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How to Protect Trade Secrets in High-Tech Sports? An Intellectual Property Analysis based on the Experiences at the America’s Cup and in the Formula One Championship*

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Motor sports; Trade secrets; TRIPs; Water sports

Introduction

Fair play is obviously a fundamental value in the practice of sports. As properly expressed in a recent decision of the America’s Cup arbitration panel, “[f]or a competition to be friendly, it should be scrupulously fair”. However, in view of the sometimes massive investments which are made in the professional sports business and of the high media visibility appeal of professional sports events today, it must be acknowledged that the play is not always fair and that unfair behaviours are not fully absent from the professional sport arena. In this respect, unfair behaviours can be committed by third parties which are not actively involved in the relevant sport events, for instance by unduly taking advantage of the reputation generated by such event in the media using so-called “ambush marketing” strategies. But unfair behaviours can also be committed by the participants to these sport events, i.e. by individual athletes and/or professional teams. Unfairness can in particular result from the use of prohibited substances, for which anti-doping regulations have been put in place and are enforced. Another less widespread form of such unfair behaviour consists in the unfair acquisition and/or use of confidential information (“know how”/“trade secrets”) owned by competing teams in order to try to gain a competitive advantage over them.

The goal of this article is precisely to analyse and scrutinise these types of unfair behaviour which can arise in the field of professional sports from the perspective of intellectual property law in the light of art.39 of the TRIPS Agreement, which is an issue which has (somewhat surprisingly) not been explored so far. This analysis will be conducted with a focus on the America’s Cup and on the Formula One Championship. These two high profile sports events are indeed of high relevance in this context because of the significant technological investments which are made and thus in which valuable confidential information is at stake. Furthermore, recent legal disputes about cases of misappropriation of trade secrets have occurred in both of these sports, which have attracted considerable media attention and have also led to decisions rendered by the relevant sporting authorities which will be presented and analysed in this article.

Legal protection of trade secrets

This part will start by presenting the source of protection (art.39 TRIPS, see below, “Source of protection”), before addressing the question of the scope of the

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From a terminological perspective, it can be noted that the terms “undisclosed information” were chosen because of their neutrality by contrast to more common terms such as know how or trade secrets even if those expressions are more familiar. This choice was made because of the concern that those terms would reflect some local legal concepts about the nature and the scope of the protection. Article 39 TRIPS does not impose on the Member States how the protection shall be effectively implemented and thus gives them the right to choose how such protection shall be legally structured.

TRIPS article 39 paragraph 2

TRIPS art.39 para.2 defines the condition under which undisclosed information shall be protected. It provides that:

“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 their consent in a manner contrary to honest commercial practices (10) so long as such information:

(a) 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;

(b) has commercial value because it is secret; and

(c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.”

We now can turn to the analysis of how the protection granted under art.39 para.2 TRIPS could apply in the context of professional sports, in the light of the disputes which arose in the America's Cup race and in the Formula One championship.

Conditions of protection

Beneficiary of the protection (personal scope)

TRIPS art.39 para.2 provides that both “natural and legal persons” can benefit from the protection of their undisclosed information. In the context of professional sports, this means that individual persons (athletes, trainers, coaches, sparing partners) could benefit from the protection. Professional sport institutions can also benefit from the protection even if they are organised as non-for-profit institutions. On this basis, it results that the circle of beneficiaries of the protection is broadly defined.
Concept of undisclosed secrets (substantive scope)

Secrecy

In order to be protected under art.39 para.2 TRIPS, the information at issue must be secret. A piece of information is viewed as secret provided 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."

This wording defining the concept of secrecy was proposed by Switzerland in the first round of the TRIPS negotiations. A key element of this definition is that the information at issue must not be generally known or must not be "readily accessible," which is close to the wording of "readily ascertainable" which is used in some national regulations (such as in the US Uniform Trade Secrets Act).15

The wording of art.39 para.2(a) also makes it clear that even if some individual elements of a complex body of information are known, the information as a whole can still be viewed as secret.16 The third element of art.39 para.2(a) is that the secrecy must be assessed from the perspective of the relevant informational market, i.e. of the "circles that normally deal with the kind of information in question". This means that a piece of information can still be secret if one competitor on the relevant market does not have access to such information, i.e. that such information is not easily ascertainable by the relevant entity.17

By contrast, secrecy within the meaning of art.39 para.2(a) does not mean that no third party knows about the trade secrets at issue, because it is quite possible and even frequent that the relevant trade secrets are communicated to third parties (such as employees, contractual partners) who are however bound by duties of confidentiality towards the owner of such trade secrets.18

The question arises as to what type of information in the sports industry and in the relevant sports regulations could be viewed as secrets within the meaning of art.39 para.2(a) TRIPS.

