

Questions for National Reporters of LIDC STOCKHOLM 2015

Question B: The protection of Trade Secrets and Know-How
Are countries providing enough or too much protection?

French Report

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1. Introduction

Lack of a definition

To-date, neither French law nor French case law provide any definition of the notion of “trade secret”.

Some authors make a difference between production secrets (recipes, techniques, processes, etc.) and situation secrets (market shares, financial data, commercial strategy, etc.)¹. Schematically, a distinction is made between information concerning a company’s production activity, i.e. its know-how, on the one hand, and confidential information concerning the situation of the company, describing a matter of fact, on the other hand.

French law does not provide a definition of the notion of “know-how” either. Know-how generally includes turns of hand, processes, manufacturing methods, industrial secrets, technical and practical knowledge which may be protected by patents if they can be considered as patentable inventions and the patent owner actually wishes to patent it².

Because of this lack of definition, French authorities rely on the definitions provided by European and International texts of law³. So, in accordance with EC exemption regulation on technology transfer agreements, know-how means a package of practical information, resulting from experience and testing, which is: (i) secret, i.e. not generally known or accessible, (ii) substantial, i.e. significant and useful for the production of contractual products, and (iii) identified, i.e. described in a sufficiently comprehensive manner to as to make it possible to verify that it meets secrecy and substantiality criteria⁴. Furthermore, according to Article 39 of the agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), know-how may be protected if the information it contains are secret, have a commercial value because of their being secret and have been subject from the person holding them to reasonable provisions intended to keep them secret⁵.

Finally, know-how represents a financial worth which is transferrable.

Texts of law concerning that notion

Despite being referred to in numerous isolated texts of law (Articles L.430-10 & L.463-4 of the French Commercial Code; Article L.612-24 of the French Monetary and Financial Code; Article L.5-6 of the French Postal and Telecommunications Code, etc.), there is no specific text of law dealing with the protection of trade secrets and providing for specific penalties in case they are infringed.

Attempts at providing specific regulations

¹ R. Saint-Alary, “*Le secret des affaires en droit français*” in *Le secret et le droit* (journées libanaises), work by Association Henri Capitant, t. XXV, 1974, Dalloz, 1976, p. 264, quoted in Jean-Marie Garinot, “*Le secret des affaires*”, LexisNexis 2013, coll. Travaux du CREDIMI, vol. 41, pref. E. Loquin.

² <http://www.entreprises.gouv.fr/propriete-intellectuelle/savoir-faire-reglementation>

³ <http://www.entreprises.gouv.fr/propriete-intellectuelle/savoir-faire-reglementation>

⁴ Regulation No 316/2014 of 21 March 2014 for the enforcement of Article 101, paragraph 3, of the treaty on the operation of the European Union to some categories of technology transfer agreements.

⁵ Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Appendix to the Marrakech Convention of 15 April 1994 creating the WTO.

French lawmakers attempted to fill that gap on three occasions.

A first bill, n°3985, geared to punish infringements of trade secrets was submitted on 22 November 2011⁶. This bill which suggested criminal penalties was not carried through⁷.

A second bill, adopting a civil and no longer a criminal approach was submitted on 16 July 2014⁸. Creating a new section entitled “*About trade secrets*” in the French Commercial Code, the bill gave a definition of trade secrets in accordance with the criteria set forth in Article 39 of TRIPS Agreement⁹. However, that bill was not adopted either.

Finally, on 12 January 2015, an amendment to the act on growth, activity and equality of economic opportunities¹⁰ set forth a general principle prohibiting the infringement of trade secrets to protect companies from economic espionage. It made provision for sentencing anyone obtaining, or revealing without permission or misappropriating any protected information to 3 years’ imprisonment and a fine of EUR 375,000. It also provided that this penalty could go as high as 7 years’ imprisonment and a fine of EUR 750,000 in case of breach of the security and essential economic interests of France¹¹. That amendment was withdrawn on 30 January 2015 following strong opposition from the media expressing their fears for the freedom of the press and whistle-blowers¹². A new bill should come out taking into account the protection of the freedom of the press and whistle-blowers¹³.

2. Legal Protection of Trade Secrets

2.1 Legal provisions that can be used in order to protect trade secrets

Numerous provisions in the French legal system may be called upon to fight infringements of trade secrets. These provisions are found in criminal law (2.2.1), intellectual property law (2.2.2) and civil law (2.2.3).

2.1.1 Criminal law

Disclosure of manufacturing secret

Pursuant to Article L.1227-1 of the French Labour Code, the infringement of *manufacturing secrets* is punished¹⁴ (which is also provided under Article L.621-1 of the French Intellectual Property Code, Title II, Book IV, concerning the protection of technical knowledge¹⁵).

According to case law, manufacturing secrets cover any manufacturing process offering a practical and commercial interest implemented by an entrepreneur, that he keeps secret from his competitors¹⁶, and relating to

⁶ See <http://www.assemblee-nationale.fr/13/propositions/pion3985.asp>

⁷ “It only concerned the disclosure of a trade secret, which was proving restrictive to say the least. In addition, it was very broadly based on national defence secret and therefore entailed cumbersome and weighty practices which would have unavoidably disqualified it in the eyes of economic world operators and put PME/PMI or ETIs in an unfavourable situation (in case of litigation especially) which are incapable of dedicating the human, financial and technical resources required to ensure the intended classification. The contemplated system also posed problems with regard to trade union freedom and freedom of the press. Finally, in proposing to rescind Act n°68-678 of 26 July 1968, it denied companies a precious tool to fight certain unfair international procedures”, presentation of justification for bill n°2139 on the protection of trade secrets of 16 July 2014.

⁸ AN, n°2139, 16/7/2014, <http://www.assemblee-nationale.fr/14/propositions/pion2139.asp>.

⁹ See note n°5.

¹⁰ <http://www.assemblee-nationale.fr/14/amendements/2447/CSCRACTIV/SPE1810.pdf>

¹¹ This bill proposed to include, *inter alia*, the following provisions in the French Commercial Code: “Article L.151-3 (Commercial Code) – “If the claimant testifies to circumstances of a nature likely to impede the collection of compensation, the court may order the preventive attachment of the tangible and intangible assets of the alleged perpetrator of the infringement, including blocking his bank accounts and other assets, in compliance with standard law. In order to determine what assets may be confiscated, the court may order communication of banking, financial, accounting or commercial documents, or access to any relevant information.”

¹² That bill and its withdrawal made the news headlines in France. See for instance, <http://www.20minutes.fr/politique/1540455-20150213-assemblee-supprime-regret-secret-affaires-loi-macron> et http://www.lemonde.fr/economie/article/2015/01/30/secret-des-affaires-le-gouvernement-retire-son-projet_4566657_3234.html

¹³ Source: <http://fr.reuters.com/article/topNews/idFRKBN0L30PG20150130>

¹⁴ Article L.1227-1 of French Labour Code: “The fact for a director or an employee to disclose or attempt to disclose a manufacturing secret is punished by 2 years’ imprisonment and a fine of EUR 30,000. The court may also order in addition the loss for 5 years or more of civic, civil and family rights as provided for under Article 131-26 of the Criminal Code”.

¹⁵ Article L.621-1 of French Intellectual Property Code: “Penalties punishing the infringement of manufacturing secrets are set forth at Article L.1227-1 of the Labour Code”.

¹⁶ Cass. Crim., 19/9/2006, n°05-85360, for more information on the definition of secrecy, see 2 (iv).

“an industrial technical process, even for the execution of details, which is original, whether it is patentable or not”¹⁷. Non-technical or non-practical confidential information concerning the situation of a company, according to the distinction referred to above (§ 2.1) is not therefore concerned by this text of law.

The offence is concerned with the act of disclosing or attempting to disclose the know-how used by the company, the manager or an employee of that company even though, at the time the offence is committed, the person committing the offence was no longer an employee of the company. The perpetrator must indeed have been an employee of the company when he became aware of the manufacturing secret in question¹⁸. On the other hand, the offence is not deemed committed when the information is disclosed by a third party who is not a manager or employee of the victimized company.

In order for the offence to be established, there must be a culpable intent, thus mustering both material element (transfer of manufacturing secret) and intentional element¹⁹.

Breach of professional confidentiality

According to Article 226-13 of the French Criminal Code: “The disclosure of secret information by a person entrusted with such a secret, because of either his position or profession, or because of a temporary function or mission, is punished by one year's imprisonment and a fine of €15,000.”

The *breach of professional confidentiality* offence concerns those who, because of their profession, become confidants by necessity and have access to secrets of third parties. This law applies to regulated professions (physicians²⁰, chartered accountants, auditors and attorneys²¹). Disclosure simply consists in making a third party discover, know of or confirm something that was concealed, unknown, secret or uncertain for that third party²². There is only one accepted exception to this: professionals have the obligation to reveal facts they are aware of when keeping them secret would result in concealing frauds and offences²³.

