National Group: French Group
GRAPI (Groupe Rhône-Alpes de l'AIPPI)

Title: Protection of Trade Secrets through IPR and Unfair Competition Law
La protection des secrets d'affaires par les droits de Propriété Intellectuelle et le Droit de la concurrence déloyale

Contributors: Jean-Pierre STOULS (Chairman), Francis HAGEL (co-rapporteur), Samuel LE CACHEUX (co-rapporteur), Michel DE BEAUMONT, Isabelle BERTHAUX, Thomas BOUVET, Thomas CUCHE, Laurène DELSART, Pierre GENDRAUD, Dominique GUERRE, Anne LAURENT, Olivier DE MAISON ROUGE, Stéphane PALIX, Laure SARLIN, Gabrielle DE SARS, Yannick SIGNARD, Inès TRIPOZ, Blandine TRONEL, Bernard UGHETTO

Representative Within Working Committee: Jean-Pierre STOULS (Chairman), Francis HAGEL (co-rapporteur), Samuel LE CACHEUX (co-rapporteur), Michel DE BEAUMONT, Isabelle BERTHAUX, Thomas BOUVET, Thomas CUCHE, Laurène DELSART, Pierre GENDRAUD, Dominique GUERRE, Anne LAURENT, Olivier DE MAISON ROUGE, Stéphane PALIX, Laure SARLIN, Gabrielle DE SARS, Yannick SIGNARD, Inès TRIPOZ, Blandine TRONEL, Bernard UGHETTO

Date of report: 17 March 2010
1 Legal developments on trade secrets
Evolution juridique relative aux secrets d'affaires

French law has long recognised and protected trade secrets, mainly by the general law of obligations and tort liability.

By their very nature, trade secrets are applicable to all kinds of information. Thus, trade secrets can pertain to kinds of information as varied as observation data, commercial or financial information, organisation methods and marketing ideas all deserving protection because of their value. With regard to this matter, it should be noted that fields other than Intellectual Property (community and domestic competition law, public contract law) have recognised the importance of this information and the legitimacy of protecting company trade secrets.

However, there have been relatively few examples of case law over the past decade and, in case of conviction, but for exceptions, the penalties which are imposed are limited to modest damages; prohibition of use is quite rare.

This might lead one to think that the protection of trade secrets in France would not generally be very effective.

Ratification of the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement) by France did not appreciably modify the legal status of trade secrets. Law N° 96-1106 of 18 December 1996 modifying the Intellectual Property Code (CPI) in application of the TRIPS Agreement does not in fact include any provisions relative to trade secrets. More detailed information is given in the answer to Question 4, where in particular, the constitutional principle according to which treaties take precedence over national law will be pointed out.

With respect to recent developments, one should note parliamentary proposals tending to make the criminal part of trade secrets law more effective, inspired by considerations for the protection of intellectual capital and national security. A bill was thus filed before the National Assembly by Mr Bernard Carayon on 17 June 2009. This proposal, intended to create a “new trade secrets law”, notes that legislation relative to unfair competition applies only in conditions which are difficult to bring together and which are not particularly restrictive for violators”. It refers explicitly to the American “Cohen Act”, also called the “Economic Espionage Act”, the first federal text dealing with trade secrets.

Lastly, one should mention the initiative of a coalition of European industrialists called “The Trade Secrets & Innovation Coalition” which militates in favour of the recognition of trade secrets by European institutions and of their effective protection. This coalition recommends the creation of a trade secrets law at the level of the European Union and application of the Directive on the Enforcement of Intellectual Property Rights (“Directive Contrefaçon” 2004/48) on trade secrets.

Outside the judicial sphere, it should be emphasised that according to the International Financial Reporting Standards (IFRS) in force since 2003, development costs must be capitalised in the assets of company balance sheets. As information resulting from development projects is chiefly protected by secrecy, the fact that the IFRS standard has come into force amounts to recognition of the importance of trade secrets with regard to financial matters.
2 Definition of trade secrets
Définition du secret d’affaires

In France, no text of general import refers to the protection of a company’s secrets, its trade secrets or its know-how.

French law includes only a single provision specific to manufacturing secrets. Its field of application is limited to employment contracts.