It can be referred here to art.15.3(c) of the Protocol of the 31st America’s Cup19 which provides (in its relevant part) that:

"Design or performance information or equipment (including appendages, rigs and sails but excluding standard fittings which are generally available) of or in relation to such yacht of a person or entity may not be shared or exchanged with another person or entity except information which may be gleaned without assistance from the other person or entity in formal or informal or head-to-head competition."

This provision thus requires in its initial sentence that the technological developments shall be made independently by each participating team by providing that:

"[Each] person or entity whether a Challenger, Candidate for the Defence, or not, shall engage separate and independent designers having no involvement with any other Challenger’s or Candidate for the Defence’s program to develop an ACC yacht its appendages, rigs and sails . . . or a yacht capable of being measured as an ACC yacht 135 without significant modification."

It is clear that in all sports in which technology plays a key role, the design or performance information of the relevant devices are of critical importance for the benefiting teams/athletes and can thus give a significant sporting advantage to their beneficiaries. Such design or performance information can thus be considered as protectable secret information to the extent that they are not readily accessible. It is interesting to note that art.15.3(c) of the Protocol of the 31st America's Cup refers in this respect to, "[standard fittings which are generally available]" which reflects in this sense the requirement of art.39 para.2(a) TRIPS that the relevant information must not be readily available in order to be viewed as secret. This provision also refers to, "information which may be gleaned without assistance from the other person or entity in formal or informal or head-to-head competition". It also specifies from a different angle that information which can be gained by observance in the course of competition shall not be protected and thus can be freely exchanged and communicated.

The issue arose as to whether the measures of the competing boats are to be considered as secret information, i.e. as information which is not readily available. This issue was addressed in the decision ACAP 01/8 of the America’s Cup Arbitration Panel of August 16, 2002. In this case, one of the issues to be decided by the Arbitration Panel was whether art.15.3(c) of the Protocol allowed the designer or any other person engaged by the relevant team (i.e. One World Challenge (OWC)) to have personal possession of written (hard or soft copy) information about the design and/or performance of any ACC yacht (including its appendages and sails), which yacht was developed by or for any other challenger for,

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15 For an analysis, see Pires de Carvalho, The TRIPS Regime of Antitrust and Undisclosed Information, 2008, p.232.
20 By comparison, art.13.6 of the 32nd America’s Cup Protocol has a comparable wording: "Competitors, including through the assistance of third parties, shall not share or exchange ACC Yacht design or performance information or equipment except hardware (not being hulls, decks, cockpits, mast tubes, appendages or sails which is available for purchase by Full Competitors on similar terms). This restriction shall not apply to design and performance information which may be gleaned without assistance from the other person or entity in formal or informal or head-to-head competition or as otherwise permitted in this Protocol." Available at http://www.informar.com/library/Documents/ Protocol032.html [Accessed January 19, 2010].
or candidate for the defence of, or defender of, any past America’s Cup with which entity the designer or other person was then involved. The issue arose because OWC conceded that it had in its possession measurements certificates of yachts of one of its competitors (i.e. Team New Zealand, TNZ). OWC pleaded (among other arguments) that the acquisition of the TNZ measurement certificates could be viewed as the legal acquisition of design information within the meaning of art.15.3(c) of the Protocol.

This view was clearly rejected by the Arbitration Panel as follows:

“This contention is based upon the Panel's holding, in ACAP 01/4, that measurements to be found in such a certificate were merely statistical information that is readily ascertainable by simply measuring the yacht, its sails and rig. However, that ruling was given in the context of the acquisition of the old yacht, to which the certificate applied. Here there was no such acquisition and, consequently, nothing to be measured. The information was not, therefore, readily ascertainable. In these circumstances, the certificates were capable of providing to OWC, if used, information as to the vital measurements of NZL 57 and NZL 60, which was clearly the private property of TNZ and which was otherwise unavailable to OWC. The Panel is satisfied that it was, in these circumstances, 'design information'. The analysis conducted here expressly refers to the issue whether the information at stake was 'readily ascertainable' which is the standard of protection of trade secrets under certain regulations (i.e. the United States Unfair Trade Secrets Act) and is close to the wording of Art. 39 para. 2 (a) TRIPS, which refers to 'readily accessible'.

It is also interesting to note that the final sentence of art.15.3(c) of the Protocol provides that:

"[T]he acquiring or obtaining of an ACC yacht its appendages, rigs or sails (but not their plans, specifications or other design information), or a yacht capable of being measured as an ACC yacht without significant modification, which was... made or built, before the completion of the Final Race in 2000 shall not be an infringement of this Article 15.3(c)."

The issue of secrecy of the relevant information can also be illustrated by a recent case which took place in the United States in the National Football League (NFL). A scandal arose after the coach of a NFL team (the New York Jets) was found to have organised the spying of the sports tactics of some of its competing NFL teams by videotaping the visual signs communicated between the coach and his players on the field during the games (this technique being called "sign stealing").