Breach of trust

The *breach of trust offence* (Article 314-1 of French Criminal Code²⁴) is the fact for a person, to the prejudice of other persons, to misappropriate funds, valuables or any property that were handed over to him and that he accepted subject to the condition of returning, redelivering or using them in a specified way.

As the existence of a material medium is not required, this offence may be committed in case of breach of a trade secret, i.e. the misappropriation of intangible property. Here again, proof of fraudulent intent is required²⁵.

Thus, there may be breach of trust in cases involving disclosure of trade secrets, or “economic espionage”. Several recent cases bear testimony to this trend. In the first case, a trainee who had copied electronic documents of the company was sentenced to one year's imprisonment (six months' suspended sentence) and to pay damages in the amount of EUR 7,000²⁶. In the second case, an employee of Company A had offered to sell to competitor Company B confidential information about Company A. The court sentenced the defendant to two years' imprisonment, a fine of EUR 5,000 and damages in the amount of EUR 7,000²⁷. And finally in the third case, the Court of Cassation confirmed the sentence ordering the payment of a fine of EUR 10,000 by an employee who had misappropriated for his personal use computer files containing confidential information provided to him by his employer for professional use²⁸.

¹⁷ Cass. Crim., 7/11/1974: Bull. crim. 1974, n°323, CA Paris, 26/9/ 2008, n°06/03934, CA Paris, 5/6/2012, n°11/08851.

¹⁸ CA Paris, 5/6/2012, n°11/08851.

¹⁹ See note 28.

²⁰ Cass. Civ. 1st, 8/3/2005, n°03-12.044.

²¹ Cass. Crim., 20/6/2006, n°05-83.659.

²² Cass. Civ. 1st, 8/3/2005, n°03-12.044.

²³ CA Versailles, 11/12/2003, n°02/03131.

²⁴ Article 314-1, French Criminal Code: “Breach of trust is committed when a person, to the prejudice of other persons, misappropriates funds, valuables or any property that were handed over to him and that he accepted subject to the condition of returning, redelivering or using them in a specified way. Breach of trust is punished by three years' imprisonment and a fine of €375,000.”

²⁵ Cass. Crim., 16/5/2001, n°00-86.923.

²⁶ T. cor. Versailles, 18/12/2007, 0511965021, L. c/ Valeo, unpublished. V. CCE 2008, n°4, p. 41, obs. E. A. Caprioli, quoted in Jean-Marie Garinot, “Le secret des affaires”, LexisNexis 2013, coll. Travaux du CREDIMI, vol. 41, pref. E. Loquin.

²⁷ T. cor. Clermont-Ferrand, 21/06/2010, unpublished, V. Th. Du Manoir de Juaye, “Le secret des affaires: commentaire de décisions récentes”, RLDI 2010, n°65, p. 69, quoted in dans Jean-Marie Garinot, “Le secret des affaires”, LexisNexis 2013, coll. Travaux du CREDIMI, vol. 41, pref. E. Loquin.

²⁸ Cass. Crim., 22/10/2014, n°13-82.630.

Theft

When the misappropriation of a trade secret involves the misappropriation of the medium where it is stored, this can be considered as *theft* (Article 311-1 of French Criminal Code²⁹)³⁰. The theft offence comprises three elements: a material element, i.e. the appropriation of something belonging to someone else (i), dispossession (ii), and fraudulent intent (iii). If either of these elements is missing, the act committed cannot be considered as theft and no penalty may be ordered in that respect. But the act will probably be construed as something else, such as breach of trust or fraud for instance.

Corruption

The *active or passive corruption* offence (Article 445-1 of French Criminal Code³¹) concerns the situation in which a person who might be contacted by a third party to do or fail to do any act pertaining to or facilitated by his position, should accept to do so.

Thus, disclosing information that an employee was aware of because of his position can, under certain circumstances, be considered as corruption³².

As the law takes into account both active and passive corruption offence, there are two perpetrators for the same offence: corrupter (active corruption) and corrupted (passive corruption). The corrupter may be any person, either belonging or not to the company in which the corrupted is employed. All it takes is for the corrupter to encourage the corrupted to do or refrain from doing any act pertaining to his position, or to thank him for doing or refraining from doing an act. Penalties are the same for both corrupter and corrupted.

Receiving

According to Article L.321-1 of the French Criminal Code, “*Receiving is the concealment, retention or transfer of a thing, or acting as an intermediary in its transfer, knowing that that thing was obtained by a felony or misdemeanour. Receiving is also the act of knowingly benefiting in any manner from the product of a felony or misdemeanour. Receiving is punished by five years' imprisonment and a fine of €375,000.*”

Receiving is therefore an ancillary offence which cannot exist independently: a receiving offence can only be committed if the first offence has been confirmed. For instance, the offence consisting in receiving the proceeds of a breach of professional confidentiality cannot exist if it cannot be proven that secret information was disclosed by someone in whose custody it was³³.

Receiving is particularly important in press matters. Indeed, case law is plentiful on the subject. Thus, the Court of Cassation considered on several occasions that despite freedom of expression it is still possible to consider that a receiving offence has been committed in the event of disclosure of information resulting from a breach of confidentiality of investigations or professional confidentiality³⁴.

Other offences

It is worth mentioning that the so-called “blocking statute” of 1968³⁵ may apply to trade secrets. According to this act, it is strictly forbidden to any person who is a French national or habitually residing in France to disclose

²⁹ Article 311-1, French Criminal Code: “*Theft is the fraudulent appropriation of a thing belonging to someone else.*”

³⁰ Cass. Crim., 28/1/2014, n°12-84275.

³¹ Article 445-1, French Criminal Code: “*The fact for anyone of unduly making or tendering, at any time, directly or indirectly, offers, promises, gifts, presents or any other advantages, to obtain from a person who, although not being a public official or vested with a public service mission, or elected to a public position, holds or occupies, within the scope of his professional or social activity, a management position or any occupation for any person, whether natural or legal, or any other body, for the performance or non-performance of any act within his occupation or position or facilitated by his occupation or position, in violation of his legal, contractual and professional obligations, is punished by five years' imprisonment and a fine of EUR 500,000 which may be increased to double the amount earned from that offence.*

The same penalties apply to the fact for anyone of giving in to any person referred to in the above paragraph who solicits, at any time, directly or indirectly, offers, promises, gifts, presents or any other advantages, to carry out or refrain from carrying out any act referred to in the above paragraph, in violation of his legal, contractual or professional obligations.”

³² Cass. Crim., 7/10/1969: Bull. crim. 1969, n°243.

³³ Cass. Crim., 6/3/2012, n°11-80.801.

³⁴ Cass. Crim. 3/4/1995, n°93-81569; Cass. crim. 19/6/2001, n°99-85188; Cass. crim. 12/6/2007, n°06-87361.

³⁵ Act n°68-678 of 26 July 1968 on the communication of economic, commercial, industrial, financial or technical documents and information to foreign individuals or corporations, as amended by Act n°80-538 of 16 July 1980 on the communication of economic, commercial, industrial, financial or technical documents and information to foreign individuals or corporations.

‘to foreign public authorities economic, commercial, industrial, financial or technical documents or information of which the disclosure may be detrimental to the sovereignty, security, essential economic interests of France or to public order’ and to request, seek or disclose, *“economic, commercial, industrial, financial or technical documents or information intended to provide evidence for the purpose of foreign judicial or administrative proceedings or in connection therewith”*³⁶.

The purpose of this act includes preventing the disclosure of strategic information of companies or the State during the course of discovery procedures initiated in France. Anyone failing to comply with this act may incur criminal penalties (6 months’ imprisonment and a fine of EUR 18,000 - EUR 90,000 for corporations)³⁷, and its enforcement has sometimes been confirmed by the Court of Cassation³⁸.

Furthermore, if one works on the premise that most computer systems contain trade secrets, Article 323-1 of the French Criminal Code³⁹ which prohibits access to computer systems may be applicable in the event of breach of trade secrets.

Finally, subsidiarily, one could also mention banking secret (Article L.511-33 of French Monetary and Financial Code⁴⁰, which provides that it is prohibited to bank employees to reveal to third parties any information about their clients, including civil judges), defence secret (Article L.413-10 of French Criminal Code⁴¹, according to which it is strictly prohibited to disclose or copy national defence secrets), secrecy of correspondence (Article L.226-15 of French Criminal Code⁴²), and confidentiality of journalists’ sources (Act of 29 July 1881 on freedom of the press, Article 2⁴³), for which criminal penalties are incurred in case of breach.

