

ARENAIRE

INTELLECTUAL PROPERTY

Trade secrets or how to protect confidential information

France

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The economical stakes

- **Trade secrets and competitiveness in France**
- **The increased risks**
 - **Case Michelin, 2005**
 - **Case Valéo, 2007, etc.**

Overview of the legal situation

- **No specific legislation**
- **But:**
 - Civil remedies
 - Criminal penalties in specific situations

The reform proposals

- **April 17, 2009** Report of Claude MATHON on the protection of trade secrets
 - **November 22, 2011** Law proposal by Bernard Carayon to protect trade secrets by new criminal offences
 - **July 16, 2014** Law proposal by Jean-Jacques Urvoas to protect trade secrets
 - **January 2015** Amendment to French law “Macron” on trade secrets
- **None of them passed**

EU directive on trade secrets: the debates in France

- **November 28, 2013** **Proposal of directive on trade secrets**

- **2015** **Harsh criticism in France by the media/NGOs**

Petition launched by the journalist Elise Lucet on June 4, 2015 : more than 500 000 signatures in France but also in Belgium, etc.

“Journalism is printing what someone else does not want printed: everything else is public relations” George Orwell

- **June 22, 2015** **Report of Constance Le Grip, Rapporteur**

Beyond the debate, the legal situation

- **Time-limit for transposing the directive: 9 June 2018**
 - French legislator will have to transpose this directive within this time-limit
 - French courts will construe French law in the light of the directive
- **The directive will reinforce the already existing protection of trade secrets in France**

PLAN

- I. The current protection of trade secrets in France**
- II. Towards the reinforcement of the protection**
- III. How to protect confidential information in practice in France?**

I. The current protection of trade secrets in France

A. The protection of trade secrets under French civil law

Principles

Contrat Law

- **1217, 1231-1 s. Civil code**

Breach of an obligation not to disclose a contract/an information constitutes a civil wrong
(CA Paris, June 12, 2015: rendered before the reform of civil code)

Unfair competition law

- **1240 and 1241 Civil code**

Any unfair act constitutes a civil wrong for which the wrongdoer is liable

A few examples

IIC case

TGI Montpellier, September 17, 2015

- Article 39-2 ADPIC requires a protection of manufacturing secrets during a contractual relationship
 - The use of manufacturing secrets/know-how obtained during a contractual relationship might constitute a breach of contractual obligations of loyalty and confidentiality
 - By retaining and using the copy of numerous confidential documents to develop a product for their own account and for the account of third parties, IIC and M. S. violated their contractual obligations + committed unfair competition acts
- **Destruction/prohibition measures + expertise to assess the damage**

Chantelle case

- **The confidential information**

- specific data concerning a method of manufacturing bras
- important value of this information because it allowed to reconstitute designs which contributed to the reputation of Chantelle

- **The litigious acts**

- VF Diffusion recruited a former employee of Chantelle, who had the above-mentioned information
- information found on the computer system of VF Diffusion

CA Paris, September 27, 2000:

The detention of the know-how by VF Diffusion entails necessarily a diminution of its patrimonial value since it cannot present thereafter any interest to third-parties.

➤ **75 MF of damages**

Cass., Com., 25 février 2003: appeal dismissed

Ontex case

- **The confidential information**

- development of a specific know-how concerning the composition and the manufacturing of adult diapers (manufacturing chain with arrangement and scheduling of machines and numerous adjustments)
- this information was considered to be strategic and valuable

- **The litigious acts**

- 5 former employees and 1 former trainee of ONTEX HEALTH CARE FRANCE recruited by A.M.C
- installation of new machines by A.M.D thereafter
- strategic data found on a computer of a former trainee.

CA Nîmes, January 8, 2015

- If the arrangement of the absorbent core of the diaper, non protected by patent, was easily accessible to a skilled professional, the mass production of a product implies specific adjustments of the manufacturing chain which constitute valuable information non disclosed to third parties and which represent the know-how of Ontex
- If it is not proved that the information contained on the computer of the former trainee had been used by A.M.D., it remains that on February 16, 2007, 5 terminating employees of ONTEX HEALTH CARE FRANCE and the trainee engineer of this company were hired during the same period for their technical skills and experience acquired from ONTEX and were employed for the development of the manufacturing chain of A.M.D. which production was to begin several months later

CA Nîmes, January 8, 2015

It results from these elements that this targeted recruitment for the acquisition at reduced cost of time-consuming setting procedures of the manufacturing of a product which could compete with those resulting from former investments in research and development made by Ontex constitutes an act of parasitism

- **750 000 euros of damages + legal publications**
- **But no prohibition measure / no withdrawal of the products**

Cass., Com, 8 novembre 2016: appeal dismissed

Serras Technologies Case

- **26.11.1987:** Mr B. filed a European patent concerning a “method for fabricating a construction element with a hydraulic binder, element thus obtained and building method using such elements” (EP 0290 571)
 - **10.07.2000:** Mr B. concluded a contract with SERRAS TECHNOLOGIES, represented by M. S.:
 - assignment of the rights of the inventor on all patent demands/patents, with related know-how,
 - in order to develop and exploit the inventions with L’INSTITUT FRANÇAIS DU PÉTROLE
 - Price: 1 MF
- Termination of the contract on February 2001 without payment/development**

- **15.11.2000:** Mr. S. filed with L'INSTITUT FRANÇAIS DU PÉTROLE a patent application concerning an improvement of the Patent EP 0290571 of Mr. B.
- **8 mars 2001:** Mr. S. filed with L'INSTITUT FRANÇAIS DU PÉTROLE a new patent application concerning a « manufacturing process of construction elements made of plaster » which referred to the process of the « antagonized expansion » of M. B.

