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Trade secrets protection: the key points of the Decree

The Trade secrets protection Decree No. 2018-1126 was adopted on December 11, 2018 and entered into force on December 14, 2018. By introducing various provisions into the French Commercial Code, the Decree clarifies:

- The content and legal regime of provisional and precautionary measures that the judge may decide following a request or in summary proceedings, in order to prevent or to stop the misappropriation of a trade secret;
- The procedural rules applicable when the judge rules on the trade secret protection in respect of the disclosure or production of a piece of evidence, and when he decides to adapt the statement of reasons of his decision or its publication in order to protect confidentiality.

1. The entry of trade secrets into the legal landscape

Directive (EU) 2016/943 of the European Parliament and of the Council was adopted based on a twofold observation:

- 1) The current Intellectual Property rights imperfectly protect innovation and corporate secrecy. The monopoly conferred by Intellectual Property requires the disclosure of the information. However, companies may prefer to keep secret their know-how, which remains an important asset in any case.
- 2) The European legislator has noted significant differences between Member States regarding the protection of trade secrets by general law.

The Directive of June 8, 2016 was adopted according to an objective of harmonisation and asset protection. Article 2 of the Directive sets out three criteria for the protection of trade secrets. This triple test is taken over by the transposing Law n°2018-670 of July 30th, 2018, approved by the decision of the Constitutional Council n°2018-768 of July 26, 2018:

- The information must be secret in the sense that it is not generally known or readily accessible to persons within the circles that normally deal with the kind of information in question;
- The information must have a commercial value because it is secret;
- The information must be subject to reasonable steps to keep it secret.

The Law also incorporates most of the provisions of the Directive, especially by providing for the protection of the confidentiality of trade secrets during legal proceedings and by providing for provisional and protective measures. It is within this specific framework that the Decree No. 2018-1126 on the trade secrets protection was adopted.

2. Procedural innovations introduced by the Decree

2.1. Provisional and precautionary measures in line with Intellectual Property Rights

The Decree introduces various provisions into the French Commercial Code which specify the provisional and precautionary measures that the judge may order to prevent an imminent infringement or to stop an unlawful use of a trade secret.

Therefore, the Jurisdiction may:

- Prohibit the use or disclosure of a trade secret;
- Prohibit the production, offering, placing on the market or use of products suspected of being the result of a significant breach of a trade secret, or the import, export or storage of such products for these purposes.

The Decree provides that the judge may order the seizure or delivery up of the suspected infringing goods, including imported goods, so as to prevent their entry into, or circulation on, the market. This provision was not mentioned in the Law. Another innovation is that the judge may order the lodging of guarantees:

- By the defendant in order to ensure possible subsequent compensation of the plaintiff, instead of the above-mentioned prohibition measures;
- By the plaintiff, where the above-mentioned prohibition measures are granted, in order to ensure compensation to the defendant if the action is subsequently unfounded or if the said measures are terminated.

Finally, the Decree provides that if there no action on the merits is brought within the 20 working days (or 31 calendar days if this period is longer), the prohibition measures lapse.

All these measures appear to be strongly inspired by the Industrial Property provisional and precautionary measures. The trade secrets regime is also based on the Industrial property's regime regarding indemnity component. Only evidentiary measures don't follow this rule.

2.2. Evidentiary measures' *ad hoc* regime

The Decree provides that when a party refers the matter to the judge before any trial in order to preserve or establish evidence of facts on which the resolution of a dispute may depend, the judge may automatically order the temporary sequestration of any documents in order to protect trade secrets. By doing so, the Decree codifies a well-established practice of collecting evidence of the know-how anteriority, thanks to bailiff's reports for example.

The Decree also specifies the applicable procedure to request the disclosure or production of some documents. When the judge decides to limit the access to a document that could infringe a trade secret, he may also decide that the authorized persons are not allowed to make any copy or reproduction of it, except when authorized by the holder of the document. In this case, the Decree requires the person requesting protection of trade secrets to provide the judge with a full confidential version of the document, a non-confidential version or a summary, as well as a brief that must specify the grounds on which the document is considered to be a trade secret.

The judge may order the disclosure or production of the document needed for the resolution of a dispute, even though it is likely to infringe a trade secret. The judge will then limit the access to certain people. However, when

only a part of the evidence may infringe a trade secret, the judge can order the disclosure of a confidential version or a summary of it.

These measures are peculiar since they infringe the adversarial approach. But they appear to be pragmatic since they prevent the plaintiff to disclose confidential information to prove the misappropriation of trade secrets. This is the codification of the "confidentiality club" already implemented by some jurisdictions and sometimes denounced by the higher Courts.

The judge rules on the request for disclosure or production of the document without a hearing. This decision may be appealed when it is issued before any trial on the merits. When the decision grants the request for disclosure or production, the appeal suspends its execution; the provisional execution of the decision cannot be ordered.

Where issued in the proceedings on the merits, the appeal of the decision dismissing the request for disclosure or production of documents must be filed together with the appeal against the decision on the merits. The decision granting this request may be appealed independently of the decision on the merits within the fifteen days after the notification of the Pre-Trial Judge order or after the order of the examining judge. The appeal shall be filed, heard and judged in accordance with the rules applicable to the procedure with mandatory representation, and within a short period of time.

In addition, the decision granting the request for disclosure or production of the document issued by the Pre-Trial Judge of the Court of Appeal may be appealed before that Court within the fifteen following days. Once again, provisional execution of the decision cannot be ordered.

2.3. The judgment

The Decree also aims at protecting trade secrets after the proceedings. At the request of a party, only the enforceable operative part of the decision can be issued for the purpose of its enforcement. A non-confidential version of the decision, in which the information covered by trade secret is hidden, may be given to any third party and made available to the public.

The Decree perfects the French trade secrets protection. It provides legal certainty by codifying some of the jurisdictions 'practices. Nevertheless, it is regrettable that the IP exorbitant evidentiary measures have not been implemented, while at the same time, provisional and precautionary measures, and compensation for damages, are strongly modelled on IP rights. The legal practitioners should now apply these new rules, and the Courts will now determine the jurisprudence according the actual cases.

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