2.1.2 Intellectual property law

The French Intellectual Property Code (IPC) includes a Title II, “Protection of technical knowledge” which deals with three specific items: manufacturing secrets, topographies of semi-conductor products and new plant varieties. As mentioned, there is only one article dealing with manufacturing secrets (Article L.621-1 of IPC).

Nevertheless, know-how is deemed part of intellectual property. Although it is not considered as an intellectual property right (IPR) as such, it is however regarded as an IPR according to the above mentioned exemption regulation of 2014 and to Article 39 of the TRIPS.

Know-how being considered as the expression of practical and/or technical knowledge, a patent is the intellectual property right most often used to provide protection to know-how. Indeed, when know-how consists of a patentable invention, the patent owner may consider patenting it, which implies disclosing it to the public in exchange for the grant of statutory ownership rights for a period of 20 years. The owner may prefer not to patent the invention and keep the know-how secret since protection by keeping it secret lasts as long as secrecy is preserved.

³⁶ Articles 1 & 2, Act n°68-678 of 26 July 1968 above mentioned.

³⁷ Article 3, Act n°68-678 of 26 July 1968 above mentioned.

³⁸ Cass. Crim., 12/12/2007, 07-83228.

³⁹ Article 323-1, French Criminal Code: *“Fraudulently accessing or remaining within all or part of an automated data processing system is punished by two year’s imprisonment and a fine of EUR 30,000. Where this behaviour causes the suppression or modification of data contained in that system, or any alteration of the functioning of that system, the sentence is three years’ imprisonment and a fine of EUR 45,000. When the offences referred to above have been committed against an automated processing system of personal data implemented by the State, the penalty shall go up to five years’ imprisonment and a fine of EUR 75,000.”*

⁴⁰ Article L 511-33, French Monetary and Financial Code: *I. - Any member of a Board of Directors and, where applicable, of a Supervisory Board, and any individual who, in whatever capacity, participates in the management or administration of a credit institution or of an entity referred to in paragraph 5 of Article L. 511-6, or who is employed by such an entity, shall be bound by professional secrecy [...]”.*

⁴¹ Article 413-10, French Criminal Code: *A penalty of seven years’ imprisonment and a fine of EUR 100,000 applies to the destruction, misappropriation, theft or duplication, as well as to the communication to the public or to an unauthorised person, by any person holding such a confidential information because of his position or occupation or any permanent or temporary mission, of any information, process, article, document, or computerised data or file which is a national defence secret. The same penalties apply to the holder who permits the access, destruction, misappropriation, removal, duplication or revelation of any information, process, article, document, computerised data or file referred to under the previous paragraph. Where the holder has behaved negligently or recklessly, the offence is punished by three years’ imprisonment and a fine of EUR 45,000.*

⁴² Article 226-15, French Criminal Code: *“Maliciously opening, destroying, delaying or diverting of correspondence sent to a third party, whether or not it arrives at its destination, or fraudulently gaining knowledge of it, is punished by one year’s imprisonment and a fine of EUR 45,000. The same penalty applies to the malicious interception, diversion, use or disclosure of correspondence sent, transmitted or received by means of telecommunication, or the setting up of a device designed to produce such interceptions.”*

⁴³ Article 2, Act of 29 July 1881 on freedom of the press: *“The secrecy of journalists’ sources is protected in the exercise of their mission of information of the public.”*

Know-how may also be implemented by manufacturing a product with a specific design. The design of a product can also be protected by a copyright and/or a design and model right. Know-how may therefore be indirectly protected by an intellectual property right, in a way which is limited because it is associated to a specific layout and also uncertain if by simply examining the product the know-how used to make it is revealed to the public.

Patenting an invention

A patent is a title delivered by an intellectual property office further to a more or less thorough review intended to check (i) that the invention is patentable, and (ii) that it meets three conditions in terms of novelty, inventiveness and industrial application. Once the patent application has been published, the patent is registered and this allows the patent owner to prohibit third parties to implement the patented invention for a period of 20 years.

The owner of a patentable know-how shall therefore weigh the pros and cons of either obtaining a patent which will disclose to third parties a know-how that they may not normally use for 20 years, unless the patent is contested or “circumvented”, or keeping the patentable know-how confidential. That questioning includes the assessment of a combined protection by patenting and keeping the know-how secret.

Some authors consider that a patent offers an indirect protection of trade secrets, and especially of know-how: *“(the) appropriation which a patent allows is often effective enough to protect all around it a body of knowledge which may form an actual know-how. In that way the owner of that know-how can hold a patent covering the product he manufactures: thus, as master of the market, he will indirectly protect the know-how which allows him to manufacture the product in the best possible way. So therefore someone wishes to use know-how which is identical to his own, that person will be able to do so, provided the latter does not sell the products resulting from that manufacture in the territories protected by the patent. Often in fact, know-how goes with a patent for which it is a kind of ideal operating instructions. It is clear that when this dependence connection exists between patent and know-how, the second one is in fact protected by the first one.”*⁴⁴

Copyright

In France, copyrights protect “*all works of the mind, whatever their genre, form of expression, merit or purpose*”⁴⁵ just by the mere fact of their being created, without any special formalities. This concerns therefore not only literary work, musical, graphic and visual creations, but also applied art creations, and software in particular⁴⁶.

In order that it can be protected by copyright, the work shall be original and case law defines originality as the expression of a natural person’s personality.

So, copyright cannot arise from the mere implementation of some know-how⁴⁷. Case law is consistent on that subject: *“The protection conferred by copyright cannot apply to a technique, a method, a process, or a system, but only to a creation of the mind in accordance with the law on literary and artistic property, provided it is unrelated to the achievement of an industrial outcome.”*⁴⁸

Therefore, only the expression of know-how that meets the relevant conditions as to form (material medium) and substance (originality)⁴⁹ may be protected as a work eligible for copyright protection.

But copyright is or has been faced with certain types of know-how for which the issue of the protection by copyright has been raised. For instance, concerning a fragrance, although it had previously been considered by the court that *“a fragrance, which is the result of an intellectual research by a designer using his imagination and his acquired knowledge, represents a discernible, distinguishable work of the mind enjoying the protection of copyright”*⁵⁰, in a decision of 2013, the Court of Cassation confirmed that, as it results from the mere

⁴⁴ Fabre, R. & Sersiron, L., “Fasc. 4200: *Réservation du savoir-faire*” in JurisClasseur Brevets, Lexis- Nexis, 2014, p.28.

⁴⁵ Article L. 112-1, French Intellectual Property Code.

⁴⁶ Article L. 112-2, French Intellectual Property Code.

⁴⁷ Lucas, A. *Traité de la propriété littéraire et artistique*. LexisNexis, 2012, p.68.

⁴⁸ CA Paris, 12/7/1974: Ann. propr. ind. 1975, p. 182.

⁴⁹ Cass. Crim., 5/10/2010, n°09-85.695.

⁵⁰ TGI Paris, 28/5/2002.

implementation of know-how, a fragrance does not represent the creation of a form of expression which can enjoy the protection of works of the mind conferred by copyright⁵¹.

Finally, it should be noted that, pursuant to an act dated 3 July 1985 software (and preparatory material), has been included in the list of work that can be protected by copyright. The law does not make any distinction between executable object code and source code and the latter is only exceptionally disclosed by the software publisher when dealing with proprietary software. According to French law, source codes are considered as an integral part of the work (the software)⁵² which can be protected by copyright and as trade secrets as it is specified in most licence agreements.

Design and model

By filing a design or model, it is possible to protect the appearance of all or part of a product (any industrial or handicraft object). The scope is very broad (auto parts, tableware or decoration, packaging, clothing, telephones and tablets, earphones, motorbike helmets, etc.), except for software and products of which the external appearance is solely dictated by their technical purpose.

Upon being validly registered and provided it is new and has individual character, the design or (3D) model entitles its owner to forbid the manufacture and sale of any product that includes his registered design or model, so long as the contentious product gives to the informed observer an overall visual impression which is not different from the already registered model.

Nowadays, the design of a product is very important when it comes to the conception and marketing of consumer goods and it often involves sophisticated experience, technical know-how and client understanding. The protection of designs and models, conferred for 5 years and renewable for up to 25 years maximum, may help protect know-how revealed in the external appearance of a product, for which its manufacture is made possible thanks to that know-how, although the latter did not dictate the external appearance. Even though the know-how is disclosed in the product and may be used for other products with a different appearance and not registered as designs or models, that know-how enjoys a minimum of protection for the registered models.

2.1.3 Tort liability

When the parties are not bound by a contractual clause providing for the protection and terms of use of said trade secrets, civil tortious liability may be called upon to protect trade secrets, or at least to obtain damages for the harm suffered as a result of the breach of a trade secret. This protection is based on the offence committed by the person who gained access to trade secrets by fraudulent means.