This is Article L 621-1 of the Industrial Property Code which refers back to Article L1227-1 of the Labour Code which provides criminal penalties for any director or employee of a company who has disclosed or attempted to disclose a manufacturing secret.

Moreover, since May 1st 2008, the expression “secret de fabrication” (“manufacturing secret”) has replaced the expression “secret de fabrique” (“trade secret”) which seems to restrict the field of application of these provisions.

But this text does not give any definition of “secret de fabrique” or “secret de fabrication”.

Nor is there a more complete definition of the related notion of “secret d’affaires” (“trade secret”) in positive law.

International or community provisions influence the definition of these notions. This mainly involves Article 39.2 of the TRIPS Agreement for the protection of non-disclosed information and Article One of EC Regulation N° 772/2004 of 27 April 2004 relative to technology transfer agreement categories.

Due to the absence of general provisions in positive law, the definition of these notions has been developed mainly by case law on the one hand, on the occasion of the application of Article L 621-1 of the Intellectual Property Code, and on the other, with regard to disputes involving contractual matters or unfair competition in which violation of a “secret de fabrique” or trade secret was alleged.

Because they were taken from different contexts - criminal law, civil law - the notions of “secret de fabrique” and trade secret are not absolutely uniform in case law, but they are nonetheless currently expressed in a way which is clear and consistent.

An initial definition of the notion of “secret de fabrique” was supplied by criminal case law responsible for implementing the provisions which are currently incorporated in Article L621-1 of the Intellectual Property Code.

As early as 1931, the Criminal Division of the Court of Cassation gave the following definition of a “secret de fabrique”:
“Any manufacturing process which, while of practical and commercial interest, implemented by an industrialist and kept secret by him from his competitors who, prior to their learning of it, were unaware of it.” (Order of 30 December 1931).

This definition has been preserved up until now without any basic changes. Recently, it was again used in a recent decision of 19 September 2006 of the same Division.

---

1 According to the bill of 17 June 2009 referred to at Point 1, protected information of an economic character is “information which does not constitute general knowledge which can be noted by the public easily and distinctly, likely to be the source, directly or indirectly, of an economic value for the company, and for the protection of which its legitimate holder has, after consulting with the Works Council and informing the company’s employees, taken substantial measures in accordance with custom”. To date, this bill has come to nothing.
It is centred around the notion of “secret de fabrique”, closely associated with the notion of manufacturing process because it was developed by this case law on the occasion of implementation of a criminal law requiring strict interpretation.

Civil and commercial case law had to reach a decision about a notion whose scope is broader than “secrets de fabrique”, that of trade secret which affects not only the manufacturing processes but also company’s internal organisation, its customers and suppliers, as well as its technical and commercial know-how.

According to this case law, the trade secret can be legitimately protected when it consists:

“of a substantial and formalised body of knowledge which is not directly accessible and which confers a competitive advantage on the party which holds it”.

With respect to a franchise contract, the Commercial Division of the Court of Cassation used a similar definition which is exactly the one which is given in CE Regulation 4087/88 of 30 November 1988, a “body of practical, non-patented information resulting from the experience of the franchisor and which the latter party has tested, a body of information which is secret, substantial and identified” 2 (Order of July 1st 2003). This definition, in its emphasis on the “substantial” and “identified” characteristics, is clearly marked by the special context of the franchise contract.

From this jurisprudential group, it emerges that although the notion of “secret de fabrique” is to be interpreted strictly, the notion of trade secret applies to distinct fields: industrial, commercial and documentary.

There are no formal requirements with respect to any of these fields.

On the other hand, three essential substantive requirements clearly emerge from this case law.

In order to be able to be protected, the “secret de fabrique” or trade secret must:

- be substantial
- be secret or, in any event, not immediately accessible to the public, which legitimises a shared or partially disclosed secret
- constitute a competitive advantage.

The definitions which thus emerge, similar to international or community provisions which deal with “secrets de fabrique” or trade secrets, appear consistent and enable one, in actual practice, to clearly assess the content of these notions.

It should be added that the issue of the protection of trade secrets can arise in various contexts, such as national or community competition law procedures, and procedures for awarding public contracts. The case law of competent bodies supplies definitions of trade secrets which should also be taken into account, because in all cases, trade secrets are involved.

