

The Trade Secrets Directive—France

By Emmanuel Gougé and Anne-Celine Truchot-Bothner

1. Trade Secrets Protection: Legal Framework

The Directive on the protection of undisclosed know-how and business information 2016/943 has been implemented by the French Trade Secret Act of July 30th, 2018 (*loi n° 2018-670 du 30 juillet 2018 relative à la protection du secret des affaires*), into force since July 31st, 2018, and by an implementation decree of the French Conseil d'Etat (*décret n° 2018-1126 du 11 décembre 2018 relatif à la protection du secret des affaires*) on procedural aspects.

The French Trade Secret Act has not been integrated into the Intellectual Property Code, but into the French Commercial Code.

Under French law, trade secret protection has long been a patchwork of different statutory provisions. Manufacturing secrets have been subject to protection under general tort law as “*any manufacturing process of practical or commercial interest put into use by an industrial company and kept by it hidden from its competitors who do not know it*” (*Cass. Crim., December 30th, 1931*).

More specifically, industrial and commercial secrets have been subject to protection during proceedings before the French Competition Authority (Article L463-4 of the Commercial Code). French Labour Code contains provisions on criminal remedies in case of divulgence of manufacturing secrets by employees (Article L1227-1 of the Labour Code). French Criminal Code foresees distinct offenses such as industrial espionage or accessing to automated data processing systems (Articles L411-1 to L411-11 of the Criminal Code, Articles L226-15 and L226-16 of the Criminal Code). Furthermore, there exist numerous specific provisions in the Code of Defense, Code of Environmental law, Code of Public Health and in administrative law.

2. Definition

The Trade Secret Act provides for a slightly broader definition of a “trade secret” than the one defined by the Directive. Whereas the Directive introduces a definition of a trade secret that is: a) secret; b) has commercial value; c) is subject to reasonable steps of protection, the French legislature extended said definition to also include information that “*has an actual or potential commercial value*”.

As a consequence, trade secrets do not need not to be effectively used by trade secret holders to be protected under French law.

3. Lawful Acts

French Trade Secret Act stays close to the Directive regarding the definition of lawful acts (Article L151-2 and L. 151-3 of the French Commercial code). This legislation technique covers the same rules and exceptions as are in the Directive, while making a clear distinction between the legitimate trade secret holder and other persons that acquire, use and eventually disclose lawfully a trade secret without being its rightful holder. As a whole, these provisions clarify the relation between the different stakeholders of a trade secret.

According to the new provisions of the Commercial Code, the holding, obtaining, use or disclosure of a trade secret is lawful in the following cases (art. L. 151-2 and L. 151-3 of the Commercial Code.):

- An independent discovery or creation; or
- The observation, study, disassembly or testing of a product or object that has been made available to the public or is lawfully in the possession of the person obtaining the information.

A contractual stipulation prohibiting or limiting the obtaining of secrecy may, however, be stipulated.

4. Unlawful Acts

French Trade Secret Act stays close to the Directive regarding the definition of unlawful acts (Article L151-3 to L151-9 of the Commercial Code).

According to the provisions of the said act, obtaining, use or disclosure of a trade secret without the consent of their legitimate holder constitutes an unlawful act.

This covers (art. L. 151-4 to 151-6 of the Commercial Code):

- The unauthorized access to any document, object, material, substance or digital file that contains the secret from which it may be deduced,
- The unauthorized appropriation or copying of such elements,
- Any other conduct considered, having regard to the circumstances, to be unfair and contrary to commercial practices,
- The violation of a non-disclosure agreement or an obligation not to disclose specific information,
- The production, offer or placing on the market, as well as the import, export or storage for these purposes of any product significantly resulting from an infringement of commercial secret are also considered as unlawfully used, when the person carrying out these activities knew, or should have

known in the circumstances, that the secret was unlawfully used, or

- Unlawfully obtaining, use or disclosure of a commercial secret by a person that should have known, according to the circumstances, that such obtaining, use or disclosure was unlawful.

5. Exceptions

The French legislature has built the exception scheme of the Directive—notably for employees, journalists, whistleblowers—into derogatory provisions of unenforceability of trade secrets under specific circumstances (Articles L.151-8 and L.151-9 of the Commercial Code).