In this context, the victim shall file a claim for tortious liability which may be an “unfair competition claim” pursuant to Article 1382 of the French Civil Code⁵³.

To file such a claim, the existence of an offence, of damage and the causal link between offence and damage must be established.

Concerning the infringement of know-how, the “legitimate” owner of such know-how wishing to act against an “illegitimate” possessor (unlawfully accessed) and/or user of that know-how must prove that he detained that know-how before this “illegitimate” possessor, that the know-how was confidential, and that the circumstances or means through which the “illegitimate” possessor managed to have access to the know-how were wrongful and unfair⁵⁴.

Unfair acts may for instance consist in a breach of confidentiality obligations⁵⁵, industrial espionage⁵⁶, misuse of information acquired during unsuccessful negotiations with the owner of the know-how⁵⁷.

⁵¹ Cass. Com., 10/12/2013, n°11-19872; and also, Cass., Civ.1st 22/1/2009, n°08-11404.

⁵² T. com. Paris, 15/10/2004, *Conex v. Tracing Server*: “Source programs are similarly protected by the Intellectual Property Code, as well as source code, in so far as they are the materialization of an intellectual effort in an individualized structuring”. It should be noted that a similar interpretation has been given by the Court of Justice of the European Union (CJEU, 2 May 2012, C406/10, *SAS Institute Inc. / World Programming Ltd*).

⁵³ Article 1382, French Civil Code: “Every act whatever of man that causes damage to someone else, obliges him by whose fault it occurred to repair it.”

⁵⁴ See <http://www.entreprises.gouv.fr/propriete-intellectuelle/savoir-faire-reglementation>

⁵⁵ Cass. Com., 17/3/2015, n°13-15862.

⁵⁶ Cass. Com., 10/2/2015, n°14-11909.

In the event a trade secret is not considered as know-how but rather as confidential information, all that will have to be proven is that it is confidential, the existence of illicit means used to access and use the know-how, and finally the fact that this breach caused actual damage, in the absence of contractual clause protecting it.

2.1.4 Contractual liability

The protection of know-how or trade secrets may also involve contractual liability. In practice, contractual clauses represent a very important way to protect know-how or trade secrets. In that case, the possessor of trade secrets determines by agreement the terms of use, constraints on disclosure and technical means of protection of the secret being disclosed to his co-contractor (employee or other) by preventing the latter from appropriating it.

However, that clause can only encourage the co-contractor to refrain from appropriating or disclosing the secret, and the only redress in case of breach will be to obtain that such breach ceases and that measures be taken to contain the extent of the breach as well as its adverse effects. Otherwise, the possessor shall only be able to obtain the payment of damages. The agreement may also provide for penalties (penalty clause) that can possibly come in addition to the damages awarded by the court⁵⁸.

Contractual liability of employees

As far as employees are concerned, in accordance with the general “good faith” principle set forth at Article 1134 of the French Civil Code⁵⁹, the employment contract entails a general obligation of discretion and loyalty.

The contract may also include a non-disclosure or a confidentiality clause allowing the employer to forbid his employees to disclose trade secrets made available to them during the course of their jobs. The employer can also stipulate that this obligation shall remain applicable once the employment contract is terminated⁶⁰. In this case, the non-disclosure and confidentiality obligation shall only remain valid so long as the trade secret has not become public knowledge. Failure to comply with the non-disclosure obligation may of course also lead to disciplinary penalties if such disclosure takes place during the performance of the employment contract⁶¹.

The non-competition clause also makes it possible for the employer to prevent the use of his trade secrets for the benefit of another company after the employment contract is terminated. In that case, the non-competition obligation becomes effective upon termination of the employment on whatever grounds. Such a clause, which restricts the employee’s freedom, must comply with three concurrent conditions: it must (i) be limited in time and space, (ii) take into account the specificities of the employee’s job, and (iii) include the obligation for the employer to pay financial consideration to the employee⁶². Limits to the validity of a non-competition clause reside in the principle that it should not prevent the employee from working⁶³, using his competence and professional skills, and that prohibitions should not be of a general nature.

Contractual liability of the other party

Different situations may occur, depending on the various stages of the contractual relationship.

During negotiations, the possessor of the trade secret often has to disclose to his potential partner all or part of the characteristics of his process, at least the most significant parameters so that this potential partner can accurately assess the interest he may have to enter into a contractual relationship with said possessor.

Two methods are frequently used: either the intended recipient of the information agrees in writing to comply with strict contractual obligations, or the parties meet to enter into a first agreement specifically addressing these issues. In both cases, the agreement shall essentially provide for two obligations which the potential future

⁵⁷ Cass. Com., 8/10/2014, n°12-18252.

⁵⁸ The penalty clause punishes non-compliance with a contractual obligation but does not repair the damage suffered: Cas. Civ. 3rd, 20/12/2006, 05-20065.

⁵⁹ Article 1134, French Civil Code: “Agreements lawfully entered into have the force of law for those who have made them. They may be revoked only by their mutual consent, or for causes allowed by law. They must be performed in good faith.”

⁶⁰ Cass. Soc., 19/3/2008, n°06-45.322.

⁶¹ CA Paris, 10/3/1987 & CA Paris, 19/11/1986.

⁶² Cass. Soc., 29/4/ 2003, n°01-42.026; Cass. soc., 18/32003, n°00-46.358.

⁶³ Cass. Soc., 18/9/2012, n°00-42.904.

partner must comply with: a non-disclosure obligation and a non-use obligation, whatever the issue of their negotiations⁶⁴.

If negotiations are successful, the parties generally enter into a know-how communication agreement which provides for the same confidentiality obligation.

2.2 Provisions applicable in the case of indirect misappropriation

Third parties acting in good faith

When a third party becomes aware of a trade secret through a person who is not the owner/legitimate possessor of that trade secret (e.g.: new employer, sub-contractor), the above mentioned statutory provisions may apply, depending on whether or not that third party acts in good faith.

The issue here is to know whether the new employee / principal contractor giving access to that trade secret to the new employer / sub-contractor has lawfully obtained that secret or not, and/or had the right to disclose it.

According to existing case law, a claim for unfair competition filed against the third party possessor of the trade secret will only be successful if the information was acquired without consent and by unfair means. In principle, a third party who acquired information in good faith will not therefore be held liable⁶⁵. So, the possessor of the trade secret must prove the wrongful use of means which gave access to that secret. There are usually two possibilities: the possessor either gained access to the know-how with the owner's consent but subsequently disclosed it without the latter's consent (breach of a confidentiality or non-competition obligation), or had access to the information without the owner's consent and knowing it⁶⁶.

Statutory provisions of criminal law

Among statutory provisions applicable when a trade secret was not directly appropriated from its owner, one can mention the disclosure of a manufacturing secret ("*secret de fabrique*") right which can apply when an employee left the company which employed him at the time the trade secret was disclosed to him. Indeed, it makes no difference if the perpetrator was no longer employed at the time of the wrongful disclosure⁶⁷. Furthermore, the recipient of this disclosure may also be sentenced for collusion (Article 121-7 of French Criminal Code) or receiving (Article 321-1 of French Criminal Code).

Breach of trust (see § 2.2.1 above) and theft (see § 2.2.1 above) may also be ruled in the event of indirect infringement of a trade secret. These offences apply independently from the contractual relationship existing or not between perpetrator and victim of the offence.

Statutory provisions of civil law

The same is true, under civil law, unfair competition claims against offending third parties (tort liability). This is true for instance of competitor companies unfairly hiring the employees of another company, especially if they are considered "key employees"⁶⁸. This also applies to third parties misusing information acquired in the context of trusting relationships as part of commercial relationships which have expired at the time the infringement occurs⁶⁹; or a magazine publishing information found in a book not yet published and covered by a confidentiality agreement between the author and the publisher of that book⁷⁰.

The principle of effects of contracts vis-à-vis third parties is sometimes applied by judges ruling on the substance of a case, including the French Cour de cassation (Supreme Court)⁷¹. In another case, the Cour de cassation applied the principle of privity of contract (article 1165 of the French Civil Code), ruling that in the absence of contractual stipulations providing otherwise, the communication or transfer of know-how to an entity belonging to a group is not valid for other entities of that group. The entity which failed to comply with its confidentiality obligation may be sentenced on contractual grounds, whereas the entity which received this know-how and

⁶⁴ Fabre, R. & Sersiron, L., "Fasc. 4200: *Réservation du savoir-faire*" in JurisClasseur Brevets, Lexis- Nexis, 2014, pp.41-42.

⁶⁵ Francis Hagel, *Secret et droits de propriété intellectuelle, un tour d'horizon*, Revue Lamy Droit de l'Immatériel – 2009 53.

