his consent, to a large number of persons not constituting a private circle within the meaning of Article 19.1.a".

⁴⁵ See Sir George Jessel MR in *Russel v. Russel* (1880) Ch. D 471 at 474 as quoted by P. Neill at 308.

⁴⁶ ATF 80 IV 27, all ensuing cases seem to confirm this requirement, except ATF 109 Ib 56 and 118 Ib 559. For German law, see R. Krasser, *The Protection of Trade Secrets in the TRIPs Agreement* in Beier/Schricker Eds, *From GATT to TRIPs*, Weinheim 1996, p. 216 *et seq.*

⁴⁷ See the clause 12.8 of the contract quoted in the *Arb. Int.* (1995), p. 236.

More generally, when no contractual commitment exists to the effect that the information must be disclosed without any pledge of secrecy of the recipient's part, the owner of the trade secrets has the choice between protecting them by reasonable steps or relinquishing his claims to the information being proprietary. Therefore, the **reasonable steps** as mentioned in Article 39 (2) (c) are the evidence of the owner of the trade secrets being intent on keeping them to himself⁴⁸.

Among the "reasonable steps" to protect trade secrets, first and foremost is the stamping of all relevant documents as "*confidential*". The protective measures may then vary from case to case. In any event, as long as the arbitral proceedings are private to the parties, the disclosure of the information during the proceedings cannot be deemed to mean that the disclosing party is giving up his claim to the exclusive enjoyment of his trade secrets.

3. Example of Confidential Information within Arbitration Proceedings

Commercial and technical information may be protected. Swiss case law indicates that following data are the proper subject matter of trade secrets protection :

- a pricing policy, bids and offers, terms and conditions for providing goods or services, rebates, an advertising campaign before it is launched, statistical data on the turn-over or the rentability, loans and borrowings, comments on a balance sheet, taxation schemes, employees' wages⁴⁹;
- compilations of data on service providers and raw materials or semi-finished products suppliers as well as their price structure⁵⁰;
- technical tables⁵¹, blueprints, drawings and designs⁵², software⁵³, listings of temporary employees⁵⁴ or customers⁵⁵.

⁴⁸ R. Krasser, *op. cit.*, at 224; see for critical observations O. Weniger, *op. cit.*, pp. 160-162.

⁴⁹ See O. Weniger, *op. cit.*, at 163, also quoting the ensuing examples.

⁵⁰ ATF 103 IV 284.

⁵¹ ATF 64 II 70.

⁵² ATF 80 IV 28. Comm. Trib. Zurich, *Blätter für Zürcherische Rechtsprechung (BIZR)* 42

Most sensitive information to be protected in arbitration proceedings fall under one of those headings⁵⁶.

Therefore, there is no doubt that in Switzerland, arbitral proceedings are confidential at least to the extent that they involve the sort of information just mentioned, provided that the information in question be really secret, i.e. "not generally known or readily accessible", and that the owner be intent on keeping it secret.

B. The Austral-American Approach

The common-law tradition, for example the Australian judges in *Esso v. Plowman* and some American arbitrators (Prof. Smit⁵⁷, Mr. Holtzmann⁵⁸) have enriched the debate with two new points of view, the import of the rules on **discovery** and the issue of **public policy**.

1. The Discovery Issue

The relationship between discovery and trade secrets protection is a complex one.

English case law seems to be to the effect that the production of documents produced as confidential in a prior arbitration case cannot be ordered in subsequent arbitration proceedings⁵⁹. The High Court of Australia in *Esso v. Plowman* reached

(1943) no. 1, pp. 1 *et seq.*

⁵³ ATF 111 IV 79; Cant. Trib. Nidwald, *Revue suisse de propriété intellectuelle (RSPI)* 1989, p. 271.

⁵⁴ Civ. Court Basle (Stadt), *Basler Juristische Mitteilungen (BJM)* 1991, at 83.

⁵⁵ RSPI 1991, at 255; RSPI 1991, at 268.

⁵⁶ See the examples under I. B. 1-6 above.

⁵⁷ See H. Smit, 11 *Arb. Int.* (1995), at 301.

⁵⁸ See H. Holtzmann, *in* U.S. (Shipside Packing) v. Iran, sentence no. 102-11875-1, 5 *Iran - U.S. C.T.R.*, pp. 82-84.