---

2 This Regulation has since been replaced by Regulation 2970/1999 of 22 December 1999 which provides a similar definition but which is more complete than the previous one:

“Know-how” means a secret, substantial and identified body of practical, non-patented information, resulting from the supplier’s experience and tested by the latter party; in this context, “secret” means that the know-how taken collectively or in the configuration and precise assembly of its components, is not generally known or easily accessible; “substantial” means that the know-how must include information which is essential to the buyer for the purposes of use, sale or resale of contractual goods or services; “identified” means that the know-how must be described in a way which is sufficiently complete in order to enable one to verify whether it meets the secrecy and substantiality conditions.”
The decision of the Court of First Instance (Tribunal de Première Instance [TPI]) of 18 September 1996, Postbank/Commission sets out:

“trade secrets concern information of which not only disclosure to the public but also mere transmission to a person other than the one who provided the information may seriously harm the latter’s interests.”

This definition does not include the restrictive conditions of case law referred to above.

In administrative matters, one should note the decisions of the Commission d’Accès aux Documents Administratifs (CADA) mentioned in an article by D. Capitant “Trade Secrets and Public Contracts before the Community Judge” (“Secret des affaires et marchés publics devant le juge communautaire”), Lamy collectivités territoriales, May 2008, the interest of which is that very detailed definitions are provided:

“three types of particulars covered by secrecy in industrial and commercial matters will have to be blacked out of the records if they are included therein:
- particulars which are covered by process secrecy, which covers manufacturing techniques such as the description of materials used and the personnel employed;
- particulars which are protected by economic and financial secrecy, a category which includes information dealing with the company’s economic position, its financial health or the state of its credit such as, for example, turnover, the workforce and, in general any information which may reveal the level of activity;
- particulars which are protected by commercial strategy secrecy, a category which includes information dealing with prices and trade practices such as the list of suppliers, the amount of discounts granted, etc.”

3 Control of trade secrets
Contrôle du secret d’affaires

3.1 Initial control

First of all, it should be stated that in all cases, Articles L.1134 par. 3 and 1135 of the Civil Code and L.120-4 of the Labour Code establish an obligation of employee loyalty vis-à-vis his or her employer, which, in particular, implies an obligation of discretion with regard to confidential information to which the employee has access. It is logical to take the position that the confidential information in question must include information which has been developed by the employee himself. With respect to this matter, it can be estimated that the initial control belongs to the employer.

Nonetheless, this initial control is counterbalanced, depending on the kind of secret in question, by its possible connection to a category of Intellectual Property law established by law.

In fact, although the law dealing with patents for inventions expressly broaches this matter (3.2), this is not the case for non-patentable innovations, particularly trade secrets of a non-technical nature (3.3).

In addition, it should be remembered that rules applicable to copyright provide a completely different system (3.4).
3.2 Control of patentable inventions

With respect to patentable inventions, one should determine whether the invention was made in the context of an employment contract or by agents working in the public sector (3.2.1) or in the context of a research contract (3.2.2).

3.2.1 Control of patentable inventions developed by an employee or an agent working in the public sector

Art. L 611-7 of the Intellectual Property Code governs the ownership of patentable inventions developed by an employee or an agent working in the public sector.

It differentiates between work-related inventions and non-work-related inventions.

First of all, it is clearly set out that inventions made by the employee in the performance either of an employment contract, including an invention assignment, or studies and research (work-related inventions) which are explicitly entrusted to the employee, belong to the employer.

If the invention is made by the employee in a “non-work-related situation”, either in the company’s field of activities, or through knowledge of techniques or means specific to the company, or through data obtained by it, the employer is entitled to be awarded ownership or possession of all or part of the rights attached to the patent protecting the innovation of its employee. In this case, co-ownership is therefore possible.

Pursuant to Art. L 611-7 and in all cases, the employee, author of an invention, must inform the employer of this.

The employee and the employer must keep each other informed about all useful information with regard to the invention in question.

They must refrain from any disclosure which might compromise the exercise of rights, wholly or partially.

Consequently, the employee who conceives a patentable invention must first inform the employer of this and preserve secrecy with regard to this information.

It is to be noted that here the law speaks about inventions and not patents. It is well-established that these provisions apply to any patentable invention, whether or not it is patented. Therefore, the employer who holds rights on the invention determines how it is to be dealt with: protection by secrecy or by a patent.