The legal issue which arises regarding "sign stealing" is whether the relevant information is secret, i.e. whether it is not "easily accessible" knowing that people in the stadium could potentially also observe such signs. It can be doubted that if the signs at issue are openly observable during the games they could qualify as secret information within the meaning of art.39 para.1(a) TRIPS. However, it is clear that sports bodies and regulations can adopt standards of conduct which are more stringent that the ones resulting from classical trade secret regulations (such as art.39 TRIPS) in order to ensure a level of increased fairness in the practice of the relevant sport.

Information which has commercial value because it is secret

TRIPS art.39 para.2(b) provides that the information at issue must have, "commercial value because it is secret". This provision contains two subconditions, which are that the information must have commercial value and that such commercial value is due to the fact that it is secret. Turning to the first element, the preliminary issue is whether a piece of information relating to the sports itself can be deemed as "commercial" within the meaning of art.39 para.2(b) TRIPS. Similarly to the issue of the definition of the circle of beneficiaries of the protection under art.39 TRIPS (discussed above), the concept of commercial value should not be interpreted too narrowly. On this basis, it should be admitted that trade secrets protection can also be enforced by non-commercial entities (such as sport entities), the only condition being that such protection is sought for the purpose of protecting "competing advantages".

From this perspective, it can be acknowledged that, "commercial value" means 'competitive value'

Competitive value in the sports industry turns about the issue whether the information provides a competing advantage to its beneficiary. The value should, as a matter of burden of proof, thus not be strictly established given that such value can be actual or potential.

21 ACAP 01/8 August 16, 2002 America’s Cup Arbitration Panel at [27];

22 ACAP 01/8 August 16, 2002 America’s Cup Arbitration Panel at [36];

23 On this issue, see: "Brett Favre says stealing signals might cross ethical line" in Associated Press 2007, http://www.nfl.com/news/storyId=090000d582024a820&template=nucl-video&confirm=true [Accessed January 19, 2010]; "As a former high school baseball star, Brett Favre knows it’s not unheard of for a bullplayer to sneak a peak at the signal a catcher is sending to his pitcher. But if the New England Patriots really were using a video camera to steal opposing defensive coaches’ signals—perhaps even in their game against the Packers last year—Favre said they might have gone too far." "Can it cross the line? I’m sure it can," Favre said. "It can give you a huge advantage";


25 Pires de Carvalho J

26 Pires de Carvalho J

27 Pires de Carvalho J

This can be illustrated by a decision of the America’s Cup Arbitration Panel of October 21, 2001 (ACAP 01/4) which discussed the notions of, “performance information” and, “design information” and stated that:

“Performance information takes months to accumulate, filter, process and evaluate. ... Therefore, the performance information is more valuable than the design information since the design information can be readily, inexpensively, and accurately reproduced, while the performance data is extremely expensive, and time consuming to accumulate.28

This decision shows that all information about the performance of the competing boat must be considered as having a significant commercial value, because of the investments in time and money which are required in order to obtain such data and because of the competitive advantage which derives from the possession and use of such information.

Similarly, in its decision of September 13, 2007, the World Motor Sport Council (relating to art.151(c) of the FIA International Sporting Code in the dispute between McLaren and Ferrari) held that:

“[T]he WMSC believes that the nature of information illicitly held by McLaren was information of a nature which, if used or in any way taken into account, could confer a significant sporting advantage upon McLaren.”29

This wording confirms in a comparable way that the information at issue is considered as (highly) valuable because of the “significant sporting advantage” that it can confer if used by the relevant competitor.

The second element of the definition of art.39 para.2(b) TRIPS is that the secret shall extract value from the fact that it is secret.30 This means that the value of the secret information must be negatively affected because of its disclosure, acquisition or use by a third party,31 whereby this condition does not appear to raise particular difficulties and does not have a specific impact in the sports sector.

Reasonable steps to keep the information secret

TRIPS art.39 para.2(c) finally provides that the protection of the confidential information can only apply provided that the information at issue, “has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret”.32

This provision sets an objective standard with respect to the measures which are to be taken by the person controlling the confidential information in order to claim the protection of trade secrets under art.39 TRIPS. In other words, the protection of confidential information can only be claimed if and to the extent that the owner of such information has taken reasonable measures to keep it secret. One key aspect of this provision results from the standard of reasonableness to which it refers. This means that not all types of confidential information require the same measures of protection in order to deserve legal protection. Quite to the contrary, the standard of reasonableness depends on the nature and commercial value of the secrecy at issue. From this perspective, this provision introduces a standard test of proportionality.33

The issue of the nature and scope of the protective measures to be taken in order to claim protection of the confidential information in the sports industry can be illustrated by referring to art.16.2(b) of the Protocol of the 32nd America’s Cup34 which provides that:

“[T]he underbodies of any ACC Yacht may be shrouded from 1 January 2006 until the unveiling ceremony to be held immediately prior to the Fleet Race Regatta in 2007. Thereafter, all ACC Yachts ... shall not be shrouded until after the conclusion of the Regattas.”