⁵⁹ *Dolling-Baker v. Merrett* (1990) W.L.R. 124 (decision that denies discovery on documents

the opposite solution. The interesting point is that the test for a given document to be confidential is clothed in the question whether it is proper to request its production in a subsequent case. This is a rather inductive method of defining secrets. The continental method might be more deductive, i.e. the arbitral tribunal or the supporting judge might deduce from the fact that the information in question is not secret the legal consequence that it has to be produced. Of course, what matters most in the end is the correctness of the decision rather than the appropriateness of the method. However, it is submitted that the deductive method may yield more predictable results, especially as far as third parties are concerned by the request for production of evidence (such as in case I.B.4 above). One of the very best studies in that area concludes that no general rule may be said to prevail in all circumstances, an order of the court or the assent of the other party being however generally required⁶⁰. In any event, the English and Australian approach finally rests on considerations of procedural law relating to the confidentiality of documents and statements and even of the reasons of the arbitration award⁶¹.

It does not appear to be centered on the information itself, but rather on the relationship existing between the parties to the proceedings. Therefore, the

prepared for the arbitration proceedings); see however *London & Leeds Estates Ltd v. Paribas Ltd (no.2)* [1995] EG 134 as cited by P. Neill pp. 296-297 (although there is a duty of confidentiality owed by each party to the other one and by the arbitrator to both, a witness statement given by an expert in a prior arbitration can be properly subpoenaed in a later case). *A fortiori*, an ordinary witness may be called to testify in a second case : see J.-L. Devolvé, *op. cit.* pp. 388-389.

⁶⁰ M. Collins, 11 *Arb. Int.* (1995), pp. 335-336.

⁶¹ See *Mutual Shipping Corp. of New York v. Bayshore Shipping Co. of Montovia (The Montant)* 1 All ER (1985) pp. 520-525, especially the statement of Sir John Donaldson, at 525 : "[When] restricted reasons are given and accepted by the parties, the parties must be deemed to have agreed that the reasons cannot be placed before the court. Such an agreement purports to oust the jurisdiction of the court and is void as being contrary to public policy". It is interesting to note that the Austral-American approach seems to influence the Continental commentators. See for the documents to be filed with a second jurisdiction or the witness to be heard in the second litigation, J.-L. Devolvé, *op. cit.* at 383.

question of confidentiality seems to arise in a different context than the usual continental approach, where trade secrets are protected *per se*.

2. Public Policy

Even the adepts of a strict confidentiality of the arbitral proceedings accept that the courts can put it aside in appropriate circumstances⁶². Although the public interest may sometimes dictate a higher confidentiality, it may in some other instances **preclude** confidentiality :

a) For example, Article 273 of the Swiss Penal Code is said to have been introduced because of the need to protect citizens from Nazi-Germany against spying by German government agents desirous to learn about the bank accounts of Jewish and other clients of the Swiss banks. The Federal Tribunal even enlarged the concept of information deserving the legal protection in that connection⁶³. The private business of someone, for example his salary, are trade secrets within that provision. Even an information which has been disclosed to a limited circle of persons in Switzerland qualifies as a "trade secret" as long as it is not known nor accessible to the foreign recipient⁶⁴.

So, in the end, a public interest may at times require arbitration proceedings to remain confidential. Of course, "*national security, relations with foreign countries or the ordinary business of government*" may lead to the same conclusion⁶⁵.

b) The public interest may also compel the courts to authorize some publicity of the arbitral proceedings.

⁶² See R. Merkin, *Arbitration Law*, London 1991, p. 312 *et seq.*

⁶³ ATF 65 I 50, pronounced under the *Arrêté fédéral* aiming at the safety of the Confederation, of June 21, 1935.

⁶⁴ See ATF 104 IV 177; ATF 71 IV 218; ATF 65 I 334; ATF 65 I 50.

⁶⁵ P. Neill, *op. cit.*, at 312.

First and foremost, the confidentiality of arbitration can provide no escape from a statutory duty to publish the relevant information. In *Esso v. Plowman*, there was as well a contractual duty to disclose given facts in order to justify a price increase. The law of arbitration should not provide any reason not to abide by such terms of a valid agreement.

Then, the interest of the government may contradict the principle of confidentiality in a given case. Such was the situation both in *Esso v. Plowman* and in the *US v. Panhandle Eastern Co.* case⁶⁶. The European approach is more reluctant to accept that the public interest would redeem a breach of confidentiality committed by a State agency, as is shown in a recent case involving a leak by the European Commission during the course of administrative proceedings⁶⁷. At any rate, even if a public agency is supposed always to act in the public interest, a court review on the issue of the confidentiality of the arbitration documents would appear to be necessary.