These provisions apply to employees and civil servants, but not outside an employment relationship.

3.2.2 Control of inventions made in the context of a non-salaried relationship, particularly of a research contract

No legal provision regulates the right to inventions made in the context of a research contract signed between two companies, or inventions made by a consultant.

Provisions relative to employees’ inventions cannot apply in this case, since the author of the invention is not bound to the principal by an employment contract, but by a research contract,
a contract for the supply of services currently classified in the legal category of contract for services.

In this case, ownership of the invention is governed by the agreement entered into between the parties.

Thus, research contracts usually stipulate that ownership of results shall belong to one or the other of the parties.

In the absence of provisions, it is necessary to refer to the kind of relationship which exists between the parties.

Legal theory and French case law hold that in the context of a unilateral research contract, the right to the patent reverts to the party which ordered the work and which finances it, not to the party which conducts the research.\(^5\)

This solution seems to be essential with regard to the kind of relationship between the parties; the party which orders the research would have no interest in financing the work if it were not ensured of being able to use the results of this research.

As the principal controls the results of the research which it orders and finances, legal theory also holds that the party which conducts the research is required to turn the results of its research over to the principal (obligation to inform), and to preserve the confidentiality of this information (confidentiality obligation).

### 3.3 Control of non-technical innovations

The provisions of Article L.611-7 of the Intellectual Property Code apply to all inventions, whether or not they are patented; but they apply only to patentable inventions, therefore to inventions of a technical nature.

Thus, the control of non-technical secrets is not covered by these provisions and is again based on the law of obligations and the agreement between the parties.

Resorting to general law must lead one to reason the same way as above for inventions which are made in the context of a research contract, therefore to grant control to the party which orders and finances the research.

### 3.4 Copyright

With respect to innovations which can be protected by copyright, several cases are to be distinguished depending on whether a collective or an individual work is involved, or whether software, databases, etc. are involved.

Pursuant to Art. L. 111-1 of the Intellectual Property Code, the author of a work disposes, with regard to this work, inasmuch as it was his creation, of an exclusive intangible property right which is enforceable against all parties.

In the event of innovation resulting from group work, called “collective work”, Art. L. 113-5 of the Intellectual Property Code clearly sets out that this collective work is, save proof to the contrary, the property of the natural person or legal entity in whose name it is disclosed.

---

The employer in whose name the work is disclosed is therefore vested with authors’ rights. Pursuant to Art. L 121-2 of the Intellectual Property Code, the author is the sole party entitled to disclose his work.

Consequently, in the event of collective work, the employer will control the rights and confidentiality, whereas in the event of an individual innovation, the entitlement of rights and the control of secrecy must be organised by the specific contract which is distinct from the employment contract, with the general assignment of future works being invalid (Article L 131-1 of the Intellectual Property Code [CPI]).

With respect to databases, these benefit from protection which provides for the ab initio transmission of rights to the producer of the database (Art. L341-1 of the Intellectual Property Code [CPI]). The producer can therefore control their confidentiality.

With respect to works created by civil servants, Articles L 131-3-1 et seq. of the Intellectual Property Code (CPI) provides for the automatic transfer of proprietary rights to the State or institution on which the civil servant depends in order to carry out a public-service mission.

Similarly, see Article L 113-9 of the Intellectual Property Code (CPI), proprietary rights on software programs and their documentation created by one or more employees in the exercise of their duties or in accordance with instructions from the employer, are devolved upon the employer which is the sole party authorised to exercise them.

As only the proprietary rights are transferred, the issue of the control of confidentiality can be raised.

3.5 Use of the employee’s skills and know-how

Case law admits that in a new job, the former employee of a company is free to use the know-how which he acquired in his former company, so long as he does not misappropriate any manufacturing secrets.

3.6 Co-ownership of trade secrets

Neither case law nor the law considers the co-ownership of trade secrets. Nonetheless, a commonplace practice in R&D collaboration agreements consists of establishing a principle of co-ownership of results, which implies the co-ownership of trade secrets. Such a principle is vague. Its concrete application with respect, in particular, to compliance with confidentiality, the possibilities of disclosure, the rights to obtain protection (patent or other kind of protection), the use, is generally subject to provisions detailed in the contract.
4 Source of law for trade secret protection  
Origine légale de la protection du secret d’affaires  

4.1 National law  
There is no civil law legislation to protect trade secrets in general.  

There is a specific criminal law provision, Article L.621-1 of the Intellectual Property Code (CPI), which refers back to the provisions of Article L1227-1 of the Labour Code, relative to the disclosure of “secrets de fabrique”.  