TGI Paris, 3e ch., 14 nov. 2007

- M. B communicated to SERRAS TECHNOLOGIES **secret know-how** which was not disclosed in its patent and **which was of great importance**
- M. S. and L'INSTITUT FRANÇAIS DU PÉTROLE **took advantage of the know-how of Mr. B and of the confidential information communicated to them**
- Mr. S and L'INSTITUT FRANÇAIS DU PÉTROLE committed an unfair competition act
 - **150.000 euros of damages**

B. The protection of trade secrets under French criminal law

Manufacturing secret

➤ L. 1227-1 Labour code

Revealing or attempting to reveal a manufacturing secret by any director or salaried person of the enterprise in which he is employed

➤ punishable by **imprisonment of two years** and a **fine of €30,000**

➤ Crim., November 7, 1974, “Punch des îles” case

Breach of trust

➤ L. 314-1 Criminal Code

When a person, to the prejudice of other persons, misappropriates funds, valuables or any property that were handed over to him and that he accepted subject to the condition of returning, redelivering or using them in a specified way

➤ punishable by **three years' imprisonment** and a **fine of €375,000**

➤ Crim., November 16, 2011,

Michelin case

- Mr. A, researcher at MICHELIN
- After resignation, Mr. A proposed confidential information related to a new generation of tyres to Bridgestone for 100 000 £

First instance Court of Clermont-Ferrand:

« the information gathered by M. A. was of important confidential nature; therefore, the divulgation of this information to a competing undertaking was likely to be harmful to the commercial strategy of Michelin. However, it does not result from this fact that M. Arbache also undermined the nation's fundamental interests ».

Sanctions:

- 6 month suspended prison sentence for breach of trust
- fine of 5 000 euros
- 10 000 euros of damages

II. Towards a reinforcement of the protection

The contributions of the directive 2016/943

- **Creation of a specific protection of trade secret in French Civil law**
 - Decorrelation between this specific protection and the conditions of French civil law

- **A specific definition of trade secrets (art. 2):**
 - All secret information not generally known/easily accessible
 - If it has commercial value because it is secret
 - It has been subject to reasonable steps to keep it secret

TGI Montpellier, September 17, 2015: reference to l'article 39-2 de l'accord ADPIC

CA Angers, 7 février 2017: protection of commercial information

- **A detailed list of the unlawful acts (art. 4)**
 - Article 4.4: “... the trade secret had been obtained directly or indirectly from another person who was using or disclosing the trade secret unlawfully”
 - Article 4.5: “The production, offering or placing on the market of infringing goods, or the importation, export or storage of infringing goods for those purposes, shall also be considered an unlawful use of a trade secret where the person carrying out such activities knew, or ought, under the circumstances, to have known that the trade secret was used unlawfully”

- **Preservation of confidentiality of trade secrets in the course of legal proceedings**
 - Towards the consolidation of an evolution already under way (cf. Cass., February 29 2016 / TGI Montpellier, September 17, 2015)
- **Specific measures and remedies**
 - seizure of the suspected infringing goods
 - prohibition and destruction measures: towards a clarification (CA Nîmes, January 8, 2015 ; TGI Montpellier, September 17, 2015)

- **Specific measures and remedies**

- ❖ **Damages:**

- all appropriate factors shall be taken into account, such as (i) the negative economic consequences, including lost profits, which the injured party has suffered, (ii) **any unfair profits made by the infringer** and (iii) in appropriate cases, elements other than economic factors, such as the moral prejudice caused
- Alternatively, the competent judicial authorities may, in appropriate cases, set the damages as a lump sum on the basis of elements such as, at a minimum, the amount of royalties or fees which would have been due had the infringer requested authorisation to use the trade secret in question.

An evolution already underway

Cass., Com, 8 novembre 2016

- The balance sheet of AMD showed, after to years of losses, the operating income became positive which confirmed that AMD took an advantage on the market after the appropriation of the know-how of ONTEX
- It results from these elements a commercial disturbance which caused a damage to ONTEX BVBA

III. What to do in practice in France?

➤ Roadmap

A. What to do upstream?

- **Identifying strategic information**
- **Taking reasonable steps to protect this information:**
 - technical or any other appropriate measures according to the relative importance of the information
 - securing contractual relations (employees, partners, etc.)
- **Preserving appropriate evidence**

B. What to do in case of breach?

▪ Civil proceedings

- Gathering evidence:
art. 145 Code of Civil
Procedure
- Remedies

▪ Criminal proceedings

- Criminal complaint
- Pre-trial phase
- Remedies / penalties

Advantages / Drawbacks

Thank you for your attention