The balance of powers is apt to protect the interests of private parties engaged in dealings with the State. Where no court review is possible, be it for the lack of an adequate possibility of appeal, or by the effect of a strict conception of the separation of the Executive and Judiciary, or because no independent Judiciary exists in a given country, the confidentiality of arbitral proceedings should prevail *prima facie*.

c) Beyond the public interest as enforced by a State agency, no public policy requirement would appear to condone the publication of the award⁶⁸. There may exist an interest of businessmen and lawyers to know

⁶⁶ United States v. Panhandle Eastern Corp., 118 FRD 346 (D Del 1988).

⁶⁷ See the Postbank NV case, of September 18, 1996, case T-353/94; previously Akzo-case (case ECJ 53/85, June 24, 1986; 1986 ECR 1965).

⁶⁸ Cf. H. Smit, 11 Arb. Int. (1995), at 301. See *contra* however A. Rogers/D. Miller, *op. cit.* pp. 342-343; see also generally for the public interest purpose of non-confidentiality, see A. Rogers/D. Miller, *eo. loc.* pp. 321, 326, 327, 335 *et seq.*, esp. at 340, citing the judgment by Mr. Justice Kirby in the Cockatoo Island Case, 27 June 1995, New South Wales Court of Appeal). "*Can it seriously be suggested that their private agreement can,*

of the solution or reasons expounded in a given award, for example regarding a point of first impression or a basic award that would lead to the settlement of many related or analogous disputes⁶⁹. There might exist a public interest to the development of the antitrust law as applied by arbitral tribunals. Similarly, some scholars should be happy to read awards in relation with the *lex mercatoria*⁷⁰. All in all, however, the law is here more for the parties than for its students. The true interest in favor of confidentiality overrides the curiosity of the public and of the scholars.

C. The Cause of the Duty of Confidentiality

1. Anglo-Americans ground the duty of confidentiality on the relationship existing between the parties. Three doctrines are alternatively applied :
 - the duty of confidentiality is *implied in fact*, for example where the parties are bound by a contract.
 - the duty of confidentiality derives from a fiduciary relationship; it is then *implied in law*.
 - the owner of the confidential information has a "property interest" or "*property right*" in the trade secret⁷¹.

The extent of the protection and the subject matter for protection may vary from case to case according to the doctrine which shall be invoked⁷².

endorsed by a procedural direction of an arbitration, exclude from the public domain matter of legitimate public concern ?". See for the conflict between the public interest to know certain facts and the private interest to have e.g. the confidentiality respected by invoking copyright, M. Sayal, Copyright and Freedom of the Media : A Balancing Exercise ?, in [1995] 7 Entertainment Law Review, at 265.

⁶⁹ See Holtzmann, in U.S. (Shipside Packing) v. Iran, sentence no. 102-11875-1, 5 Iran - U.S. C.T.R. pp. 82-84.

⁷⁰ See E. Gaillard, Dalloz 1987 at 153.

⁷¹ Ruckelshaus v. Monsanto, 467 US 986 (1984).

⁷² See, for arbitration, P. Neill *op. cit.* at 314 : "*But it is probably the case that, where there*

2. Article 39 TRIPs does not impose worldwide the "American" notion of proprietary information as opposed to the Continental approach which is premised on unfair competition⁷³. Nevertheless, Article 39 TRIPs does oblige the States to protect trade secrets, which means that there is now in Australia as everywhere else a **legal** duty to respect confidentiality, with of course all exceptions that are compatible with Article 39 TRIPs as regards a State agency for example⁷⁴, *and those exceptions only*. This is why Article 39 TRIPs has been hailed as a "progressive achievement" of intellectual property⁷⁵.

D. The Owners of Trade Secrets

In the arbitration context, the **parties** are the owners of the trade secrets (unless, in a given case, one of them is only the depository of a third party's secrets). The arbitrators, the arbitration institution and their personnel have a duty of confidentiality and cannot sell or trade the secret information.

Are the parties joint owner of the confidential information or can they individually dispose of it? The English case *London & Leeds Estates Ltd. v. Paribas Ltd. (no. 2)*⁷⁶ states that the arbitrating parties owe a duty to each other of confidence and privacy in relation to the evidence given. Mr. P. Neill suggests that they also owe a like duty to the expert witness. Finally, the arbitrator too owes a duty of confidence

is a contract, a very low threshold of confidentiality is required, in order to trigger the obligation not to use what is supplied for some private purpose of the recipient".