In its latest version, this article sets out that:  

“The fact for a director or an employee to disclose or attempt to disclose a manufacturing secret is punished by imprisonment of two years and a fine of €30,000. The court can also declare, as an additional sentence, for a period of five years at most, the prohibition of civic, civil and family rights stipulated in Article 131-26 of the Criminal Code.”  

This article is limited in three ways: first of all, it must refer to a manufacturing secret – it does not refer to just any secret, only a manufacturing secret can be protected by these provisions – and not all undisclosed information; the person who commits the act must be an employee (or a director) or a former employee and not just any person to whom the secret or confidential information was transmitted; and the act complained of must be a disclosure or an attempt at disclosure, and not a use.  

This provision is very old, since it has existed in French law since 1810; it was modified by Law 92-1136 of 16 December 1992, and most recently by an Order of 2007 relative to labour law.  

Article 226-13 of the Criminal Code contains provisions on disclosing information of a secret nature.  

This article sets out that:  

“The disclosure of information of a secret nature under a person’s custody either by reason of his office or his profession, or because of a position or temporary assignment, is punished by one year of imprisonment and a fine of €15,000.”  

This article applies to professional secrets; due to the general nature of the terms used, it might seem to apply to all kinds of information, for example, commercial or technical information, which has been transmitted to a person, in a precise context, but which seems relatively comprehensive, for example, for a temporary assignment. But as Articles 226-14 et seq. of the Criminal Code show, its subject is the protection of persons and it is directed at personal information in the custody of persons bound by professional secrecy such as doctors and social workers.  

A relatively old decision of the Court of Cassation (Cour de Cass., Chbre. Crim., 7 November 1974) also enabled one to charge the beneficiary of the disclosure of “secrets de fabrique” with receiving stolen goods.
Article 321-1 of the Criminal Code sets out that:

“The possession of stolen goods is the act of concealing, holding or transmitting a thing, or of acting as a go-between in order to transmit the thing, realising that this thing results from a crime or misdemeanour. The act of knowledgeably and willingly benefitting, by any means, from the proceeds of a crime or misdemeanour also constitutes the crime of possession of stolen goods.

The possession of stolen goods is punished by five years of imprisonment and a fine of €375,000.”

The breach of trust misdemeanour has also been upheld in certain decisions.

Article 314-1 of the Criminal Code sets out that:

“Breach of trust is the act of a person’s misappropriating, to the prejudice of others, funds, securities or any property transmitted to him and which he accepted while being responsible for returning them, representing them, or using them in a specific way. Breach of trust is punished by three years of imprisonment and a fine of €375,000.”

The possession of stolen goods violation has also been upheld in certain decisions.

It should be added that in its sections relative to patents and copyright (software), the Intellectual Property Code contains relevant provisions for the protection of confidential information.

Thus, with respect to employees’ inventions, Articles L.611-7-3 and R.611-10 of the Intellectual Property Code (CPI) prohibit the disclosure of an invention both by the employee and by the employer prior to the filing of an application.

Another provision, purely defensive but significant, is Article L.613-7 of the Intellectual Property Code (CPI) with regard to the exception of prior personal possession, which preserves the freedom to exploit an invention with regard to the patent of a third party for the party who was in possession of the invention prior to the filing date of the patent.

With respect to software programs, Article L.122-6-1 of the Intellectual Property Code (CPI) provides details of the conditions in which the user of a software program can access the source code via the object code (an operation which is called “reverse compilation”), and sets forth use and confidentiality restrictions for information acquired by the user with a view to protecting the source code secret.

4.2 Community law

First of all, it should be noted that community law has recognised the legitimate interest of companies with regard to the protection of their trade secrets in the context of competition law proceedings (European Union Court of Justice (EUCJ) 24 June 1986, 53/85, Akzo Chemie, rec. EUCJ p. 1965) and of regulations with regard to public contracts.

On the other hand, there are no provisions in European law beyond national provisions which are intended to protect know-how.

