

ARTICLE

PROTECTION OF TRADE SECRETS IN FRANCE: ENTRY INTO FORCE OF WELCOMED PROCEDURAL CLARIFICATIONS

| 13/12/18 | Marie Danis

French Decree No. 2018-1126 dated 11 December 2018^[1] (the "Decree") on protection of trade secrets implementing French Act No. 2018-670 of 30 July 2018^[2] (the "Act") was published on 13 December 2018 in the "*Journal Officiel de la République française*". Almost all of its provisions will enter into force the day following its publication.

The Decree, eagerly awaited by practitioners, introduces a new section within the French Commercial Code devoted to protection of trade secrets.

The main contributions of the Decree are:

- a clarification of the content of provisional and protective measures that may be ordered *ex parte* or following summary proceedings in case of infringement of trade secrets,
- a definition of the procedural rules related to protective measures of trade secrets that apply before civil and commercial courts, and
- incidentally, a harmonisation of the terminology used within various French codes.

Enhanced provisional and protective measures to protect trade secrets

The new Article R. 152-1 of the French Commercial Code clarifies the rules for granting provisional and protective measures to prevent any imminent infringement or to put a stop to any ongoing infringement of trade secrets.

These measures, which should be proportionate^[3], may include, *inter alia*, (i) a prohibition of any use or disclosure of trade secrets, and (ii) a prohibition of any manufacturing, offering for sale, putting on the market or use of products that are suspected of resulting from a significant infringement of trade secrets.

The Decree also allows the possibility of ordering seizure, or placement in a third-party escrow, of such products so as to prevent their entry or movement on the market – which was not provided for by the Act.

Introduction of a "security for costs" type guarantee mechanism

The new Article R. 152-1 II and III innovatively introduces a guarantee mechanism that was not explicitly provided for by the Act.

The judge will thus be able to order the provision of financial guarantees:

- to the plaintiff who was granted provisional or protective measures, if the alleged infringement of the secret is subsequently found to be baseless, in order to compensate the defendant or any third party harmed by the measures, and
- to the defendant, as a condition for allowing it to continue the alleged infringement (and to ensure possible subsequent compensation to the secret holder).

This guarantee mechanism will probably enable the judge to ensure a proportionality balance between, on the one hand, the manifest nature of the infringement of the plaintiff's trade secrets and, on the other hand, the harmful nature of the provisional and protective measures for the defendant.

These guarantees will be provided under the conditions set by Articles 517 et seq. of the French Civil Procedure Code relating to provisional enforcement.

In order to limit the application in time of the provisional and protective measures ordered, Article R. 152-1 V conventionally provides that such measures that are granted to protect trade secrets will expire if the plaintiff fails to bring the matter before the court within 20 working days (or 31 calendar days if the latter period is longer) from the date of the order (whether it is granted *ex parte* or following summary proceedings).

"Provisional" placement in escrow of the documents obtained following *in futurum* investigations or during infringement seizures



In the orders granted on a *ex parte* basis, the courts would increasingly use the escrow mechanism to protect the confidentiality of seized documents, be it for an *in futurum* investigation (on the basis of Article 145 of the Civil Procedure Code) or for an infringement seizure ("*saisie-contrefaçon*") (for instance, in patent matters, on the basis of Article L. 615-5 of the Intellectual Property Code).

To some extent, the Decree gives the force of law to what was previously only a practice in some courts, by introducing a "provisional" escrow.

The new article R 153-1 thus now provides that the judge may automatically order the escrow of the requested documents in order to ensure the protection of trade secrets. However, this escrow is only provisional: if no request for amendment or withdrawal of the order is lodged within one month from its notification, the escrow is removed and the documents may be sent to the plaintiff.

This new mechanism makes it therefore possible to protect the party whose documents are seized, at least temporarily, while allowing the plaintiff to obtain these documents more easily in the absence of any challenge within one month – in case of challenge, the escrow will be confirmed and the parties will have to discuss the opportunity and terms for removing it.

This new mechanism applies both to *in futurum* investigations (new Article R 153-1 of the Commercial Code) and to infringement seizures ("*saisies-contrefaçon*") (the corresponding articles of the Intellectual Property Code refer to the new Article R 153-1 of the Commercial Code).

New procedural rules governing filing or production of documents

The new Articles R. 153-2 et seq. clarify the procedural rules that aim to protect trade secrets under Article L. 153-1 of the Commercial Code when filing or production of documents is requested in the scope of a civil or commercial litigation.

These rules first determine the role of the judge:

- the party or the third party invoking trade secrets shall provide the judge, within a time limit set by the judge, with (i) the full confidential version of the document, (ii) a non-confidential version or a summary thereof, and (iii) a memorandum explaining the reasons of its confidentiality (Article R. 153-3),
- the judge can rule on the confidentiality of a given document without holding a hearing (Article R. 153-4), and
- the judge may decide that filing of such document can be refused, order its filing in its entirety but with limited access, or order the filing of a non-confidential version or a summary of the document, depending on what he considers "*necessary for the resolution of the dispute*" (articles R. 153-5 to 153-7).

These rules also provide details on the judge's decision:

- the decision regarding the filing of the document may be challenged (before any proceedings on the merits, Article R. 153-8) or appealed (in the scope of proceedings on the merits, Article 153-9 II and III), within 15 days,
- the provisional enforcement of the decision cannot be ordered, which should in practice encourage the secret holder to appeal the decision, and
- as regards the party who requested the filing or production of the litigious document in the scope of proceedings on the merits, if the decision dismisses such request, the party may only appeal this decision along with the future decision on the merits (Article R. 153-9 I).

Confidentiality of the judgment

Lastly, the new Article R. 153-10 provides:

- that, at the request of a party, an excerpt of the judgment containing only its operative part, bearing the enforcement formula, may be delivered to such party for the purpose of its forced enforcement, and
- that a non-confidential version of the judgment, in which information covered by trade secrets are redacted, may be provided to third parties and made available to the public in electronic form.

This system should ensure the confidentiality of documents recognized as covered by trade secrets, even after the proceedings.

It appears to us that these important procedural changes serve the intended purpose of protecting trade secrets while striking at the same time a good balance between the interests of the parties.



[1] French Act No. 2018-670 of 30 July 2018 on protection of trade secrets: <https://www.legifrance.gouv.fr/affichLoiPubliee.do?idDocument=JORFDOLE000036749877&type=general&legislature=15>.

[2] French Decree No. 2018-1126 of 11 December 2018 on protection of trade secrets: <https://www.legifrance.gouv.fr/eli/decret/2018/12/11/JUSC1821661D/jo/texte>.

[3] Article L. 152-3 introduced by the Act, then Article R. 152-1 introduced by the Decree.
