

Examination of the Bill transposing EU Directive on trade secrets

Two years after the adoption of the so-called *Trade Secrets Directive*[\[1\]](#), the Bill endorsed by the Joint Committee (i.e. a legislative committee composed of an equal number of members from the Senate and the National Assembly) on March 24, 2018 was finally passed by Parliament on June 21, 2018.

This article provides insights on the three chapters of the Bill: Scope and conditions of application, measures to prevent, put an end to, and obtain redress in case of infringement of a trade secret, and general provisions to protect trade secrets before civil and commercial courts.

As French law does not provide for any definition of trade secrets, does not offer appropriate civil remedies and does not include specific criminal offenses addressing the protection of trade secrets, the transposition of the *Trade Secrets Directive* (the “Directive”) was long-awaited.

The disagreements and discussions between the National Assembly and the Senate helped clarify various provisions of the Directive.

On the other hand, the Directive left it to EU Member States[\[2\]](#) to criminalize trade secret related offenses. Despite the Senate’s intention to introduce the offence of economic espionage, the Joint Committee did not follow this through. As such, any infringement of trade secrets can only be criminally sanctioned through ordinary-law offenses such as breach of trust[\[3\]](#), theft[\[4\]](#) or appropriation of data[\[5\]](#).

The three chapters of the Bill are outlined below.

- **Chapter 1: Scope and conditions of application**

Section 1: Protected information

Future Article L. 151-1 of the French Commercial Code (the “FCC”) shall define trade secrets as follows:

“Is protected as a trade secret any information that meets the following requirements:

1° It is not, in itself or in the precise configuration and assembly of its components, generally known among or readily accessible to persons who/that normally deal with the kind of information in question within their line of business;

2° It has effective or potential commercial value because it is secret;

3° It is the subject by its lawful holder of reasonable protective measures in the circumstances to preserve its secrecy.”

This definition is substantially identical to that provided for in Article 1 of the Directive^[6].

Regarding 2° of this Article, the Senate argued that the concept of “economic value” would induce a broader approach than the concept of “commercial value”. However, due the difficulties in assessing and interpreting this concept, the Joint Committee rejected this proposal and retained the concept of “commercial value”.

Section 2: Lawful possession and unlawful acquisition of trade secrets

Future Article L. 151-2 A of the FCC shall define the legitimate holder of a trade secret as *“the person lawfully in control thereof.”*

The lawful holder of information shall be defined differently since future Article L. 151-2 of the FCC shall stipulate as follows:

“The acquisition of a trade secret shall be considered lawful when the trade secret is obtained by:

1° independent discovery or creation;

2° observation, study, disassembly or testing of a product or object that has been made available to the public or that is lawfully in the possession of the acquirer of the information, unless there is a contractual provision that prohibits or restricts the acquisition of the trade secret.”

As such, the criterium used to distinguish between the legitimate holder and the lawful holder shall be that of the control – or lack of control – of the trade secret.

Section 3: Unlawful acquisition, use and disclosure of trade secrets

Future Articles L. 151-3, L. 151-4 and L.151-5 of the FCC shall mainly reflect the provisions of the Directive^[7], making a distinction between the unlawful acquisition of trade secrets and the unlawful disclosure thereof.

As such, the unlawful acquisition (future Article L. 151-3 of the FCC) shall target the following situations:

“1° Unauthorized access to, appropriation of, or copying of any documents, objects, materials, substances or electronic files, containing the trade secret or from which the trade secret can be deduced;

2° any other conduct which, under the circumstances, is considered unfair and contrary to honest commercial practices.

The use or disclosure of a trade secret shall be considered unlawful whenever it is carried out *“without the consent of the legitimate trade secret holder”* or in breach of a confidentiality agreement (future Article L. 151-4 of the FCC).

Lastly, the acquisition, use and disclosure of a trade secret shall also be considered unlawful wherever the person who receives a trade secret *“knew or ought, under the circumstances, to have known that the trade secret had been obtained directly or indirectly from another person who was using or disclosing the trade secret unlawfully within the meaning of Article L. 151-4 §1”* (Article L. 151-5 of the FCC).

Section 4: Exceptions to the protection of trade secrets

The Directive was strongly criticized because it contravened other fundamental freedoms such as the freedom of press and freedom of expression.

The Bill prepared by the Joint Committee endorses some proposals from the Senate and extends the situations in which trade secrecy cannot be relied upon.

Specifically, future Article L. 151-7 of the FCC shall stipulate that trade secrecy may not be raised:

-For exercising the right to freedom of expression and communication, including the right to freedom of the press and the right to freedom of information (Article L 151-7 §1 of the FCC);

-For revealing, in good faith for the purpose of protecting the general public interest, illegal activity, misconduct or wrongdoing, including through whistleblowing (Article L 151-7 §2 of the FCC);

-For the purpose of protecting a legitimate interest recognized by EU law or national law (Article L. 151-7 §3 of the FCC).

Likewise, trade secrecy cannot be raised wherever:

-The acquisition of the trade secret took place in the framework of the exercise by employees or their

representatives of their right of information and consultation (Article L. 151-8 §1 of the FCC);

-The disclosure of the trade secret by employees to their representatives took place in the framework of the legitimate exercise of such representatives' duties, insofar as this disclosure was necessary for the exercise of these duties (Article L. 151-8 §2 of the FCC);

-The information thus acquired or disclosed shall remain protected as trade secret vis-a-vis persons other than the employees or their representatives who have had access to such information (Article L. 151-8 §3 of the FCC)".