4.3 Is protection granted by case law or by direct application of the corresponding provisions of the TRIPS Agreement?
Protection in civil matters is based on unfair competition actions and case law is therefore decisive.

With regard to the TRIPS Agreement, Law N° 96-1106 of 18 December 1996 modifying the Intellectual Property Code in application of the TRIPS Agreement, does not include any provisions relative to trade secrets. In its preamble, this law states that modifications to be made to the Intellectual Property Code (CPI) are very limited, “as French law already attains the minimum specified in the agreement”. This assertion can be challenged when one notes, in particular, that the possibility of obtaining a prohibition of use, explicitly provided in Article 39.2 of the TRIPS Agreement, is absent from our positive law.

As to the direct application of Article 39.2 of the TRIPS Agreement, which could be based on the principle of Article 55 of the Constitution, according to which a ratified treaty takes precedence over national law, there is no example of this in case law. Nor does one find cases in jurisprudence in which Article 39.2 of the TRIPS Agreement has been referred to as an authority in support of an application.

4.4 In your country, do Trade Secrets belong to the category of property rights? Or does protection result from unfair competition law or from another legal source against misappropriation or dishonest trade practices?

In France, the protection of trade secrets does not come from property rights, but from application of unfair competition rules or, more generally, from provisions pertaining to third-party tort liability.

5 Available remedies
Sanctions disponibles

5.1 Prohibited acts

Acts which are prohibited either by criminal laws and decrees coming under criminal law, or with regard to unfair competition and coming under civil law, have been identified in case law as follows:

- The disclosure of a “secret de fabrique” by a director or employee of a company;
- The theft of documents containing a trade secret,
- The misappropriation of documents containing a trade secret in order to make use of it in a way not anticipated;
- The use or disclosure of a trade secret, without authorisation, by a person to whom the proprietor has entrusted it;
- The unfair hiring away of a competitor’s employees with a view to obtaining trade secrets (industrial or commercial espionage ).

These acts overlap the list set out in the Copenhagen Resolution Q115.
5.2 Criminal penalties

Penalties can be criminal, in precise cases which are determined by legislation, and/or civil in nature.

- **Criminal penalties:**
  - Article L. 1227-1 of the Labour Code (or Article L.621-1 of the Intellectual Property Code) which penalises the disclosure of a manufacturing secret (2 years of imprisonment and a fine of 30,000 Euros): but the violation is limited to persons holding an employment contract, is limited to secret and original industrial secrets (exclusion of trade secrets), and involves only the act of disclosure and not of use.
  - General criminal law texts: the violations of theft (Art. 311-1 of the Criminal Code: 3 years of imprisonment and a fine of 45,000 Euros without aggravating circumstances), or data-processing theft (Articles 323-1 et seq. of the Criminal Code (CP) ranging up to 5 years and a fine of 75,000 Euros), and breach of trust (Art. 314-1 of the Criminal Code: 3 years and a fine of 375,000 Euros) were also applied to trade secrets in the event that the secret was obtained under false pretences;

These violations require that all of the elements of the alleged violation be brought together (material and legal elements as well as intents).

Therefore, they require the fraudulent intent of the party committing the violation, in the absence of which the torts cannot be established.

The beneficiary of the secret (who is not the author of the violation) can be prosecuted as an accomplice or receiver of stolen goods.

Criminal penalties may have a deterrent or at least a threatening effect.

Criminal prosecution is of interest in obtaining evidence; on the other hand, the plaintiff loses control of the procedure and the constituent elements of violations are not easy to obtain.

5.3 Civil penalties

In the absence of a specific text in case of violation of trade secrets, general law texts therefore apply, namely:

- In case of violation of secrets outside any contractual obligation: tort liability based on Articles 1382 and 1383 of the Civil Code, which apply to any wrongful and/or fraudulent act, disclosure or use of a trade secret: the penalties are the allocation of damages. With respect to injunctions, in case of exploitation of trade secrets, the possibility exists, in theory (such measures have been declared in cases of slavish imitation), but in fact, injunctions have never been decided with regard to trade secrets.
- In case of violation of a contractual obligation: contractual liability: the penalties can be specified in the contract; otherwise, it is possible to request the same kind of penalty as for tort liability with, in addition, cancellation of the contract.
- In case of an employment contract and in the absence of a specific clause pertaining to trade secrets, the act of disclosing confidential information can be held to be a violation of the general loyalty obligation due by the employee to his employer; the civil penalties will be the allocation of damages and cancellation of the employment contract.