⁷³ See A. Otten, Improving the Paying Field for Exports, in Th. Cottier, ed., GATT-Uruguay Round, Berne 1995, at 78 no. 3.2.5 suggesting that art. 39 TRIPs does not force the member states of the WTO to recognize a property right on trade secrets. For an analysis of the theory of property, see this author's book, *The Legal Protection of Know-How in the U.S.A.*, Geneva, South Hackensack N.J., 1976, p. 323 *et seq.*

⁷⁴ Art. 39 par. 3 TRIPs.

⁷⁵ Message of the Swiss Federal Council, relating the approval of the GATT-WTO Agreements (Uruguay Round), *Feuille fédérale* 1994 IV, at 301, no. 2.4.4.3.7. *in fine*.

⁷⁶ [1995] EG 137, cited by P. Neill *op. cit.*, pp. 296-297.

and privacy, presumably to both parties. The arbitrator is by no means owner of the secrets expounded in the arbitral proceedings⁷⁷.

Thus, a separate ownership is conceivable for the various pieces of information that are at stake. For some informations which have been disclosed to the other party, there is clearly an owner and a recipient. The owner may then disclose the same information to third parties, state agencies newspapers, etc. This might apply, for instance, to specific or economic data, flow charts, etc. produced during the arbitral proceedings. Other informations are generated within the course of the arbitration, for example an expert report, an interim award, or a procedural order. The "owners" of that information are jointly the parties. There is no doubt that, if they agree on publication⁷⁸, their agreement is binding for the other persons repository of the information. Of course, they cannot publicize the name of the arbitrators without their consent, at least in these countries where a strong *right of privacy* is recognized, as it is doubtful whether the name of an arbitrator qualifies as a trade secret under Article 39 TRIPs.

For the publication of the opinion, the question is more difficult, because the opinion may be seen as a copyrighted work, as are memorials of the parties⁷⁹. Nevertheless, it is a work made for hire, and in the Anglo-American conception of copyright, copyright thereon would appear to belong to the parties themselves. Under most continental copyright laws, the authorization to publish the opinion might be entailed by the agreement to serve as an arbitrator. However, the very principle of confidentiality which prevails in Europe might lead to the conclusion that publication was not envisioned by the arbitrator at the onset and that the right of publication was therefore not transferred to the parties jointly and severally. Then, his assent towards publication should be asked after the award has been rendered.

⁷⁷ See, however, F. Gaillard/Ph. Fourchard, *Traité de l'arbitrage commercial international*, Paris 1996, no. 1167, p. 642 for the proposition that the arbitrator has a right to confidentiality.

⁷⁸ They may agree by submitting their litigation to the regulations of a given institution, such as ISDIC or U.S.-Iran Claim Tribunal. See *infra* E. Sometimes they are not in a position not to arbitrate.

⁷⁹ RSJ 1933-1934, at 266 no. 50.

If however the parties do not agree on the publication or disclosure of the confidential information which belongs to them as joint owners, they should not be able to dispose of it by separately publishing it. The mechanisms to overcome diverging views of the parties in that regard can be found in a joint-venture type of understanding, the arbitration proceedings being the "joint venture". Rules have been developed to deal with intellectual property rights generated within the framework of a joint undertaking⁸⁰. If the question is whether a party can claim protection of the confidential information against a third party, the answer would seem to be that the petition shall be filed on behalf of both joint owners, but a party may act also as the agent of the other party⁸¹.

E. The Dispute and the Award

1. The dispute cannot always be said to be confidential in itself. Certain duties to inform the shareholders or debenture holders, the Stock Exchange Committees or other authorities may exist by law or regulations. Some of the authorities may be subject to a duty of confidentiality, whereas other authorities or recipients of the information will not be.

An overriding consideration relates to the *interests of a third party*. Generally speaking, in the law of corporations, the trade secrets involving confidential information belonging to a third party (licensor, partner, etc.) are said to enjoy an absolute protection⁸², while the confidential information belonging to the corporation itself would be protected only to the extent that the interest to secrecy outweighs the interests of shareholders etc. to know. Our contention is that the same reasoning may apply for the information relating to the existence of a litigation. The formal basis for that

⁸⁰ See this author's *paper "Les droits de propriété industrielle dans les opérations de joint venture"*, in *Mélanges Pedrazzini*, Bern 1990, pp. 581 *et seq.*

⁸¹ See Art. 7 Par. 3 Swiss Copyright Act. The case is different from the inheritance of an intellectual property right by a community of heirs, ATF 121 III 118.

