

Patent infringement litigants commonly utilize third party discovery for computing lost profits and royalties.<sup>269</sup> For example, when third parties offer reasonable substitutes or competitive technologies to the patent-in-suit, evidence relating to such activities may assist in approximating the patent owner's market share or industry royalty rate.<sup>270</sup>

Because the practical reality, in both the United States and France, is that relevant evidence is not concentrated but rather dispersed across several entities some of which may not be litigants, both the Rule 34 and the Saisie permit third party inspection of documents, things, and premises. Both procedures allow inspections of third parties in the same manner and to the same extent as inspection of primary parties. The ability to reach third parties is justified in light of the fact that patents frequently undergo transactions such as licensing and sale. Further, the ability to compel third party production discourages infringers from storing and effectively hiding infringement evidence with nonparties. Regarding third party production, the two procedures are equally far-reaching and similarly facilitate patent enforcement.

## B. *Trade Secrets and Secret Commercial Information*

Striking a fair balance between the seized party's interest in adequately protecting trade secrets and confidential information, on one hand, and ensuring the seizing party an effective and efficient procedure, on the other, has presented controversies in French Saisie practice.<sup>271</sup> Modern Saisie practice shields defendants' commercial secrets to some extent by barring the plaintiff or other non-neutral parties from participating in the Saisie and, thereby, entering the seized parties premises and observing secret operations thereon.<sup>272</sup> After the procedure, a seized party's objection to a description and confiscation, too, may be honored by having an appointed expert sort through the information and thereby keeping some, albeit non-relevant information, from the adversary's view.<sup>273</sup>

Inveiglement of trade and commercial secrets constitutes a ground for appealing the performance of a Saisie.<sup>274</sup> Despite the apparently legitimate threat of having one's trade secrets divulged during a Saisie, courts rarely look favorably on such complaints.<sup>275</sup> In fact, the seized party cannot recover damages awards for improper revelation of trade secrets, unless the seized party demonstrates harm.<sup>276</sup> Moreover, it bears the burden of proving that the seizing party directly profited from having

269 MOORE, MICHEL & LUPO, *supra* note 124, at 134.

270 *Id.* at 144.

271 See BIZOLLON ET AL., *supra* note 157, at 56 – 58 (“The difficulty lies in reconciling the rights of the seizing party in obtaining proof of infringement and respecting the secrets of the seized party”) (translation by the author). *Id.* at 56.

272 TGI Paris, 3<sup>e</sup> ch., 3<sup>e</sup> sect., 15 oct. 2002, *PIBD* 2003, n°763, III, 238 (canceling an order authorizing a saisie for the sole reason that the seizing party himself joined and assisted in the saisie).

273 Véron I, *supra* note 157, at 138.

274 BIZOLLON ET AL., *supra* note 157, at 78 – 79.

275 See Pierre Véron, study, “Le contentieux des brevets d’invention, étude statistique 1990-1999,” available at [http://www.veron.com/iplibrary.php?lang=fr&Session\\_site=f2f5ffa20b8e4cab0cb0ebac20b26add](http://www.veron.com/iplibrary.php?lang=fr&Session_site=f2f5ffa20b8e4cab0cb0ebac20b26add).

276 BIZOLLON ET AL., *supra* note 157, at 78.

accessed such information and that this knowledge is entirely distinct from the alleged infringement.<sup>277</sup>

Federal Rule 26(c) similarly permits, but does not guarantee, trade secret protection. While it specifically addresses the protection of “trade secret[s] or other confidential research, development or commercial information”<sup>278</sup> as part of its non-exhaustive list for which protective orders *may* issue, no absolute guarantee exists that a court will actually protect such information.<sup>279</sup> Often the parties simply agree on how to limit access to sensitive materials absent court involvement.<sup>280</sup> Courts have discretion over whether and in what form to issue protective orders under Rule 26(c)(1).<sup>281</sup> In patent infringement cases, applications for protective orders under subsection (c)(1)(g) are especially common, because trade secrets and confidential know-how tend to accompany efficient use of patents.

Under the Federal Rules, courts have developed a three-pronged analysis for determining whether to issue a protective order. Accordingly, the applicant must prove (1) that the subject matter actually qualifies as a trade secret or similar confidential information, (2) discovery of the information would cause “cognizable harm,” and (3) “good cause” by demonstrating “clearly defined and serious injury.”<sup>282</sup> The third prong essentially weighs the potential competitive injury, which is deemed graver in case of competitors,<sup>283</sup> against the need for disclosure.<sup>284</sup>

In practice, patents often coexist and depend on trade secrets. That reality, too, transcends national borders. Thus, both the Federal Rules and the Saisie respond to the threat of divulging such secrets during evidence gathering. Because the extent and scope of trade secrets’ entanglement with relevant patent information depends on the specifics of any given case, both procedures leave the assessment of whether to protect such information to the courts’ case-by-case discretion. Interestingly, neither procedure permits a blanket and express exception for trade secrets, but rather gives the court discretion to balance the interests implicated by divulgence vis-à-vis protection.

The compulsory nature of the Saisie, as compared to cooperation-driven discovery, typically leaves U.S. litigants deciding extrajudicially what subject matter merits

277 *Id.*; see CA Paris, 4<sup>e</sup> ch., 17 mai 1995, *PIBD* 1993, n°592, III, 343.