⁶⁶ Joanna Schmidt Szalewski, *Savoir-Faire*, Répertoire de droit commercial Dalloz, February 2009.

⁶⁷ CA Paris, 5/6/2012, n°11/08851.

⁶⁸ Cass. Com. 8/10/2013, n°12-25296.

⁶⁹ Cass. Com. 26/6/2012, n°11-19520.

⁷⁰ Cass. Civ. 1st, 17/10/2000, n°97-22498.

⁷¹ Cass. Civ. 1st, 17/10/2000, n°97-22498.

carried on with its business after being informed of the content of the agreement may be held liable on the ground of tort⁷².

2.3 Required evidence

In order to be able to file a useful claim for misappropriation of its trade secret, its claimed owner must, prove both the existence and the content of his secret, and the steps taken to safeguard its confidentiality.

Identifiable Character

First of all, the secret must be *identifiable*. For this purpose, a “written” document is usually required. It is recommended that the owner of the know-how should regularly, throughout the period of creation and development of the know-how, file records establishing the date, content and developments, using for instance a “Soleau” envelope or sealed envelopes deposited with the French IP Office (“INPI”) a bailiff, a notary public or an authors’ society.

A “Soleau” envelope, named after its creator Eugène Soleau, is a simple and inexpensive (EUR 15) way of providing evidence that, on the date of dispatching the envelope, its concealed content was known of the dispatcher, which may help him to claim later that he predates alleged subsequent inventors/authors or lawful users of the content of the envelope. It may be used for any technical and commercial information even if it cannot be considered as know-how *per se*, so long as it is deemed valuable or strategic enough for the company in question⁷³. That envelope can be obtained from the INPI (*Institut national de la propriété intellectuelle*), then registered with the same and kept for 5 years. This filing may be renewed once⁷⁴.

It is also advisable to keep laboratory notebooks, dated and signed documents describing the various stages in the development of an innovation, with which it is possible to track all developments in real time⁷⁵.

The creation of a file containing various technical, legal, financial documents testifying to content, value and confidentiality is another way of justifying one’s rights in the event of a dispute but also upon signing a contract⁷⁶.

Confidentiality and substantial character

Secondly, the information or process must be *confidential*. This means that the process is not normally accessible or easily at everybody’s disposal. It is not in the public domain. Thus, there is no disclosure of manufacturing secret when industrial manufacturing processes of the products in question do not have any specific originality and no secret formula is used for their preparation. Its knowledge supposes that some work or some thinking went into it⁷⁷. Confidentiality may however be quite relative since it may be shared by several people.

Furthermore, the secret must be *substantial*. It must be a manufacturing process which is not known to the general body of knowledgeable people in the matter, and which provides an advantage over competitors.

Legitimate possession

Finally, the owner of the know-how shall prove his *legitimate* possession of his secret. He shall prove in particular that the process was obtained thanks to his own research or that of a third party who gave him the permission to use it.

⁷² Cass. Com., 17/3/2015, n°13-19307.

⁷³ MEDEF practical guide, *La protection des informations sensibles des entreprises*, 2013.

⁷⁴ See http://www.inpi.fr/fileadmin/mediatheque/pdf/brochure_enveloppe_soleau.pdf

⁷⁵ <http://www.entreprises.gouv.fr/propriete-intellectuelle/savoir-faire-reglementation> (especially §5. *La preuve*).

⁷⁶ <http://www.entreprises.gouv.fr/propriete-intellectuelle/savoir-faire-reglementation>

⁷⁷ Cass. Crim., 19/9/2006, n°05-85.360.

2.4 Measures available to secure evidence of misappropriation

Private investigation measures

According to Article 145 of French Code of Civil Procedure, before initiating court proceedings, any individual may ask a judge to order investigation measures in order to establish the facts on which the issue of forthcoming dispute will depend.

In practice, with these provisions it is possible for a company to obtain in particular the designation of a bailiff, accompanied by police officers if necessary, and/or a computer specialist upon request, in order to preserve the surprise element of his intervention and avoid the disappearance of evidence, and these may, in accordance with the order issued by the judge, make copies of a number of documents of the company subject to these measures. This possibility is often used prior to unfair competition lawsuits in particular.

But, since a judgment of 1999, case law considers that trade secret may not defeat such an investigation measure⁷⁸, which implies that the proceedings provided for in article 145 of the code of civil procedure can allow a company to get to know the trade secrets of another company.

However, to avoid that certain companies make use of these provisions to get access to trade secrets of competitors without legitimate reasons, the judge may order that the designated bailiff be appointed receiver of the documents thus confiscated. In that case, a request will have to be filed with the interim relief judge to obtain the release of these documents. These proceedings will call for a hearing during which the judge may look at the confiscated documents, with the parties in attendance, to sort through them. But since investigation measures most often involve the confiscation of computer documents, in very significant numbers, the judge will appoint an independent expert who will be in charge of sorting confidential documents from other documents useful as evidence for the claimant who requested the investigation measures. This process, while limiting the undue disclosure of trade secrets, is not however statutory nor systematic.

Specific provisions for infringement of IPRs

When there is both infringement of an intellectual property right (i.e. a patent) and associated misappropriation of know-how (see § 2.2.1 above), the owner of the intellectual property right can have this dual violation recorded by way of a seizure of documents and objects establishing the infringement of an IPR (streamlined and strengthened in France with Act n°2014-315 dated 11 March 2014 reinforcing the fight against counterfeiting).

The “saisie-contrefaçon” (seizure-infringement) procedure is a specific evidence method (but non-exclusive) provided for by law⁷⁹ in the field of violation of Intellectual Property rights.

It consists in filing a request with the president of the Court so that he delivers an ex parte order authorizing a bailiff, accompanied by police officers if necessary, to look for and to proceed to the seizure of infringing objects and related technical or commercial documentation.

The bailiff can get into any premises, including private ones, without prior notice to and consent of the concerned party in order to preserve the surprise element. The bailiff may confiscate objects or documents evidencing the existence and the extent of the infringement, within the limits of the powers conferred to him by the court order.

Because of the exceptional character of this evidentiary procedure, statutory provisions governing the substance and authorization set forth by the presiding judge in his order must be strictly interpreted and applied. For this reason, the courts tend to set aside evidence obtained pursuant to Articles 145 and 812 of the French Code of Civil Procedure⁸⁰ if in fact the rightholder/plaintiff should have used the seizure-infringement procedure to establish an IPR infringement⁸¹.

⁷⁸ Cass. Civ., 2nd, 7/01/1999, 15-21934.

⁷⁹ I.e., concerning copyright (Articles L.332-1 to L.332-3 & R.332-1 to R.332-3 of IPC); software (Articles L.332-4 & R.332-4 of IPC); designs and models (Articles L.521-4 R.521-2 to R.521-5 of IPC); patents (Articles L.615-5 & R.615-1 to 615-5 of IPC); plant varieties (Articles L.623-27-1 & R.623-50-1 to R.623-53-1 of IPC); and trademarks (Articles L.716-7 & R.716-2 to R.716-5 of IPC).

⁸⁰ Article 812, French Code of Civil Procedure: “*The matter is referred to the president of the court by way of petition in the cases specified by law. He may also order such urgent measures where the circumstances so demand that they must not be taken after adversarial proceedings.*” [...].

⁸¹ Stenger, J-P., “Fasc. 4631: *Saisie contrefaçon. Introduction. Ordonnance autorisant la saisie-contrefaçon*” in JurisClasseur Brevets, Lexis-Nexis, 2015, pp.6-9.

3. Procedural Aspects and Remedies in the Event of Trade Secret Misappropriation

3.1 Measures available in the course of proceedings

Whereas the rules of standard French civil procedure do not provide for specific measures to protect trade secrets (3.1.1), tax procedure on the other hand provides for a specific scheme to protect these secrets (3.1.2). The same is true before some independent administrative/public authorities such as the competition authority, the financial markets authority, the electronic communications and postal service regulating authority and the high authority for the distribution and protection of creative works on the Internet (3.1.3).

3.1.1 Standard judicial procedure

French judicial law does not provide for specific measures applicable *during proceedings*, intended to protect the parties' trade secrets. Furthermore, there is no such thing as "*discovery*" in the French judicial system as there is in Anglo-Saxon law for instance. Indeed, French law favours the principles of *adversary proceedings*⁸² and *open court proceedings*⁸³ to the protection of trade secrets. Yet the parties may attempt to agree with the court on ways to avoid the leaking of trade secrets during the court proceedings.

Professional secrecy

It should be remembered that for health professionals, attorneys, bankers and any other person who is entrusted with it because of his profession or as a result of a temporary position or assignment, *professional secrecy* is a statutory obligation under any and all circumstances, including in the context of judicial proceedings (Article 226-13 of French Criminal Code). Hence, trade secrets disclosed to professionals remain secret and therefore protected, unless the professional violates his secrecy obligation.