This provision consequently touches upon the issue of the measures of protection of the confidentiality of the underbodies of an ACC yacht which can be veiled for a certain period of time before having to be unveiled and thus be made visible to outside observers. On this basis, this provision clarifies to what extent from a chronological standpoint the underbodies can be deemed as incorporating confidential information and can thus be protected against third-party access.35

Prohibited conducts

Introduction

One key issue when assessing the scope of protection of confidential information under a certain regulation, and in particular under art.39 TRIPS, is the definition of the type of actions which shall constitute a case of breach of confidential information. As this results from art.39 para.2 TRIPS, the beneficiaries of the protection are granted the right to prevent:

“[I]nformation lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices.”

This wording evidences that three different and mutually independent conducts can constitute a breach of confidential information: the disclosure, the acquisition and the use of the confidential information.36

In addition, such acts must have been performed, “in a manner contrary to honest commercial practices”. In this respect, art.39 para.2 TRIPS contains a footnote:


36 Which is fn.10 of the TRIPS Agreement.
which defines the concept of the contrariness to "honest commercial practices" by providing that:

"[For] the purpose of this 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 practices were involved in the acquisition."

This definition of the concept of contrariness to honest commercial practices implies the adoption of a subjective standard of analysis (i.e. a standard based on a finding of bad faith). 37

Types of prohibited conduct

Disclosure

The first prohibited conduct which is mentioned in art.39 TRIPS is unsurprisingly the disclosure of the relevant information at issue. It is indeed quite clear that the protection of confidential information must include a protection against the unauthorised disclosure of a trade secret. The scope of the protection which should be granted can however be problematic from the perspective of the potential remedies to be granted in case of unauthorised disclosure of trade secrets because at the time when the remedies will be sought the information at issue will not meet any more the conditions of art.39 para.2 TRIPS because it will not be secret. On this basis, it may be wondered whether an injunctive relief could still be obtained or whether to the contrary only damages should be available. In any case, the fact that at that time the information would not be secret cannot prevent the finding of a violation of the protection of confidential information under art.39 TRIPS by the relevant court.

Acquisition

The second type of conduct relates to the acquisition of confidential information. It is important to note in this respect that art.39 TRIPS clearly makes the distinction between the acquisition and the use of such confidential information which means that the acquisition by itself can be sufficient, for finding a violation under art.39 TRIPS, irrespective of a potential use of the confidential information by the person which has unlawfully acquired it (or by a third party which would have obtained such information). This is important from a practical perspective because it will frequently be quite difficult to establish the effective use of the confidential information by the infringing party. This can particularly be confirmed in the sports industry in the decision of the America’s Cup Arbitration Panel of August 16, 200228 which provides that:

"The design of a successful America’s Cup yacht is a complex process, which includes the elimination of a number of lines of enquiry. The evaluation of a particular line of enquiry is at a cost to the syndicate that has undertaken it, both in terms of money and time. The obtaining of another syndicate’s design information gives to the infringing party obtaining it an advantage to which it is not entitled. Here it might be useful information in the evolution of its yacht’s design will always be difficult to determine objectively. Consequently, in the Panel’s view, the mere wrongful possession of such information must call for the imposition of a significant penalty. This, no doubt, is one of the reasons why the Protocol has enacted the strict prohibition against the sharing of design information in Article 15.3(c), a prohibition that is fundamental to the America’s Cup contest, and must be strictly observed. The Panel accepts the unchallenged evidence given by the OWC witnesses, to the effect that the material wrongfully in their possession was not utilized by OWC for design purposes. However, where design information from a previous participant is in the possession of a designer, it may be impossible for another participant to prove that that information has been used." (Emphasis added).39

For this practical reason, it is sufficient to establish the undue acquisition of a piece of confidential information in order to be in a position to find a violation under art.39 TRIPS. 40 The same should apply in the sports industry as confirmed in the above mentioned decision of the America’s Cup which clearly rejected the argument raised that the confidential information had not been used in the production of the yachts at issue. 41

Use (without showing of an increase of performance)

An interesting issue which has arisen in cases of misappropriation of trade secrets in the field of sports relates to the argument sometimes invoked by the defending party who claims that the confidential information which was unduly used has not improved its performance so that no violation should be found or no sanction should be imposed. If the standards of liability under art.39 TRIPS were to be applied in such circumstances, the lack of improvement of the performance resulting from the use of the confidential information would certainly not constitute a bar to a finding of a violation under art.39 TRIPS. This is so because art.39 holds that the acquisition or the use of the confidential information is sufficient to constitute a violation.