⁸² See P. Böckli, *Das schweizerische Aktienrecht*, 2d ed., Zurich 1996, no. 1312a; P. Forstmoser/A. Meier-Hayoz/P. Nobel, *Schweizerisches Aktienrecht*, Berne 1996, at 505 no. 176; R.H. Weber, in *OR-Kommentar*, N. 15 *i.f. ad art.* 697 CO.

canvas may be found in Article 46 TRIPs *per analogiam*⁸³. The result would be that a corporation cannot publicize the existence of a litigation if no statutory or contractual duty requests such a disclosure, unless the other party already publicized the existence of the litigation or is under a duty to do so. Here appears again the condition of protection relating to the intents of the parties, as sketched above. If a party belonging to a tight corporate world as Japan or Switzerland is arbitrating with a party belonging to a more open society, the intention of one party alone shall not suffice to obtain the legal protection of a particular piece of information about their litigation. On the other hand, it is not necessarily the laxer view of the other country which should prevail in law, although in fact it might well do so in most cases. From a legal stand point, however, conflicts-of-law rules should determine which conception is applicable.

2. In our opinion, the **fact** that the award has been handed down is subject to the same restraints as the existence of the litigation to which it puts an end⁸⁴. The fact that a minority opinion has been voiced is not confidential in itself⁸⁵.

⁸³ Art. 46 regulates the seizure and destruction of counterfeited products. It enjoins the judicial authorities to consider the interests of third parties, and calls to mind the principle of proportionality between the seriousness of the infringement and the remedies ordered.

⁸⁴ See UNCITRAL Arbitration Rules, Art. 321 (5) : "*The award may be made public only with the consent of both parties*"; see also Rule 9 of the Rules of Ethics for International Arbitrators : "*The deliberations of the arbitral tribunal, and the contents of the award itself remain confidential in perpetuity unless the parties release the arbitrators from this obligation*". See canon VI, B of the Code of Ethics for Arbitrators in Commercial Disputes of the American Arbitration Association; J.-L. Devolvé, *op. cit.* pp. 384-385 (with the exception of the necessary filing of the award with the Court's clerk in France, which entails the possibility for all third parties to receive a copy of the award).

⁸⁵ Devolvé, *op. cit.*, pp. 386-387.

On the other hand, the **contents** of the award are not necessarily confidential either⁸⁶. Some differentiations are proper.

a) The **adjudication** on the claims follows the regime of the information on the existence of a litigation and of an award.

b) The **reasons** may be confidential even if the adjudication is not, because some facts are confidential. Legal reasons, to the extent that they are apt to be published without any fact, could be published, as it is provided in the ISDIC regulations⁸⁷. The Iran - U.S. Claims Tribunal awards could even be published in their entirety⁸⁸.

c) The disclosure to a third party is not to be made without a proper balancing of the legitimate interests of both parties. It is not enough to surmise that a party would never have intended that it should keep confidential documents or information which it might later wish to reveal for the protection of its own interests, as did J. Brennan in *Esso v. Plowman*⁸⁹. The view that a party has of its own interest regarding the disclosure of documents generated during the arbitration is liable to change with the outcome of the first arbitration and the events in the course of the second litigation. Therefore, that view is no certain test of the confidentiality or non-confidentiality of the award. It is rather an objective balancing of both parties' interests that should lead to a conclusion in that regard. In the end, the opinions of J. Colman in *Hassneh Insurance Co. of Israel v. Stewart J. Mew*⁹⁰ and *Insurance Co. v. Lloyd's Syndicate*⁹¹ deserve a wide

⁸⁶ For example, a statutory duty to disclose the award has been introduced by California, Code of Civil Procedure Section 1281.9, effective date January 1, 1995.

⁸⁷ See *Journal du droit international* (Clunet) 1986, p. 221.

⁸⁸ J.J. Van Hof, *Commentary on the UNICITRAL Arbitration Rules*, Deventer-Boston 1991 at 224.

⁸⁹ *Cf. Esso v. Plowman per J. Brennan*, 11 Arb. Int. (1995) at 251.