Arbitration

Because of the difficulty to preserve the confidentiality of trade secrets involved in disputes, hearings and exhibits under standard civil procedure rules, in some instances, companies tend to prefer arbitration which is confidential by nature ("*Subject to legal obligations and unless the parties provide otherwise, arbitration proceedings are strictly confidential*": Article 1464 of French Code of Civil Procedure).

3.1.2 Tax proceedings

Before tax judges, specific procedural rules apply, ensuring compliance with professional secrecy, and indirectly therefore, the protection of trade secrets: "*Documents and exhibits of the authorities enclosed in the case file submitted to the administrative court and concerning specifically named companies or persons can only consist of average turnover or income figures in order to protect professional secrecy, except when they involve indications that must be made available to the public by filing at the registry of the commercial court. If it requests so at the hearing, the administrative court shall be provided, in the judge's chamber, during its deliberations, and to reach its final decision, with a full set of all documents or exhibits concerning specifically named companies or persons*" (Article L.201 of French Book of Tax Procedures).

3.1.3 Proceedings before some independent administrative/public authorities

The competition authority (*Autorité de la concurrence*), the financial markets authority (*Autorité des marchés financiers* or AMF), the electronic communications and postal service regulating authority (*Autorité de régulation des communications électronique et des postes* or ARCEP) and the high authority for the distribution and protection of creative works on the Internet (*Haute autorité pour la diffusion des oeuvres et la protection des droits sur internet* or HADOPI) are vested with significant investigation powers to identify the practices they are in charge of punishing. Trade secrets are not binding for these authorities.

⁸² Article 15 of French Code of Civil Procedure: "*The parties must disclose in due time to one another factual arguments supporting their claims, the means of evidence they produce and the legal arguments they rely upon so that each party may organise its defence.*"; Article 16 of French Code of Civil Procedure: "*In all circumstances, the judge must supervise the compliance with, and he must himself comply with, the adversarial principle.*"

⁸³ Articles 22 and 433 of French Code of Civil Procedure: "*Hearings are public except where the law requires them to be held in the judge's chamber.*" This principle is also confirmed by Article 6-1 of the European Convention on Human Rights.

But to make sure that trade secrets are not revealed, agents acting for these authorities are bound by *professional secrecy*, subject to criminal penalties (Article 226-13 of French Criminal Code). The protection of secrets is extended by professional secrecy.

Furthermore, proceedings conducted by these authorities (competition authority, AMF, ARCEP and HADOPI) comprise mechanisms for the protection of the trade secrets of the companies under investigation.

3.1.3.1 Competition authority

Trade secrets cannot be opposed to the agents of the Competition Authority⁸⁴, but it may be opposed to the companies involved in the proceedings.

However, before the competition authority, the following provisions for the protection of trade secrets has been provided: “*Save for cases in which the discovery or consultation of such documents is necessary for the exercise of the rights of defence of a party involved, the general rapporteur of the Competition Authority may refuse a party disclosure or consultation of documents or certain elements contained in these documents which affect the trade secrets of other persons. In this case, a non-confidential version and a summary of the documents or elements in question shall be made available to the party involved.*” (Article L.463-4 of French Commercial Code).

The French Commercial Code also provides for specific provisions that must be complied with under this scheme (Articles R.463-13 *et seq.* of French Commercial Code). An application for the protection of trade secrets must be substantiated. Together with his application, the applicant must provide a summary list of the elements for which he is claiming protection, as well as a non-confidential version of these elements (where only confidential elements are blacked out). The application letter is then forwarded to the parties (Article R.463-13 *et seq.* of French Commercial Code). It must not contain any trade secrets.

It is only possible to appeal against decisions made by the general rapporteur of the competition authority granting protection of trade secrets (classification) or refusing to lift such secret (refusal to declassify) with the authority’s decision on the substance of the case⁸⁵.

On the other hand, it is possible to lodge an appeal against the decision refusing protection (refusal to classify) or lifting secrecy (de-classification) with the Conseil d’Etat (French administrative Supreme Court). Indeed, the Council of State considered that the absence of any specific recourse set forth at Article R.464-29 of the French Commercial Code before it was amended by decree on 11 May 2015 was an infringement of the right to effective legal appeal resulting from Article 16 of the Declaration of the Rights of Man and the Citizen⁸⁶.

Similarly, with respect to merger control, the French Commercial Code provides that: “*When the Competition Authority and the Minister for Economic Affairs question third parties on the subject of a concentration, its effects and the commitments suggested by the parties and make public their decision under the conditions set by decree, they shall take into account the legitimate interest of the notifying parties or of the persons cited that their trade secrets be not disclosed.*” (Article L.430-10 of French Commercial Code). However, the applicable regime is different from the above mentioned regime (Article R463-15-1 of French Commercial Code). That regime is described in the guidelines of the competition authority on merger control⁸⁷.

Nevertheless, although the guidelines of the competition authority on merger control provide indications which help determine what can be construed as a trade secret (§ 239 *et seq.*), the notion of trade secret is not defined which leaves it open to interpretations and can give rise to stalling tactics.

3.1.3.2 ARCEP

ARCEP is an independent administrative authority in charge of regulating electronic communications and postal services in France. In that context, it has the power to inflict penalties (Article L5-3 of French Postal Services and Electronic Communications Code - FPSEC) and to rule on disputes between operators on network access issues (Article L.36-8 of FPSEC).

⁸⁴ Cass. Crim., 13/01/2010, 07-86228.

⁸⁵ Article R 464-29, French Commercial Code, as amended by Decree n°2015-521 of 11 May 2015.

⁸⁶ CE, 10/10/2014, *Syndicat national des fabricants d’isolants en laines minérales manufacturées*, req. n°367807.

⁸⁷ Competition Authority, Guidelines on Merger Control of 10/07/2013, § 225 *et seq.*

“The Authority notifies its decisions to the parties and publicizes them, subject to secrets protected by the law. (...) It can refuse to disclose exhibits involving trade secrets. These exhibits are then taken out of the file.” (Articles L.5-6 and L.36-8 of FPSEC).

Dispute settlement proceedings

In the context of *dispute settlement proceedings*, the companies involved may request that some documents of the case should be protected as trade secrets. It is the ARCEP which decides whether the documents in question should be disclosed to the parties or taken out of the file (Article L.36-8 of FPSEC).

If another party to the proceedings denies that the documents in question involve trade secrets, the ARCEP deals with this disagreement between the parties as part of the dispute settlement proceedings.

Furthermore, since decisions by the ARCEP are published on its Internet site *“subject to secrets protected by the law”* (Articles L.36-8 of FPSEC and 16 of ARCEP internal rules), in practice, the parties designate to the ARCEP, before publication, which parts of the decision they wish to be concealed⁸⁸.

Appeals against decisions by the ARCEP concerning trade secrets made in the context of dispute settlement proceedings are lodged with Paris Court of Appeal although they do not give rise to immediate specific proceedings: the appeal is examined at the same time as the claim filed against the decision on the substance of the case (Articles R11-2 and L.5-6 of FPSEC).

Sanctioning procedure

An act related to the sanctioning procedure may be published once that act has been notified to the person in question and that person has been able to apply for the protection of secrets protected by the law.

The protection application shall be sent to the authority or the restricted commission, mentioning the subject and grounds of the application. The person making such application shall also provide separately a non-confidential version of these elements (Article D.599 of FPSEC).

Concerning oral proceedings, the president of the restricted commission may, either automatically or at the request of the person in question, limit publishing to the hearing in the interest of public order, or when required for the protection of secrets protected by the law (Article D.597 of FPSEC).

Mediation procedure

For the mediation procedure, the ARCEP appoints a mediator chosen among its members. The mediator is in charge of preparing a recommendation about which the parties make their comments.

The parties' decision to accept or refuse the recommendation is recorded in minutes reporting their agreement or disagreement, signed by the parties and the mediator.

The mediator's recommendation may be made public *“subject to trade secret”* (Article 19 of ARCEP internal rules).

3.1.3.3 AMF

In the context of controls and investigations by AMF agents, trade secrets are not binding, except by officers of the court (Article L.321-9-3 of French Monetary and Financial Code).

Nevertheless, proceedings before the AMF do respect the confidentiality of data covered by professional secrecy, especially attorney's memos and correspondence, as well as trade secrets and secrets of private life⁸⁹.

Furthermore, access to hearing of the penalty commission may be banned by the president in charge when required for the protection of trade secrets⁹⁰.

⁸⁸ ARCEP Letter, *“La protection du secret des affaires devant l'ARCEP”*, January-February 2009, p. 17.

⁸⁹ AMF, Investigation charter, 30/09/2014.

⁹⁰ AMF, The Penalty Procedure, 21/12/2010.