Civil penalties can thus apply to persons who disclose a trade secret and to persons who benefit from this secret.
In addition, it is conceivable that civil penalties may apply to a person of good faith who has disclosed a trade secret, if this person has committed a fault unintentionally and/or through negligence (Article 1383 of the Civil Code).

In fact, it is admitted that the action in unfair competition does not require fraudulent intention (Court of Cassation, 3 October 1978, Bull. IV n° 207).

On the other hand, French courts do not refer directly to the TRIPS Agreements, and the notion of “gross negligence” specified in Article 39.2 is not referred to as such.

It is nonetheless possible to invoke the TRIPS Agreements in the context of a civil proceeding: there is nothing to prevent a claimant from relying on the TRIPS Agreements in order to justify his application, and decisions have taken the TRIPS Agreements into account but without invoking them directly (for example, Order of the Judge responsible for controlling expert appraisals of the Paris Regional Court (TGI) of 29 April 2009).

5.4 Provisional injunctions

One can also consider requesting provisional injunctions by means of provisional proceedings provided that there is proof of a clearly unlawful disturbance (example, Montpellier Court of Appeal (CA), 10 January 2006, jurisdata: 2006-298431)

But from analysis of French case law in this field, it emerges that injunctions are rarely ordered and that only damages are usually granted.

5.5 Damages

Damages are calculated according to the general principle of third-party liability which is to compensate actual damage: “all the damage and nothing but the damage”.

But there is, as is henceforth the case with regard to infringement, a criterion which is defined by a legal text in order to calculate the amount of damages.

Case law usually tends to award a lump-sum amount (but some decisions have adopted as assessment criteria, the loss of income and damage to the company’s public image).

Civil penalties can sometimes appear insufficient, especially for the victim.

France does not have the punitive damages system.

As calculation of penalties with regard to infringement has developed with the law against counterfeiting, it can be imagined, under the assumption of the adoption of a written law, that things may also change with respect to the disclosure of secrets.
6 Protection of trade secrets before and during litigation
Protection des secrets d’affaires avant et pendant un litige

We reply to this question primarily in the context of (1) civil proceedings and more succinctly, in the context of (2) criminal and (3) administrative proceedings.

6.1 Protection of trade secrets before and during a civil action

We will distinguish the two aspects of this question, by examining, in succession:
- the protection of secrets of persons with regard to whom evidence is sought, that is, during a procedure involving the taking of evidence;
- the preservation of secrets of one or more parties, in the context of judicial proceedings, during the search for penalties before a court.

6.1.1 Protection of secrets of persons with regard to whom evidence is sought, that is, during a procedure involving the taking of evidence

The various methods of taking evidence will be examined one after the other. It will appear that although the existence of a secret can lead to the measure being adjusted, in order, on the other hand, to protect a secret, the existence of the secret cannot constitute an obstruction to the measure being carried out.

6.1.1.1 Measure of inquiry in futurum or during a proceeding under way (Articles 143 to 145 and 275 of the Code of Civil Procedure)

In the context of a measure of inquiry (ordered in futurum, that is, authorised before any proceeding or during a proceeding), trade secrets can be invoked by the holder of the document covered by secrecy, but this means does not in itself constitute an obstruction to application of the measure of inquiry⁶; the judge can take the position that the measures which he orders stem from a legitimate reason and are necessary in order to protect the rights of the party who requested them, even if they entail the violation of a secret.

In the context of an expert appraisal, practice differs depending on the position of the parties:
- in many cases, the parties are willing for the expert to conduct certain investigations (accounting audit, for example) on confidential documents, provided that he give an account of this in a meeting at a later time;
- but, in other cases, the parties will want to be able to verify the information supplied to the expert themselves; in these cases, practice has conceived a formula, which is accepted by the courts, allowing only the parties’ counsels to be present at the expert’s operations and to take cognisance of confidential information⁷.