⁹⁰ *Hassneh Insurance Co. of Israel v. Stewart J. Mew*, [1993] 2 Q.B. at 249.

⁹¹ *Insurance Co. v. Lloyd's Syndicate* [1995] 1 Q. B., pp. 275-276.

recognition, as they delineate which disclosure is to be deemed "reasonably necessary" in order to protect the right of the disclosing party towards a third party. Such a disclosure has to be absolutely indispensable to raise a claim or present a defense. Further, disclosure is acceptable only if the legal reasons of the first award concern the two parties to the first arbitration to the exclusion of any third party. That correlates the opinion expressed above about the absolute protection which is afforded to secret information belonging to third parties.

If the second proceedings in the course of which the question arises are before an arbitral tribunal, a proper request for release should be sent to the party to the prior proceedings who is not before the tribunal. The arbitral tribunal may also direct a letter to that party asking for its point of view as to the confidentiality of the first award (for example in a case as the one mentioned above I.B.4).

In order to balance the interests, the second arbitral tribunal has to examine whether they are legitimate. For instance, to sustain the allegation that the arbitrators were partial is not a legitimate interest to justify unilateral publishing of the award⁹². Of course, where both parties waged a war of communiqués, there should no longer exist sufficient secrecy, so that no legal protection nor privilege would be recognized⁹³.

Further, the respective weight of the interests shall be compared.

Finally, the proportionality between the usefulness of the disclosure and the harm inflicted upon the other party by its very disclosure shall lead to the proper decision.

⁹² See the sentence *Klöckner Belge S.A. and Klöckner Handelsmaatschappij v. République Unie du Cameroun and Société camérounaise des engrais (SOCAME)*, *Journal de droit international (Clunet)* 1984 at 409.

⁹³ See the sentence of November 20, 1984 *Amco Asia et al. v. Republic of Indonesia*, 24 *International Legal Materials* (1985), p. 1022 *et seq.*

Conclusion

In sum, the protection of confidentiality in the arbitration derives not only from the law of arbitration, but also and in some countries as Australia and the United States even predominantly from the law of proprietary information - the law of trade secrets. There might even be a self executing character in Article 39 TRIPs in some jurisdictions⁹⁴.

Therefore, the following theses are submitted to the wisdom of those interested in international arbitration.

1. There is no use in debating whether there exists a worldwide principle of confidentiality in the arbitration proceedings. The national traditions differ. The legal or institutional rules are scant. Of course, English, French and Swiss courts and practitioners may share the same general view in that respect, but the Australian and American opinions are not necessarily to the same effect. The debate is vain if the deeply held convictions on the "merits of confidentiality" are opposed to the "benefits of a glass-house". Meanwhile, multinational corporations having recourse to arbitration will long for certainty.
2. On the contrary, the legal status of trade secrets is no longer debatable, due to Article 39 TRIPs and the American precedents on which it relies⁹⁵.
3. The confidential elements deserving of protection as proprietary information consist in all information that is not in the public domain as defined under Article 39 TRIPs. The public domain is not defined in relation

⁹⁴ See J. Drexler, *Nach "GATT und WIPO ": Das TRIPS-Abkommen und seine Anwendung in der Europäischen Gemeinschaft*, GRUR Int. 1994, p. 777 et seq. especially at 779; Th.-L. Tran Thi/Th. Cottier, *Le GATT et l'Uruguay Round : l'importance du projet d'accord TRIPS et son impact sur le droit de la propriété intellectuelle en Suisse, Pratique juridique actuelle (PJA-AJP)* 1993 p. 632 et seq., especially at 639.

⁹⁵ *Lear v. Adkins*, 395 U.S. 653 (1969); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974); *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989).

to a given country but on a worldwide basis, for Internet bridges over regional or national barriers to the free flow of information⁹⁶.

4. There is no presumptive secrecy. The party which contends that an arbitration is confidential in whole or in part has to show it. Reference can be made to the experience of life and business, of which arbitrators should partake. Once sufficient evidence has been brought to the bar, the opposing party has to substantiate its allegation that the information is no longer secret.
5. The ordinary remedies of the law of trade secrets - injunctions and damages - apply when there is a breach of confidence or misuse of proprietary information by a party to an arbitration.

* * *

⁹⁶ See this author's paper "*Internet, le droit d'auteur et le droit international privé*", *Revue suisse de jurisprudence (RSJ)* 1996 (92) p. 285 *et seq.*