Exceptions to trade secret protection also include the safeguarding of a legitimate interest recognised by European Union or national law (public policy, public security, public health) and when the obtaining, use or disclosure of the trade secret is legally required or authorized, in particular in the exercise of the powers of investigation, control, authorization or sanction of judicial or administrative authorities (Article L. 151-7 of the Commercial Code).

6. Enforcement: Measures, Procedures and Remedies

Even though these remedies are part of general civil law rules, with the implementation of the Directive into French law, the remedies of trade secret holders are specified. As a result, the French Trade Secret Act provides for a harmonised grid to calculate damages.

However, under French law, there are no specific provisions for gathering evidence. As a consequence, a trade secret holder needs to proceed under Article 145 of the Code of Civil Procedure and take measures of *instruction in futurum*.

7. Preliminary Injunctions

The competent court to order temporary and proportionate measures in case of an actual or imminent misappropriation, use or disclosure of trade secret is the civil or commercial court.

The court may order in particular:

- Measures prohibiting the continuation of the use or disclosure, or the placing on the market or use of products;
- Measures for the total or partial destruction, or alternatively, the return of any medium containing the protected information;
- Coercive measures such as confiscation of products, recall of trade channels or measures to prevent trade from taking place.

8. Alternative Measures

Compared to general rules of civil procedure, where the remedy of abusive action is very confined and hard-

ly applied by judges, the French Trade Secret Act introduces a specific scheme of abusive action, conceived notably to protect whistleblowers and the freedom of expression. Trade secrets holders who act in a dilatory of abusive manner may be fined by an amount “which may not exceed 20 percent of the amount of the damages claimed” or, in the absence of a claim for damages, may be subject to a fine up to €60,000 (Article L.152-8 of the Commercial code).

9. Limitation Period

Actions for infringement of trade secrets are time-barred by five years after the event underlying the claim (Article L152-2 of the Commercial Code). This fixed starting point is, in a way, protective for persons who, not being the rightful trade secret holder, accidentally disclose a trade secret, and may, to some extent, be disadvantageous for trade secret holders, in that they may not be able to recover all their damages.

10. Trade Secrets as an Object of Property

The French Trade Secret Act does not contain any specific rules on trade secrets as an object of property, thus provisions of the Civil Code shall be applied.

As a result, a trade secret is considered, *per se*, to be a property and may therefore be the subject of—as any intellectual property right—an assignment, a licence or a co-ownership agreement, the terms of which being specified contractually by the parties.

11. Protection of Trade Secrets in Court Proceedings

While in the Directive, rules of confidentiality in proceedings on trade secrets have a narrow application field of trade secret litigation, the French legislature implemented general confidentiality rules on all proceedings where “*reference shall be made to or the disclosure or production of a document shall be requested ... of such a nature as to affect a trade secret*”. Notably the implementation decree provides guidance on trade secret protection in court proceedings and sets out a legal frame for confidentiality clubs.

12. Recommendations for Corporate Trade Secrets Policies

Companies should revise their portfolio of existing and future contracts to identify any weakness that must be addressed with appropriate measures.

Effective protection of business confidentiality re-

■ Emmanuel Gougé,
Pinsent Masons, Partner,
Paris, France
E-mail: Emmanuel.Gouge@pinsentmasons.com

■ Anne-Celine Truchot-Bothner,
Alstom,
Paris, France
E-mail: anne-celine.truchot-bothner@alstomgroup.com

quires indeed the appropriation of a value chain composed of three key steps: (1) the identification of confidential information, (2) their classification and (3) the management of their protection.

Confidentiality measures can therefore be implemented by identifying and categorizing proprietary information, with regard to their value and need for protection, as well as the people who have access to the information.

This process should be done on a regular basis in order to take into account new commercial secrets.

Companies must be aware of the importance of this process. In the event of a lawsuit for breach of secrecy, the magistrates will check whether this protective framework has been sufficiently followed. If not, the legal action will not be successful.

Among these measures, training sessions on trade

secrets are key as it sensitizes employees to trade secrets related issues and prevents potential attacks or threats. Another important element to have in mind regarding employees is the implementation of clear rules to deal with private and business IT devices or relating to data that may be taken on business trips abroad.

As a result, it has become crucial to establish IT measures to protect and monitor the access confidential information and establish rules on the use of private storage media.

Regarding contractual relationships, particular care must be taken to ensure that the so-called holder of trade secrets legitimately holds the know-how and technologies assigned or licensed. ■

Available at Social Science Research Network (SSRN): <https://ssrn.com/abstract=3420351>