38 Decision ACAP 01/8 August 16, 2002 America’s Cup Arbitration Panel.

39 Decision ACAP 01/8 August 16, 2002 America’s Cup Arbitration Panel, para.58.

40 This was also confirmed in a recent US case (in which the Rhode Island Uniform Trade Secrets Act was applicable), in which the US Court of Appeals for the First Circuit held that use is not required to establish misappropriation of trade secrets ("Contrary to defendants' assertion, Astro-Med need not have shown that either Plant or Nhion Kohden 'used' Astro-Med's trade secrets; disclosure or acquisition is sufficient to constitute misappropriation, subjecting defendants to liability for actual loss and unjust enrichment caused by the misappropriation"). see Astro-Med Inc v Nhion Kohden Am , Inc (08-2334, 08-2335). October 22, 2009 US Court of Appeals for the 1st Circuit, 2009 US. App. LEXIS 15388.

41 Decision ACAP 01/8 August 16, 2002 America’s Cup Arbitration Panel, para 38: "Thirdly, it is submitted that no breach of the Article can occur unless the information is actually used in the production of OWC yachts. This submission is also rejected. Article 15.3(c) makes it clear that acquisition of wrongly shared information is, in itself, sufficient to constitute a breach..."
Independently from the issue of the misuse of trade secrets, it can be noted that some sport regulations explicitly provide that an absence of increase of performance cannot constitute an argument for justifying an illegal behaviour of the party at issue. This is particularly the case of art.58 of the International Sporting Code of the Fédération Internationale de l'Automobile (FIA) which provides (in its last sentence),

"[if] a car is found not comply [sic] with the technical regulations, it shall be no defence to claim that no performance advantage was obtained".42

It being however noted that this provision does not apply to cases of misappropriation of trade secrets, but to cases of non-compliance to technical regulations, whereby it is at least theoretically possible that the non-compliance to technical regulations may result from a misappropriation of trade secrets.

A comparable wording was not implemented in art.151(c) of the FIA International Sporting Code which is the provision which applies to cases of misappropriation of confidential information. This provision generally states that, "[a]ny fraudulent conduct or any act prejudicial to the interests of any competition or to the interests of motor sport generally constitutes a breach of the rules contained in the FIA International Sporting Code.43

However, in spite of the broad wording of this provision, the relevant bodies of the FIA have applied art.151(c) of the FIA International Sporting Code in an extensive way by deciding that neither the absence of showing of the use of the confidential information which was stolen from Ferrari or the absence of showing of any sporting advantage would prevent a finding of a violation under this provision.

The World Motorsport Council ("WMSC") held indeed in its decision of September 13, 2007 (in the Ferrari/McLaren dispute) that it:

"[H]as full jurisdiction to apply art.151(c) and stresses that it is not necessary for it to demonstrate that any confidential Ferrari information was directly copied by McLaren or put to direct use in the McLaren car to justify a finding that Article 151(c) was breached and/or that a penalty is merited. Nor does the WMSC need to show that any information improperly held led to any specifically identified sporting advantage, or indeed any advantage at all. Rather, the WMSC is entitled to treat possession of another team's information as an offence meriting a penalty on its own if it so chooses.” (Emphasis added.)44

Considered from a more fundamental standpoint and in view of the fact that the protection of confidential information generally derives from unfair competition law, it appears legitimate and even quite important that violations of the regulations protecting confidential information should be admitted in the absence of showing of any potential use or any potential advantage gained by the entities having misappropriated such confidential information. This is logical because unfair competition regulations must already prohibit unfair behaviours, and should not be limited to the protection against unfair results. In other words, it is fair and legitimate that it should not be required to show that the confidential information which would have been misused by a competitor would have conferred a sporting advantage for finding a violation of the rules protecting against the misappropriation of confidential information.

Such strict standards of liability for cases of violation of trade secrets should ideally apply in professional sports, in which fairness between competitors should be a key value to be achieved and preserved.

From this perspective, an analogy could be drawn with the strict liability rules which apply in doping cases in which it is not disputed that a violation of the anti-doping rules can be found even in the absence of showing of any increase in the performance of the athlete. This approach is expressly adopted in art.2.2.2 of the Word Anti-Doping Code 2009 which provides that:

"The success or failure of the Use or Attempted Use of a Prohibited Substance or Prohibited Method is not material. It is sufficient that the Prohibited Substance or Prohibited Method was Used or Attempted to be Used for an antidoping rule violation to be committed."45 (Emphasis added.)

It however sometimes appears that when deciding on the sanctions to be imposed in the cases of misappropriation of confidential information committed in the Formula One championship, the relevant authorities tend to take into account the absence of impact of the use of the confidential information on the performance of the cars. This was recently decided in the dispute between McLaren and Renault about an alleged violation of trade secrets committed by Renault. In this case, the WMSC found that a violation of art.151(c) of the FIA International Sporting Code had been committed but decided that no sanction should be imposed on Renault in view of the fact that there was no evidence that the use of the confidential information at issue had any (positive) impact on the performance/design of Renault's cars.

43 It can be noted that the French version (which prevails in case of linguistic discrepancies according to art.197 of the FIA International Sporting Code) has a slightly different wording: "Tout procédé frauduleux ou manœuvres abyssé de nature à nuire à la sincérité des compétitions ou aux droits du sport automobile."44 Available at http://www.fia.com/bensour/en/documents/ 17844641_WMSC_Decision_130907.pdf (Accessed January 19, 2010), para.8.5.