• **Chapter 2: Measures to prevent, put an end to, and obtain redress in case of infringement of a trade secret**

Future Articles L. 152-1 and L.152-1-1 of the French Commercial Code shall specify that any person who infringes a trade secret shall *"be civilly liable"*, it being specified that the statute of limitations for bringing an action for infringement of a trade secret shall be five (5) years *"from the relevant facts"*.

As indicated above, the Bill does not provide for any criminal penalties.

Section 1: Measures to prevent and put an end to trade secret infringement

Judges shall take "any proportionate" measures to prevent or put an end to trade secret infringement.

Future Article L. 152-2 of the French Commercial Code shall list a series of measures:

-Prohibit the perpetration or continuation of acts of use or acts of disclosure of a trade secret (Article L. 152-2 1§ of the FCC);

-Prohibit the production, offer, placement on the market or use of products that substantially result from the breach of a trade secrecy, or the importation, exportation or storage of such products for these purposes (Article L. 152-2 2§ of the FCC);

-Order the destruction of all or part of any document, object, material, substance or electronic file containing the trade secret or from which it may be deduced or, as the case be, the return of all or part of these elements to the plaintiff (Article L. 152-2 3§ of the FCC)."

"The court may also order that the products that substantially result from the breach of a trade secrecy be withdrawn from commercial channels, disposed of outside such channels, amended to remedy the breach, destroyed or, as the case may be, seized to the benefit of the injured party."

In addition, judges may, at the perpetrator's request, award an indemnity to the injured party, insofar as the following requirements are met:

-“Whenever the offender, at the time of acquisition, use or disclosure, knew or ought, under the circumstances, to have known that the trade secret had been obtained directly or indirectly from another person who was using or disclosing the trade secret unlawfully (Article L. 152-1 §1 of the FCC);

-The enforcement of the measures set forth in Article L. 152-2 §1 to §3 causes to this offender disproportionate harm (Article L. 152-1 §2 of the FCC);

-The payment of a pecuniary compensation to the injured party appears reasonably satisfactory (Article L. 152-1 §3 of the FCC).”

Section 2: Compensation for infringement of a trade secret

Future Article L. 152-3 of the FCC shall provide for the award of damages based on the economic and moral loss suffered by the injured party as well as on the profits made by the offender.

Section 3: Publication

Future Article L. 152-5 of the FCC shall provide for the possibility to publish any court decision concerning the “*unlawful acquisition, use or disclosure of a trade secret*” while maintaining the confidentiality of the trade secret in question.

Section 4: Penalties for abusive or delaying action

Future Article L. 152-6 of the FCC shall stipulate as follows:

“Any natural person or legal entity who/that acts abusively or dilatorily under this Chapter shall be liable to a civil fine of up to 20% of the amount of claimed damages. If there is no claim for damages, the civil fine may not exceed 60,000 euros.

The civil fine can be imposed without prejudice of the award of damages to the party injured by the abusive or delaying proceedings.”

This measure had been removed by the Senate firstly because it was held contrary to the principles of equality and legality of offenses and punishments. Secondly, because the Senate had pragmatically noted that Article 32-1 of the French Code of Civil Procedure on the abusive use of the right to litigate in court was rarely

applied.

However, the Joint Committee finally decided to keep this civil fine in order to deter any spurious legal claims.

• **Chapter 3: General provisions to protect trade secrets before civil or commercial courts**

Articles L. 153-1 *et seq.* of the FCC shall tweak some existing procedural rules to preserve the confidentiality of trade secrets. The main innovation concerns the possibility to hold the hearing “behind closed doors”, which will enable to keep secret the parties’ argumentation and pleadings.

As such, during civil or commercial proceedings, wherever “*reference is made to / a request is filed for the communication or production of an exhibit that a party or third-party alleges to be likely to adversely affect a trade secret, the judge may, on his/her own motion or at the request of a party or third-party, if the protection of that secret cannot be otherwise ensured and without prejudice to the rights of the defense:*

“1° Examine this exhibit alone in order to decide, if he/she deems it necessary, to limit its communication or production to some of its elements, to order the communication or production thereof in the form of a summary, or to restrict access thereto, for each of the parties, to no more than one natural person and a person empowered to assist or represent such natural person.

2° Hold that the proceedings will be held, and the judgment issued, in chambers;

3° Adapt the reasons for judgment and the terms in which the judgment will be published to the needs of the protection of trade secrets.”

In addition, future Article L. 153-2 of the FCC will impose an obligation of confidentiality on any and all persons who has had access during court proceedings to an exhibit or document covered by the trade secret.

[1] Directive (EU) 2016/943 of the European Parliament and of the Council of June 8, 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure

[2] Article 1 of Directive n°2016/943

[3] Article L. 314-1 of the French Criminal Code

[4] Article L. 311-1 of the French Criminal Code

[5] Article 323-3 of the French Criminal Code

[6] Article 2 of Directive 2016/943



[7] Article 4 of Directive 2016/943

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