278 FED. R. CIV. P. 26(c)(1)(G).

279 See FED. R. CIV. P. 26(c); *Centurion Indus., Inc. v. Warren Steurer & Assoc.*, 655 F.2d 288, 325 (10th Cir. 1981). “There is no privilege against the discovery of confidential business information.” *Bruner, 30 FEDERATION INS. COUN. Q.* 205, 247 (1989); see also *JUNKER, supra* note 12, at 129 – 130 (stating that with this phrase United States law shocks foreign businesses). German law, for example, provides more although in practice not significantly more protection for trade secrets. *Id.*

280 7 MOORE ET AL., *supra* note 89, at §34.12[4].

281 See *Lupo, supra* note 132 at 133 (suggesting that courts, generally, ensure protection of such information in appropriate cases). *E.g. Petz v. Ethan Allen, Inc.*, 113 F.R.D. 494, 497 (D. Conn. 1985) (limiting inspection to Plaintiff’s attorney).

282 *Zenith Radio Corp. v. Matsushita Elec. Indus. Co.*, 529 F. Supp. 866, 889 – 90 (E.D. Pa. 1981); MOORE, MICHEL & LUPO, *supra* note 124, at 165.

283 See *Coca-Cola Bottling Co. v. Coca-Cola Co.*, 107 F.R.D. 288, 292 (D. Del. 1985) (allowing disclosure because parties were not competitors).

284 See *id.* at 290 (“disclosure of trade secrets in litigation ...could become ...the means of ruining an honest and profitable enterprise” quoting 8 J. WIGMORE, EVIDENCE § 2212 at 155 (McNaughton rev. 1961); see e.g. *American Standard Inc. v. Pfizer*, 828 F.2d 734, 738 – 41 (Fed. Cir. 1987) (disclosure of research and development materials to competitor would result in commercial disadvantage and irreparable harm)).

trade secret protection, while the judge or bailiff makes this determination under the French process. Even if the controversy reaches the courts, trade secrets in U.S. litigation have a better chance of being protected *ex ante*. There, the judge balances the interest in disclosing the trade secret in order to avail the plaintiff of infringement-related evidence against guarding the trade secret and thereby potentially denying access to infringement proof. Only after this balancing analysis does the court permit or deny trade secret divulgence.

French courts, on the other hand, always permit divulgence of trade secrets if this also reveals patent infringement proof. French courts merely make an *ex ante* inquiry. That is, they consider a trade secret proprietor's loss in having his secrets divulged *after* divulgence already occurred and, then, may award damages if the seized party establishes that the disclosure actually caused him a financial loss.

Under the Federal Rules, discovery's pre-production consideration of trade secrets better accommodates the vital need to preserve the secrecy of certain information not sufficiently connected to the infringement to merit production. Discovery's sensitivity to trade secrets also deters abuse by ensuring that pre-trial fact-gathering does not become an excursion to spy on competitors. In addition, preliminary evaluations of what trade secrets deserve protection eliminate the need for more costly post-disclosure judicial review and damage assessment.

### C. Costs

While the complexity of a case ultimately controls its price tag, the Saisie constitutes a relatively inexpensive procedure.<sup>285</sup> The bailiff fees are low because he is employed by the state.<sup>286</sup> Also attorney, patent agent and expert fees are low, because the procedure takes only hours or days.<sup>287</sup> In France, the losing party generally pays the cost of litigation, including attorney's fees.<sup>288</sup> However, the lump sums awarded by the courts usually do not actually cover the expenses incurred.<sup>289</sup>

Generally, under the Federal Rules, each party must bear its own financial cost of complying with discovery.<sup>290</sup> However, courts have the discretion to shift such expenses to the requesting party if the cost allocation would unduly burden the producing party.<sup>291</sup> Increased demand for extensive electronic discovery has skyrocketed discovery expenses.<sup>292</sup> This phenomenon has prompted courts to balance interests and permit cost-shifting in appropriate cases.<sup>293</sup>

285 Paule Drouault-Gardrat, Enforcing Patent in France, ¶ 14, website, Bird & Bird Articles Archive (Aug. 22, 2005), <http://www.solutionslab.com/english/publications/books/index.cfm>.

286 Philippe Mueller, *supra* note 150, at 32.

287 Véron I, *supra* note 157, at 139.

288 Paule Drouault-Gardrat, *supra* note 285, at ¶ 14.

289 *Id.*

290 Indeed, pursuant to the "American Rule" each party foots its own litigation bill.

291 See FED. R. CIV. P. 26(b)(5). Economic theory also supports costs-shifting, because it deters excessive discovery and other abusive discovery practices, such as threatening discovery for its nuisance value, by obliging the requesting party to internalize the cost of discovery. ROBERT G. BONE, CIVIL PROCEDURE: THE ECONOMICS OF CIVIL PROCEDURE 229 – 30 (Foundation Press 2003).

292 See e.g. 7 MOORE ET AL., *supra* note 89, at §34.12[3][b], [e].

293 E.g. OpenTV v. Liberate Techs., 219 F.R.D. 474, 477 (N.D. Cal. 2003); Zubulake v. USB Warburg LLC, 216 F.R.D. 280, 284 (S.D.N.Y. 2003).