# COMPARATIVE STANDPOINTS ON TRADE SECRETS IN FRANCE AND THE USA

# A STANDPOINT FROM FRANCE

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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:
  - <u>Labor Code</u>: Disclosure (or attempted disclosure) of a "manufacturing secret" = 2-year prison sentence and a maximum penalty of €30,000 limited scope
  - <u>Intellectual Property Code</u>: 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
    - o Possible limited access to exhibits and limited public access to the trial hearing and to the decision
    - o 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
    - o The courts must prepare detailed decisions
    - o No redacted versions of the decisions
    - ✓ Available to anyone
  - ❖ Adversarial system (civil cases)
    - o 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.



- 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 ② (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?

- o 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?

- o **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
- o 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:
  - o very valuable
  - o used as means of protection in the same way as other IP rights
  - o 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**
- "Infringing 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

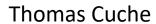


#### > The "Hall of Mirrors" at the Palace of Versailles

- 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!



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