45 The World Anti-Doping Code 2009 is available at http://www.wada-ama.org/eng/content/document/cod 2009_E.pdf (Accessed January 19, 2010); this is also applied by national courts, as evidenced by the recent decision of the Swiss Supreme Court of August 23, 2007 ("The analysis, in any specific case, of possible effects of the found substance on the performance would open doors to many interpretations and discussions that would lead to differentiated consequences according to the circumstances . . . The objective is to avoid long debates on whether the substance had an effect on the performance in a specific case, given that such an effect is impossible to quantify"). In the original French language: "L'écuement dans chaque cas particulier des éventuels effets de la substance décelée sur la performance ne manquerait pas d'ouvrir la porte à des appréciations et à des discussions sans fin et de créer des disparités de traitement selon les situations . . . Il s’agit d'éviter de longs débats sur l'effet que la substance a pu ou n'a pas pu avoir, dans un cas particulier, sur les performances sportives, un tel effet étant au demeurant impossible à quantifier." (ATF 134 ID 193, 203.)
The WMSC held in its decision of December 7, 2007\(^46\) that,

"[t]here is no evidence before the WMSC that convinces it that the fuel system schematic influenced or had any impact on Renault's design approach or the development of its F1 cars" (para.6.3)

and,

"[t]here is no evidence before the WMSC that convinces it that the drawing of the gearbox influenced or had any impact on Renault's design approach or the development of its F1 cars" (para.6.6).

The WMSC consequently decided (para.11.1.2. of the decision) to impose "no penalty due to the lack of evidence that the Championship has been affected."

It can be wondered whether this decision has adopted the proper standard because, according to art.151(c) of the FIA International Sporting Code, "[a]ny fraudulent conduct or any act prejudicial to the interests of any competition or to the interests of motor sport generally" constitutes a breach of the rules contained in it. As a result, art.151(c) of the FIA International Sporting Code does not require in any way the showing by evidence, "that the Championship has been affected" by a certain conduct as mentioned in the decision of the WMSC. Quite to the contrary, as noted above, the protection of confidential information, similarly to other conduct prohibited under unfair competition regulations which protect against unfair conducts, should prohibit unfair behaviours and should not limit the protection to the prohibition of unfair results. On this basis, it does not appear appropriate to take into account the potential impact on performance of the use of the relevant confidential information when deciding on the issue of the violation of confidential information and/or on the issue of the sanction to be imposed upon a person/entity who commits such violation.

Protection of trade secrets versus mobility of employees

The analysis of the sport regulations adopted for the America's cup is interesting with respect to the delicate balance to be struck between the need to protect the trade secrets of competing teams and the need to facilitate (at least not to hinder) the mobility of team's skilled employees who should have the ability to work for a competitor of their previous employer. This illustrates a classical case of protection of trade secrets which generally requires to distinguish the corporate trade secrets (which should not be misappropriated) from the personal skills and talent of the relevant employees (which can be used by the new employer), whereby due attention should be paid to the issue of the "inevitable disclosure" of trade secrets to the new employer, for which effective remedies should be made available.\(^47\)

This need to delicately balance the respective interests of the stakeholders is expressed in the decision of the America's Cup Arbitration Board of December 9, 2002\(^48\):

"[T] is inevitable that competition for the services of top designers in particular areas of yacht design will exist and will result in those services going to the highest bidder. To interpret the Protocol in a way that would prevent the successful bidder exploiting the knowledge in the mind of such a designer would be both unrealistic and quite impractical."

This balance is also expressed at the regulatory level, in art.13.7 of the Protocol of the 32nd America's Cup\(^49\) which provides (in relevant parts) that:

"Nothing in this Protocol shall prevent any person, subject to any legal obligations relating to confidentiality, intellectual property or otherwise owed to any third party, from using the benefit of their experience, knowledge and skills gained in the design and construction of ACC Yachts built prior to the last race of the 31st America's Cup match (2 March 2003)."

Another issue which arises in this context relates to the potential liability of the new employer for the misappropriation of trade secrets in the hypothesis where an ex-employee of a competing team communicates those secrets to his new employer after being hired. It should be reminded in this respect that fn.10 of art.39 TRIPS provides that an illicit misappropriation can occur with respect to:

"[T]he acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition." (Emphasis added.)

On this basis, the standard is whether the new employer knew or was grossly negligent in failing to know that their employees did not behave according to, "honest commercial practices" (which is the standard under art.39 para.2 TRIPS) by potentially breaching their duties of confidentiality towards their ex-employer. This particular issue was also addressed in various disciplinary decisions rendered in Formula One trade secret misappropriation cases.