3.1.3.4 HADOPI

The HADOPI is an independent administrative authority exclusively dedicated to the circulation and protection of creative works on the Internet⁹¹.

The HADOPI is also in charge of preventing technical protection measures from hindering the interoperability of creative work and result in leading to additional restrictions coming on top of those decided by the owner of the rights. In the event access to information essential to interoperability is refused, the operators can ask the authority to guarantee that interoperability. The HADOPI may accept commitments from the parties, make decisions (injunctions), and order significant financial penalties (up to 5% of worldwide turnover of company in question)⁹².

In proceedings before the HADOPI, Article R.331-65 of the French Intellectual Property Code provides that when one of the parties relies on a secret protected by the law, it must send a substantiated classification application of these elements in a confidential appendix, providing a non-confidential version and a summary. It can also designate the companies to which that secrecy would be likely to apply.

When elements likely to involve a secret protected by the law are disclosed to the HADOPI by someone else than the person which is likely to rely on that secret, and the latter has not applied for classification, the rapporteur shall invite the latter to apply for such classification in the above mentioned conditions.

The documents in questions are taken out of the file, or some passages are blacked out. The non-confidential version of the documents and their summaries are included in the file.

In paragraph II of the article it is specified that trade secrets are among the “secrets protected by the law”.

The president of the high authority may refuse classification.

When the rapporteur considers that an exhibit included in the confidential appendix is necessary for the proceedings, he informs the person who applied for its classification, and that person may refer the matter to the president of HADOPI if he does not want that exhibit to be used in the proceedings. If the latter does not reply, the exhibit shall be used, but only for proceedings before the HADOPI and appeals against these decisions.

When one of the parties considers that an exhibit included in the confidential appendix is necessary to exercise its rights, it can request its disclosure or consultation by submitting a substantiated claim to the rapporteur. The rapporteur shall then inform the person who applied for classification that he must, if he is opposed to this, refer the matter to the president of the high authority. If the latter does not reply, the document shall be used, but only for proceedings before the HADOPI and appeals against these decisions⁹³.

3.2 Available remedies

The chief “remedies” available to victims of a violation of their trade secrets are to claim compensation (3.2.1). Other measures may however be ordered by the court (3.2.2).

3.2.1 Damages

There is no pre-determined method to calculate compensation in French law. Case law however sets forth a series of general rules to globally help assess maximum compensations.

Firstly, the amount of compensation must correspond to the actual and direct damage that was suffered and it cannot be a *lump sum payment*⁹⁴. The damage actually suffered must therefore be concretely assessed.

Secondly, compensation for damages consists in restoring as precisely as possible the balance that was destroyed by the damage that was suffered and placing back the victim in the situation where it was before the damage occurred⁹⁵.

⁹¹ <http://www.hadopi.fr/la-haute-autorite/lhadopi-en-bref>.

⁹² Article L 331-31, French Intellectual Property Code and Lamy Droit du Numérique, 2014, §3091 – HADOPI.

⁹³ Article R 331-65, French Intellectual Property Code.

⁹⁴ Cass. Com. 23/11/2010, 09-71665.

⁹⁵ CA Paris, 10/11/1994, PIBD 1995 582 III 100.

Thirdly, and in accordance with standard law, the compensation must cover both the *loss sustained* and the *lost profit*.

In the case of know-how, the owner of know-how of which the content has been unlawfully disclosed to a third party suffers a first damage as a result of that disclosure. That damage stems from the loss in value of the know-how. Indeed, the value of know-how resides in the fact that it is *secret*: the higher the number of people having access to it, the more the value of that know-how drops.

Case law even considers that fraudulent possession of elements of know-how belonging to a competitor alters the value of that know-how and that the depreciation of this intangible asset may be compensated even if the know-how is not used⁹⁶.

In addition to the damage resulting from disclosure of its know-how, the victim also suffers damage as a result of the use, if any, of that know-how by whoever misappropriated it. In this case, that use generally leads to the unlawful sale of products and /or diversion of commercial outlets and clientele.

The assessment of the damage resulting from the use of know-how consists generally of profit lost / loss of earnings. One method that can be used to assess that loss may consist in assessing the quantum of sales the victim did not make and to affect to this its profit margin (selling price less production costs), as was done by the designated expert assessor in a case concerning a ring⁹⁷.

One could assume that assessing damage would involve being able to assess the *investments* that may have been required so that the person who unlawfully appropriated the know-how could independently obtain it. But according to the Court of Cassation, “*the damage suffered due to unfair competition and parasitism acts does not correspond to the savings made by the perpetrator of such acts*”⁹⁸.

On the other hand, in the event of misappropriation of so-called “situation” trade secrets (as opposed to know-how, see § 2.1), although it can be considered that once it has been disclosed the information loses any kind of value relating to its secrecy, it seems however difficult to demonstrate any damage due to this sole fact if the third party who unlawfully obtained the information did not take advantage of it one way or the other. In that case, the victim will have to prove that it was made use of the disclosed trade secret to substantiate the damage it suffered.

The courts often rely on the notion of *commercial disturbance* which can result in customer’ diversion⁹⁹, drop in sales and slump in the market due to delisting¹⁰⁰, or when customer diversion is not proven, mistaking one company for its competitor¹⁰¹.

Whereas judges ruling on substance regularly accept the possibility that a legal entity may suffer *non-material damage*, it was only in 2012 that the Court of Cassation expressly accepted it¹⁰². Thus, when the victim cannot manage to substantiate the material and commercial damage it suffered, the judge may consider that it is enough to compensate its *non-material damage*¹⁰³. But non-material damage may also come on top of material damage resulting from the fact the products were not marketed¹⁰⁴.

It is also fair to repair the damage due to the leap benefiting the wrongdoer who deprived the victim of income it could have hoped earning from the marketing of products derived from the know-how during that period of time¹⁰⁵.

The sentence is sometimes symbolical: like EUR 1¹⁰⁶, or much more significant: EUR 9,091,880¹⁰⁷.

⁹⁶ CA Paris, 27/09/2000, D 2001 somm 1309.

⁹⁷ Cass. Com. 23/03/1999, 96-21039.

⁹⁸ Cass. Com. 21/02/2012, 10-27966.

⁹⁹ Cass. Com., 22/05/1984, 82-13482.

¹⁰⁰ Cass. Com., 16/05/2000, 97-22515.

¹⁰¹ Cass. Com. 18/10/1994, 92-18114.

¹⁰² Cass. Com., 15/05/2012, 11-10278.

¹⁰³ Cass. Com., 6/01/1987, 85-14434: 100 000 F.

¹⁰⁴ CA Paris, 10/11/1994, PIBD 1995 582 III 100: 4 000 000 F for non-material damage resulting from loss of leader position due to unfair practices.

¹⁰⁵ CA Paris, 10/11/1994, PIBD 1995 582 III 100.

¹⁰⁶ CA Paris, 9/12/1992, D 1994 somm. 223.

¹⁰⁷ CA Paris, 7/05/2015, 10/19361.

3.2.2 Other available remedies

The court may take any and all measures required to make wrongful acts cease and make an *injunction* for that purpose, including in interlocutory proceedings (Articles 809 & 873 of French Code of Civil Procedure).

Injunction to do something

This may be an injunction to do something: e.g. to destroy misleading packaging¹⁰⁸. However, destruction may be denied when the product is not protected by a patent or is not a slavish imitation¹⁰⁹. The court can also demand to cease manufacturing and distributing a product made using the wrongfully acquired know-how¹¹⁰.

Injunction to refrain from doing something, subject to penalty

When disclosure of the information has been immediate and is definitely confirmed, compulsory enforcement and even an injunction to refrain from disclosing the information is irrelevant.

In that case, the court may issue an injunction to prevent further dissemination of the trade secret, if possible. For instance, the court may order to cease commercial distribution within a radius of 40 km around the registered office of the aggrieved company suffering from the competition for 5 years¹¹¹.

Publishing

The court can also order the publication of the decision at the defendant's expense¹¹² and/or on the defendant's website¹¹³, and even to have it broadcast on the radio¹¹⁴.

In all cases, the enforcement of the court's decision is usually subject to *penalty in case of non-compliance within the prescribed deadline*¹¹⁵.

4. Protection of Know-How in Confidentiality or Non-Disclosure Agreements

Know-how procures an advantage over competitors, and there is therefore an interest in protecting it, because it is secret. Once in the public domain, it is no longer secret and becomes freely accessible: it is not therefore possible to protect it contractually.

Hence, the transmission of a trade secret is most of times supported by a contract that will contain relevant provisions to ensure that the recipient will maintain its continued secrecy and will use it only for agreed upon purposes.

