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New French law expands protections covering trade secrets

On 30 July 2018, the French legislature enacted Law No. 2018-670 on the protection of trade secrets (the ‘Law’), transposing the European Union Directive 2016/943 of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure.

Reaching beyond the current protection of intellectual property rights, the Law seeks to protect businesses against the unlawful acquisition, use and disclosure of undisclosed know-how and other valuable business and technological information. On 11 December 2018, the French Government published Decree No. 2018-1126, clarifying the conditions for the implementation of the Law. In brief, the Law provides the following:

Defining ‘trade secret’

The Law protects trade secrets, which it defines as information that: (1) is not generally known among, or readily accessible to, persons within the circles that normally deal with the kind of information in question; (2) has commercial value, either actual or potential; and (3) has been subject (by its holder) to reasonable measures, given the circumstances, to keep it secret.

The broad terms of this definition leave plenty of room for interpretation by both parties and the courts. One aspect likely to generate debate is the standard claimants will have to meet to prove that they have taken ‘reasonable’ steps to protect their trade secrets. Because trade secret holders must take reasonable steps ‘given the circumstances’, French courts will likely take into account the sector, size, financial resources and human resources of companies.

Unlawful acquisition, use and disclosure of trade secrets

The unlawful acquisition of a trade secret includes, in the absence of consent by its legitimate holder, unauthorised access to the

trade secret and any other conduct which is considered to be contrary to fair commercial practices. The use or disclosure of a trade secret by a person who has acquired it unlawfully, and/or by a person in breach of a duty not to disclose or to limit its use, will also be considered unlawful. In addition, the acquisition, use or disclosure of a trade secret by a person who knew or ‘ought to have known’ that it had been obtained from another person using or disclosing it unlawfully will be regarded as unlawful.

Lawful acquisition, use and disclosure of trade secrets

In some circumstances, trade secrets may be lawfully acquired, used and disclosed. Notably, the protection of trade secrets does not apply whenever the information is acquired, used or disclosed to exercise the right to freedom of expression and information, including the freedom and pluralism of the media, or to reveal misconduct, wrongdoing or illegal activity, provided that the respondent acted for the purpose of protecting the general public interest.

Remedies

Anyone found to have unlawfully acquired, used or disclosed a trade secret may be held civilly liable. When setting the amount of damages, French courts will look at the damage actually suffered by the plaintiff, including lost profits, any unfair profit made by the infringing party and non-economic factors, such as the moral damage suffered by the holder of the trade secret. Alternatively, upon request of the injured party, French courts may award lump-sum damages amounting to the royalties or fees which would have been due had the infringer requested authorisation to use the information. Punitive damages remain unavailable under French law.

The Law empowers French courts to take any reasonable step to prevent or obtain

redress for the unlawful acquisition, use or disclosure of trade secrets, including order the cessation of the use or disclosure of the trade secret; the prohibition of the production, marketing or importation/exportation of infringing goods; and the destruction or recall of infringing goods.

Courts may also grant provisional and protective measures through *ex parte* or summary proceedings, including the prohibition of any use or disclosure of trade secrets, provided the claimant brings the matter before a court within 20 working days, or 31 calendar days if the latter period is longer, from the date of the order.

The statute of limitations is five years from the facts relevant to the cause of action.

Bath faith claims

The Law also provides for penalties to be imposed on parties that undertake so-called ‘strategic lawsuits against public participation’ (*procédure bâillon*), in which legal proceedings concerning the unlawful acquisition, use or disclosure of a trade secret are initiated abusively or in bad faith – usually with the aim of intimidating or harassing respondents. Responsible parties can face a civil fine equal to twenty percent of the damages claimed in the lawsuit or, in absence of a claim, up to €60,000.

Protection of trade secrets during the litigation process

The Law provides that French courts may, either at the court’s initiative or the request of a party or a third party, restrict, without prejudice to the rights of defendants, the use or disclosure of a trade secret (or alleged trade secret) during the litigation process. Courts may, for example, restrict the production of particular documents, limit access to hearings and/or adapt the reasoning and publication of the ruling. In addition, any person who has access to documents and whose content is identified by courts as

a trade secret is prohibited from using and disclosing it after the legal proceedings have ended. In the specific context of French-style pre-trial discovery, when a disclosure is likely to breach a trade secret, the court may escrow these documents during the time available to challenge the disclosure order.

Criminal liability

While the Law does not provide for specific criminal liability, the misappropriation or misuse of a trade secret may amount to a criminal offence such as theft, breach of trust, breach of professional secrecy or breach of manufacturing information secrecy.

No reform of the French Blocking Statute – yet

During the legislative process that led to creation of the Law, the bill’s authors considered amending the 1968 French Blocking Statute No 68-678, which also covers the protection of business information. This statute prohibits the communication of economic, commercial, industrial, financial or technical documents or information to be used as evidence in legal proceedings outside of France, subject to mechanisms provided for in international agreements or treaties such as the 1970 Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters. The Blocking Statute is notorious for creating a host of difficulties in, for example, the discovery process of cross-border investigations involving parties based in France.

The legislator ultimately decided to leave the Blocking Statute untouched for now, but the long-awaited reform of this legislation remains in simmering mode. Two members of the French Parliament have recently been asked by the Prime Minister to make recommendations for the protection of French companies against extraterritorial legislation.