These decisions highlight the liability of the new team on the ground that the team itself or senior members of such team knew or should have known that the relevant information was unduly in its/their possession. In the Ferrari/McLaren dispute, the WSCM held by way of illustration that:

"[A] number of McLaren employees or agents were in unauthorised possession of, or knew or should have known that other McLaren employees or agents were in possession of the "McLaren Engines" confidential information. As such they should have been aware of the risk of misappropriation, the implications of such an action and the legal and disciplinary consequences."


unauthorised possession of, highly confidential Ferrari technical information." (Emphasis added.)

Similarly, in the Renault/McLaren dispute, the WSCM noted:

"[W]ith strong disapproval the fact that there were individuals of sufficient seniority within Renault who should have known that the drawings that Mackereth showed contained proprietary confidential information."

This was similarly addressed in an arbitral decision rendered in the America's Cup in which the America's Cup Arbitration Board held that:

"There was a clear obligation on the part of OWC [One World Challenge] to ensure that they [the designers at issue] did not bring with them to their new employment any written design or performance information, the property of TNZ, which could be utilized in breach of Article 15.3(c)."

On this basis, it is interesting to note that these decisions essentially apply (without express reference to any legal provisions, such as fn.10 of art.39 TRIPS) the relevant standards of liability for cases of misappropriation of trade secrets, by holding that new employers can incur liability if they either knowingly or by being grossly negligent are in possession and/or use trade secrets which were misappropriated by their new employees from their previous workplace.

Conclusion

This analysis of the scope of the protection against the misappropriation of trade secrets in the field of professional sports made in the light of recent disputes has shown that the sports sanctioning bodies apply essentially the same standards of protection of trade secrets as the ones resulting from general intellectual property regulations, and most specifically from art.39 TRIPS.

The question however arises whether trade secrets are adequately protected in the field of professional sport and whether the relevant sports regulations are sufficiently protective in this context. As noted above, it appears questionable that the potential impact on performance (or rather the absence of impact) should be used as a criterion for assessing the existence of misappropriation of trade secrets and/or the sanctions to be imposed. From a policy perspective, it could indeed appear legitimate to apply a more stringent standard of liability in order to ensure an adequate degree of fairness in professional sport competitions.

The comparative analysis of the relevant regulations relating to the protection of trade secrets in the field of professional sport was conducted here is also interesting because it raises the issue of the regulatory approach to be chosen. While the Formula One regulation (i.e. art.151(c) of the FIA International Sporting Code) is extremely broadly formulated, the America's Cup regulations are much more detailed and tailored to specific hypotheses of misappropriation of trade secrets which can arise. On this basis, one issue would be to analyse which regulatory approach appears more appropriate. Considering that the level of protection of trade secrets which has been granted under each of these regulations by the relevant sports bodies do not significantly differ, it can be conceived that the two approaches are potentially valid options. Nevertheless, it could still be suggested that sporting regulations which need to address the risk of trade secrets misappropriation shall include both a general clause and more specific provisions. The general clause should be formulated in a broad way in order to be able to serve as a "catch-all" provision, while the more specific provisions should define more precisely the specific acts which shall be prohibited (in the way this is done in the America's Cup regulations). This dual approach is not unusual for unfair competition regulations and is found in various pieces of national unfair competition laws.

A potential difficulty of drafting effective provisions against cases of misappropriation of trade secrets in the relevant sports regulations results from the need to avoid that the international sports regulations directly or indirectly refer to and depend on any national regulatory framework. It could indeed be detrimental and counterproductive if the nature and scope of protection against the misappropriation of trade secrets under the relevant international sports regulations would depend on the nature and scope of the protection under the national laws of the location where the sports events at issue take place. This solution is not appropriate given that it creates uncertainty and—perhaps more importantly—may lead to different levels of legal protection depending on the national regulatory framework which would apply.

This risk can be illustrated by the reference which was made in a trade secrets misappropriation dispute at the America's Cup in the course of which one team involved in the dispute referred to the law of New Zealand where the 31st America's Cup took place (where there is no specific piece of legislation on trade secrets) for supporting its position in the dispute.

54 The different regulatory approaches and the level of details of the relevant regulations can be explained by the diverging institutional and regulatory background on which these sports events are built. While the Formula One Championship is organised and managed vertically by an international sports federation (the FIA) which has centrally issued the relevant regulations which are thus not likely to evolve significantly over time, the America's Cup is organised horizontally on a contractual basis by the relevant Protocols where each edition of the America's Cup takes place. Each Protocol can be adopted independently from the previous edition.

55 Such as the German Unfair Competition Act (Gesetz gegen den unlauteren Wettbewerb of July 3, 2004 s.3 general clause and s.4-7 specific clauses) and the Swiss Unfair Competition Act (1er fédérale du 19 décembre 1986 contre la concurrence déloyale; art.2 is the general clause, and arts 3-8 are specific clauses).

