

# *COMPARATIVE STANDPOINTS ON TRADE SECRETS IN FRANCE AND THE USA*

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## **A STANDPOINT FROM FRANCE**

THOMAS CUCHE

SCP DUCLOS, THORNE, MOLLET-VIEVILLE & ASSOCIÉS - DTMV

AIPLA / APEB - GROUPE FRANÇAIS DE L'AIPPI – APRAM - CNCPI

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# WHAT IS THE CURRENT LEGAL LANDSCAPE?

- No specific set of rules (unlike IP)
- A few specific provisions spread out over various codes – for instance:
  - Labor Code: Disclosure (or attempted disclosure) of a “*manufacturing secret*” = 2-year prison sentence and a maximum penalty of €30,000 – limited scope
  - Intellectual Property Code: employees and employers shall avoid any disclosure that might compromise the enforcement of IP rights
  - Anti-trust proceedings: exceptions to the principle of adversary proceedings when TS is threatened
    - Possible limited access to exhibits and limited public access to the trial hearing and to the decision
    - Obligation of confidentiality
      - Held by people having access to a document containing a TS
      - During and after the trial
  - Criminal law: theft, etc.
- Application of general legal principles
  - **Art. 39 (2) TRIPS** – direct enforcement admitted at least once
  - **Unfair competition law – most common legal grounds**
    - Civil liability of anyone having caused damage to another by their wrongful acts
  - **Contract Law**: Duty of confidentiality, Non-compete undertaking, Exclusivity clause
    - Contractual liability

# FRENCH LEGAL SYSTEM – GENERAL PRINCIPLES MAKING TS HOLDERS' LIFE “HARDER”

## ■ SINCE THE FRENCH REVOLUTION – TRANSPARENCY = LEADING PRINCIPLE JUSTICE IS RENDERED IN THE NAME OF THE PEOPLE

### ❖ Justice must be public

- *Closed hearings: specific listed exceptions*

### ❖ Decisions must be

- ✓ *well-reasoned*
- ✓ *public*
- *The courts must prepare detailed decisions*
- *No redacted versions of the decisions*
- ✓ *Available to anyone*

### ❖ Adversarial system (civil cases)

- *Plaintiff has the burden of proof*

### ❖ Principle of adversary proceedings

- *All information / documents submitted by a party before a court must be shared with the other party*



## ■ BASIC PRINCIPLES FAVORING A FAIR JUSTICE SYSTEM

## ■ STRONG « CHALLENGES » FOR TS ENFORCEMENT

# FAQ ON THE CURRENT (FRENCH) TS LEGAL SYSTEM



## ■ What is a TS (according to case law)? 3 basic criteria

- **Substantial**
- **Secret, i.e., not directly accessible to third parties**
- **Provides its holder with a Competitive Advantage**
- Case law frequently requires an additional condition: **reasonable measures taken to protect the TS**
- Encompasses manufacturing secrets, know-how, technical information, commercial practices, etc.

## ■ How can I prove that my TS has been used, misappropriated, or disclosed ? Key issue

- **Search Order [as per art. 145 CPC]:** *ex parte* petition to gather evidence useful in a potential litigation – Available for any kind of claim, including TS
- Powerful but
  - *Discretionary authorization from the Judge – almost « one shot »*
  - *Must be requested before trial*

## ■ Will the defendant have access to my TS during litigation?

- **Yes, probably** ☹ (but usually already known by the defendant)
- **And the plaintiff will also have access to the defendant's potential TS**
- **Safeguards are usually agreed (with or without the Judge's support).**
  - **Expert proceedings:** *Selection of the relevant exhibits by the Expert with parties' counsel, patent agents, etc.*
  - **Confidentiality club:** *Limited and identified persons having access to submissions and exhibits (lawyers, patent agents, and specific representatives of the parties)*

## ■ Will third parties have access to my TS?

- **During the written part of the proceedings:** **no, unless disclosed by a party** – civil liability can be found
- **During trial hearing:** **yes, possible if third party attends the hearing - unless closed hearing requested by both parties**
- **And afterwards?** Perhaps! Decisions are public and should be made available to everyone... **No redacted versions... Cross fingers that the Judge is smart enough to draft its decision without disclosing TS**

## ■ What kind of remedies are available?

- **Preliminary injunction** – Not impossible, but difficult to obtain in practice
- **Damages** – No punitive damages, no bad faith criteria, but compensation for all the losses suffered as a result of the unlawful behavior
- **Permanent injunctions** – Sometimes granted by French Courts

# THE UPCOMING IMPLEMENTATION OF THE TS DIRECTIVE

- **Directive (EU) 2016/943**  
on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure
  - **Adopted on 8 June 2016**
  - **Entered into force on 5 July 2016**
  - **Must be transposed no later than 9 June 2018**
  - Work in progress
  
- **Acknowledgment that Trade Secrets are:**
  - **very valuable**
  - **used as means of protection in the same way as other IP rights**
  - **are threatened and lack adequate protection in general**
  - Harmonization within the EU needed
  
- **Protection of whistle-blowers**
  - **Directive was initially highly controversial because of the threat it represented for whistle-blowers**
  - **The final preamble specifically states that it is not designed to pressure them**

# QUICK OVERVIEW OF THE DIRECTIVE

## SUBSTANTIVE LAW

### ■ DEFINITION OF TS – 3 MAIN REQUIREMENTS

- **Secret: as a body or in the precise configuration and assembly of its components (Not generally known / readily accessible)**
- **Commercial value because it is secret**
- **Subject to reasonable steps to keep it secret**

### ■ “INFRINGEMENT ACTS”: UNLAWFUL ACQUISITION, USE AND DISCLOSURE OF TS

- **Lack of consent of TS holder**
- +
- **Unauthorized access, or**
- **breach of confidentiality agreement or other duty not to disclose, or**
- **actual or constructive knowledge of unlawful use by persons disclosing the information**

# QUICK OVERVIEW OF THE DIRECTIVE

## FOCUS ON A FEW SPECIFIC PROVISIONS LIKELY TO MAKE ENFORCEMENT OF TS EASIER

- **Obligation not to disclose**
  - Parties and other people who have knowledge of TS due to their participation in litigation are prohibited from disclosing it during and after the trial
- **Specific measures available to ensure confidentiality**
  - At the request of one party or on the Court's own initiative
  - Restricted access to sensitive documents / trial hearing
  - Non-confidential redacted versions of documents available to third parties
- **Provisional measures**
  - Criteria: TS being disclosed or under imminent threat of disclosure
  - Balancing the interests at stake
  - Obligation to sue on the merits within reasonable time
- **Remedies**
  - Permanent injunctions
  - Destruction of wrongfully obtained documents
  - Recall of products
  - Monetary damages (very similar to IP rights)
  - Publication of decision (without disclosing TS)

# A FAMOUS TS MISAPPROPRIATION EXAMPLE



## ➤ The “Hall of Mirrors” at the Palace of Versailles

- Venetian know-how kept thoroughly secret: mercury manufacturing process for extremely pure mirrors
- “Misappropriated” by Colbert – a Minister of Louis XIV – for the construction of the Hall of Mirrors



THANK YOU!

Thomas Cuche

**Duclos, Thorne, Mollet-Viéville & Associés**

164, rue du faubourg Saint-Honoré

75008 Paris

Téléphone: +33 (0)1 56 69 31 00

Télécopie : +33 (0)1 56 69 31 01/02