Confidentiality/ non-disclosure agreements are often entered for the negotiation of important deals and partnerships involving the use of confidential information deemed trade secrets. The kind, the scope, the timing of disclosure, the duration of the NDA, the penalties and liquidated damages in case of breach are usually detailed. The NDA itself or its provisions will be incorporated in the main agreement if the negotiation is successful.

A party to a confidentiality agreement may obtain the payment of compensation in case of breach of its obligations by the other party.

Firstly, if that agreement provides for an obligation to refrain from doing something (from taking, from disclosing, etc.), the fact of simply breaching that obligation may justify the payment of compensation, even in the absence of damage¹¹⁶.

¹⁰⁸ Cass. Com. 16/05/2000, 97-22515.

¹⁰⁹ CA Paris, 9/04/1992, PIBD 1992 532 III 570.

¹¹⁰ Cass. Com., 12/12/1995, n°94-14003.

¹¹¹ Cass. Com. 28/04/1980 JCP 1982 2 19791.

¹¹² Cass. Com., 8/05/1979, 77-15294.

¹¹³ TGI Paris, 9/05/2001, RJDA 1/02 n°112.

¹¹⁴ CA Paris, 17/11/1970, D 1972 78.

¹¹⁵ CA Versailles, 5/02/1991, RJDA 4/91 n°363.

¹¹⁶ Cass. Civ. 1st, 14/10/2010, n°09-69928.

Secondly, when a party suffers damage as a result of the stealing, disclosure or use of a secret or know-how, it can also claim, independently, the payment of compensation¹¹⁷. A contractual penalty clause may provide bigger monetary compensation than the amount which would be awarded by the judge in a standard assessment of compensation damages. However, if the penalty clause is excessively high or low, the court has the power to reduce or increase it (Article 1152 of French Civil Code).

Thirdly, the victim may also seek from the judge an injunction for specific performance of the confidentiality obligation, when the breach threatens or has just started. This will only be possible if the disclosure was not immediate and irrevocable.

When the breach of the confidentiality clause results in effective use of the trade secret (e.g.: illicit use of manufacturing secret or know-how in its own business), the court may order the breaching party to stop using the trade secret and, for that purpose, may order the recall of the products manufactured using the diverted manufacturing secrets or know-how¹¹⁸, or, for instance, forbid continued use of software borrowing from a former secret program¹¹⁹.

These injunctions may be obtained in interlocutory proceedings (summary proceedings provided for under Articles 809 & 873 of the French Code of Civil Procedure) and ordered subject to penalty until the injunction has not been complied with.

Finally, when the confidentiality clause was a determining element of the parties' will to contract, or when its breach makes it impossible to carry on with the contract, the breach of said confidentiality clause may lead to termination of the agreement. Thus, upon the breach of its contractual confidentiality obligation by a franchisee, the franchisor may be entitled to immediately and unilaterally terminate their agreement¹²⁰. Similarly in relation to an employment contract, such breach may give rise to disciplinary action which can go as far as dismissal for misconduct¹²¹.

If the know-how is no longer secret due to reasons alien to the party bound by the confidential obligation, said party may challenge the continuation of the contract and the payments for use of trade secrets that have been disclosed publicly.

5. Misuse of Trade Secret Protection

5.1 Remedies for misuse of its trade secrets by a trade secrets proprietor

The proprietor or holder of a trade secret may himself incur contractual or tortious liability for misuse of trade secrets which it holds. Several examples illustrate this situation.

Firstly, in the context of patent co-ownership, one co-owner who made improvements to the co-invention may disclose them without consulting the other co-owner and/or considering the option to patent the improvement, possibly in violation of a provision of the co-ownership agreement. The other co-owner may be in a position to claim damages for the loss suffered, on contractual grounds. The quantum of that compensation will depend on the nature of the improvement and, if any, on the stipulations of the co-ownership agreement. Similarly, the owner of a manufacturing secret or know-how who has contractually granted its use, or the person who contractually acquired its use, may be held liable for breach of their contractual obligations (as to exclusivity, scope, improvements etc.).

Furthermore, if a company officer bound by a loyalty obligation uses a trade secret or know-how in his own interest or in the interest of third parties, for a purpose which runs contrary to the policy and development of the company or its partners, he may be held liable for misuse. Company officers have also been sentenced for insider dealing on the grounds of fraudulent use of unlawfully disclosed or non-disclosed information, as in the course of share transfers¹²².

¹¹⁷ Cass. Civ. 1st, 31/5/2007, n°05-19.978.

¹¹⁸ Cass. com., 12/12/1995, n°94-14003.

¹¹⁹ TGI Paris, 3rd ch., 19/3/1993, PIBD 1993, n°548, III, p. 439.

¹²⁰ CA Rennes, 2nd ch. com., 19/10/2010, n°09/05428.

¹²¹ Cass. soc., 3/3/2009, n°07-43.222.

¹²² Cass. Com., 27/2/1996, n°94-11.241; Cass. com., 12/5/2004, n°00-15.618.

Finally, the situation of employees also provides examples of misuse of trade secrets. Whilst former employees are free to use the expertise they have acquired or developed with their former employer, they are not permitted to take away client listings¹²³, source programs or computer tools¹²⁴.

5.2 Critical remarks on the scope of protection of trade secrets

According to the “Carayon” report dated 11 January 2012, “*Existing criminal offences seem (...) inadequate and actions for compensation are of limited value. The protection of trade secrets of companies in judicial proceedings, whether French or foreign, is also flawed.*”¹²⁵

Indeed, on the criminal side, theft only applies to tangible documents and not to information: it cannot therefore be established without a material medium being lifted. As for breach of trust, although it is not limited to misappropriating tangible goods¹²⁶, there must be a prior transfer of confidential data to qualify. Breach of professional secrecy is also inappropriate because it only concerns persons legally bound by professional secrecy and only concerns the disclosure of facts discovered while exercising that activity. Finally, disclosure of a manufacturing secret is an offence which can be only committed by the employees and officers of the company in question.

On the civil side, although actions for damages are useful, their effectiveness remains limited: they cannot remedy the harm caused by a disclosure of a trade secret. Furthermore, failing actual use of the trade secret, the damage is often difficult to assess.

And so, in the absence of an appropriate legal regime, companies must include confidentiality clauses in their contractual documents (business agreements or employment contracts in particular). However, “*these provisions do not fit in well with standard obligations law: since intellectual restitution of information is impossible, the discretion obligation cannot be achieved by the nullity of the contract, for fear of being devoid of any effectiveness*”¹²⁷.

6. Conclusion

French law provides for useful tools to protect trade secrets that are found in standard criminal and civil Law.

However, the offences found in French criminal law can prove to be inefficient for two main reasons. First, according to the circumstance of the case, the violation of a trade secret does not necessarily fall within the scope of a particular criminal offence. Second, criminal proceedings are led by the Public Prosecutor exclusively, who is free to refuse to engage any action (discretionary power principle) in spite of the complaint filed by the victim.

The tools provided by Civil Law (contractual and tort liabilities), on the other hand, can be implemented directly by the victim.

As in any other field of law, the best way to protect trade secrets is to conclude a specific agreement with the person to whom that secret is disclosed in order to fix the boundaries of the use of such trade secrets. Obviously, when the violation of trade secrets occurs by the act of a third party, that has no relationship whatsoever with the victim, then tort liability applies.

French civil procedure also provides for useful tools to collect evidence of violation of trade secrets (article 145 of the code of civil procedure and seizure-infringement when applicable, *inter alia*). However, these specific tools can be “hijacked” by a user seeking to access and misappropriate the trade secrets of another person.

Finally, French civil emergency procedures apply to the case of a violation of trade secrets.

The safeguards and specific procedures protecting trade secrets applied in front of French independent administrative authorities, and that are, globally, quite similar, have proven to be very efficient and should be used as a model of a larger system that could apply in front of French courts.

¹²³ Cass. Com., 25/6/1991, n°89-20.506.

¹²⁴ CA Paris, Ch. 1, Sect. G, 12/9/2001, n°2000/02431.

¹²⁵ See National Assembly Report N°4159.

¹²⁶ Cass. Crim., 16/11/2011, n°10-87.866.

¹²⁷ Garinot J.-M., *Le secret des affaires*, thesis Dijon 2011, LexisNexis, 2013, p. 201.

In fact, the main difficulty in France relies in the absence of a clear definition of trade secrets. One can regret that in order to claim a violation of its trade secrets, a company has to resort to a definition that is provided by a Block Exemption Regulation, which scope is, in principle, limited to Competition Law, while the scope of trade secrets is much broader and flexible.

The extent of legal protection of trade secrets has raised issues relating to the protection of the freedom of expression, protection of the press in particular (and the source of the information) as well as of whistle blowers. To date, attempts to legislate in France on these issues have not come to fruition yet.