

New French Law Expands Protections Covering Trade Secrets

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On July 30, 2018, the French legislature enacted a law on the protection of trade secrets (the “Law”),¹ transposing the EU Directive 2016/943 of June 8, 2016.² Going 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.

Defining “trade secret.” The Law protects trade secrets, which it defines as information that (i) is not generally known among, or readily accessible to, persons within the circles that normally deal with the kind of information in question, (ii) has commercial value, either actual or potential, and (iii) has been subject by its holder to reasonable measures to keep it secret. The broad terms of this definition leaves plenty of room for interpretation by both parties and the courts. One aspect likely to generate debate is

what standard claimants will have to meet to prove that they have taken reasonable steps to protect their trade secrets.

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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, unauthorized access to the trade secret and any other conduct which is considered to be contrary to honest 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 considered 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

¹ Law No 2018-670 of July 30, 2018, available at <https://www.legifrance.gouv.fr/eli/loi/2018/7/30/JUSX1805103L/jo/texte>.

² Directive (EU) 2016/943 of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, available at <https://eur-lex.europa.eu/legal-content/fr/ALL/?uri=CELEX%3A32016L0943>.

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 noneconomic 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 authorization to use the information. Punitive damages remain unavailable under French law.

To prevent or obtain redress for the unlawful acquisition, use or disclosure of trade secrets, the Law empowers French courts to 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.

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

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 euros.

Importantly, the Law provides that French courts may, either at the court’s initiative or the request of a 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 publication of the ruling. In addition, any person who has access to documents whose content is identified by courts as a trade secret is prohibited from using and disclosing it after the legal proceedings have ended.

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,³ 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 Evidence Convention. 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. Their report is expected by the end of November 2018. The French government may then be asked to produce and send to the French Parliament its own recommendations for French Blocking Statute reform by January 1, 2020.⁴

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³ Law No 68-678 of July 26, 1968, available at <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000000501326>.

⁴ Amendment No 1179 of September 3, 2018 to the bill No 1088 known as “Action Plan for Business Growth and Transformation”, available at <http://www.assemblee-nationale.fr/15/amendements/1088/CSPACTE/1179.pdf>.