56 See Decision ACAP 01/8 August 16, 2002 America's Cup Arbitration Panel, para.24: "All participants would accept that it is inevitable that designers and other carry knowledge and will use that knowledge whether consciously or subconsciously when developing or sailing any new ACC yacht. Ex Team
This need to move away from national law is particularly important for sports events which take place on a global level, such as is the case of the Formula One Championship and (to a lesser extent) of the America's Cup races. As a result, due attention should be paid to the wording of the general clause which should ideally refrain from any direct or indirect reference to any national regulations. This difficulty can be illustrated by art.11.2 of the Protocol of the 32nd America's Cup which provides that:

"The Competitors are prohibited from engaging in any of the following activities: (a) any intentional illegal act related to the gaining of information about a Competitor."57

Even though this provision has a broad wording so that it could serve as a catch-all provision, it may be wondered whether the wording of "any intentional illegal act" may lead to difficulties of interpretation in case of disputes because of its reference to the illegality of the relevant act, whereby the definition of such illegality could depend on the relevant national laws at issue (for instance, at the place where the event took place, i.e. in Valencia, that is according to Spanish law). It could therefore be preferable to adopt a more neutral wording based for instance on art.39 TRIPS and to define the standard of liability without any express or implied reference to any national laws. This can also evidence the need for sport regulations to contain an open-ended catalogue of precisely defined unfair acts that shall be prohibited and sanctioned.

This shows that sport regulations relating to global sport events should strive at creating a global level playing field and shall consequently define the rules of the game in a uniform manner. They should thus be ideally independent from national regulations. This should also particularly apply with respect to the definition and the scope of protection of trade secrets. These sporting rules of course do not affect the jurisdictional power of national state courts to decide on cases of misappropriation of trade secrets arising in the context of sports on the basis of the relevant national laws, as was the case in the Ferrari/McLaren dispute in the course of which litigation was initiated in Italy and in England. The application of uniform sport regulations before a unique sport dispute resolution body (such as the Arbitration Panel of the America's Cup) for solving disputes would significantly differ from the potentially fragmented approaches which would be generated by ordinary court actions in the framework of which sometimes difficult issues of private international law would certainly arise, in particular with respect to the definition of the proper forum as well as of the governing law, which are particularly intricate when dealing with international unfair competition and most specifically trade secret misappropriation cases.58

As a final word, it appears appropriate to assess the relationships existing between the respective fields of sports and of intellectual property in the light of the findings made in this contribution. It must first be mentioned that the decisions rendered by the relevant sports authorities dealing with cases of misappropriation of trade secrets are extremely interesting from an intellectual property perspective because they confirm the need to adopt and enforce sound and balanced rules of protection of trade secrets in the sports industries, particularly in the sports in which important technological investments are made such as is the case of the Formula One championship and of the America's Cup.

On this basis, these interesting experiences made in the field of professional sports perfectly illustrate how a system of protection of trade secrets can be put to work. From this perspective, professional sport offers a very valuable laboratory for analysing the strengths and weaknesses of the intellectual property system, and most particularly of trade secrets, and for testing its limits.59 In short, the doctrine of intellectual property law surely has valuable experience to gain and to gather from its application in the rapidly changing world of professional sports and from the challenges arising in this environment in which important business interests and high-technological developments are frequently at stake. If intellectual property has something to learn from the sports industry, it can conversely be considered that the sports industry may have something to gain from the assimilation of the key values of intellectual property law. As hopefully shown in this contribution, the intellectual property regulations and objectives (as reflected in international agreements) may indeed offer a useful framework of analysis for assessing the types of activities to be protected as well as the types of (unfair) behaviours which should be banned from professional sports, with particular respect to the highly detrimental cases of misappropriation of trade secrets, which are probably among the most outrageous examples of "unfair play" and which clash perhaps in the most extreme way with the core value of the practice of sports.

New Zealand members are bound by confidentiality provisions prohibiting the retention, disclosure, dissemination or use of Team New Zealand Confidential Information. In the absence of a Trade Secrets legislation in New Zealand the Common Law relating to restraint of trade is relevant and the principle of "tools of trade" applies, in other words a designer can never be prevented from utilizing his knowledge on how to design an ACC yacht. However, specific facts and design information or data relating to yachts should not be used under this principle of law as they are not tools of trade. It is our submission that the correct interpretation of Article 15.3(c) is that a designer or any other person engaged for the America's Cup who is subject to the confidentiality restrictions of a previous syndicate can only use knowledge on how to design an ACC yacht for a new syndicate, not specific facts or data relating to the yachts of the previous syndicate." (Emphasis added.)

57 Decision A GAP 01/8 August 16, 2002 America's Cup Arbitration Panel, para.24.


59 As this is also shown, beyond the case of trade secrets which is analysed here, with respect to the issue of ambush marketing (see Blackshaw, "Beijing introduces 'Ambush Marketing' Law for 2008 Olympics" (2003) The International Sports Law Journal 29; Sebel and Gyngell, "Protecting Olympic Gold: Ambush Marketing and other Threats to Olympic Symbols and Indicia" (1999) University of New South Wales Law Journal 23).