---


The experts can adapt their report in order to protect a secret, either by not mentioning the secret information if it is not necessary for the judge, or by not disclosing the confidential information itself, but by indicating the conclusion to which the confidential information leads, or by placing the confidential information in a sealed envelope, turned over to the court, and which will be opened under conditions specified by the court.

In addition, the provisions of Article 247 of the Code of Civil Procedure must also be remembered, which sets out that “the opinion of the specialist, whose disclosure would violate the intimacy of private life or any other legitimate interest, cannot be used outside the proceeding, unless authorised by the judge or with the consent of the interested party.”

6.1.1.2 Confiscation of works infringing copyright (Intellectual Property Code)

In the context of confiscation of works infringing copyright, the distrainee may require that certain precautionary steps be taken in order to protect confidential information. In practice, the bailiff who carries out the confiscation of works infringing copyright can be asked to have the documents or the products which are confiscated sealed and have them guarded in his custody without returning them to the applicant, namely the holder of the Intellectual Property rights or its licensee.

The distrainee also has the possibility of lodging an appeal before the judge who ordered the confiscation, either during or subsequent to confiscation operations, with a view to protecting its “secrets de fabrique” or its “secrets commerciaux” (“trade secrets”). Articles R. 521-5 (designs), R. 615-4 (patents) R. 623-53-1 (plant varieties) and R. 716-5 (trademarks) of the Intellectual Property Code set out that after confiscation of works infringing copyright: “The president of the Regional Court (TGI) can [...] take any measures in order to preserve the confidentiality of certain elements”. The distrainee must then submit its request forthwith before the judge who authorised the confiscation, because in practice, the bailiff quickly transmits the confiscation of works infringing copyright report and its appendixes to the applicant.

When the confidential information has thus been protected under seal, the courts generally appoint an expert to select the documents which must be kept secret with regard to the applicant, and those which can be transmitted to him. When such an expert appraisal is ordered, the system of access to confiscated documents varies depending on whether one is placed during the expert appraisal operations or after them:

- during the expert appraisal operations, document confidentiality is preserved, with the result that only the applicant’s counsels (lawyers and industrial property advisors) have access to the documents;
- after the expert appraisal operations, the principle is that all documents, whether confidential or not, which are of use for evidence of infringement, are returned to the complainant; nonetheless, a decision limited access to confidential documents solely to the applicants’ counsels. A broader measure of confidentiality relative to the procedure could possibly be organised.

---


6.1.3 Application for the forced production of documents

The “secret commercial” or, more generally, the trade secret, can constitute a legitimate reason for objecting to the forced production of a document, in application of Article 11, paragraph 2 of the Code of Civil Procedure.

But, if the judge feels that the reason invoked is not legitimate, in application of paragraph 1 of Article 11 of the Code of Civil Procedure, he can draw any conclusion from an abstention or a refusal.

In particular, a party’s reluctance to produce a document can be interpreted by the judge as a presumption that what is alleged by the complainant is true, which can lead to the defendant’s conviction.

6.1.4 Detention under customs control

In the context of detention under customs control, the customs departments are released from their professional secrecy obligation (Article 59 bis of the Customs Code), in order to be able to transmit certain information to the applicant (usually the holder of Intellectual Property rights)\textsuperscript{11}.

This information relative to the proprietor and recipient of the goods or to their number, does not seem to be able to contain confidential information. On the other hand, the applicant can ask for samples to be taken and turned over to him for analysis.

No measure seems to be available to the proprietor of goods in order to oppose the disclosure of this information or the return of samples.

6.1.2 Preserving the secrets of one or more parties, in the context of judicial proceedings

During a proceeding, the parties may be led to transmit documents containing information which they consider to be confidential, and which may constitute a trade secret. Thus, this is the case, for example, in a proceeding for violation of “secrets de fabrique”, in the context of which the party possessing the secret must prove the nature of the secret which it possesses and which has allegedly been violated. It is legitimate to be able to protect secrets in the context of such proceedings.

The provisions should be differentiated relative to:

- access to documents and to procedural documents;
- the open-court principle;
- the public pronouncement of judgements.

\textsuperscript{11} Article L 716-8 paragraph 6 stipulates that “for the purposes of undertaking legal actions referred to in the fourth paragraph, the plaintiff can obtain from the customs authorities the names and address of the consignor, importer and recipient of detained goods or of their holder, as well as their quantity, origin and where they come from, notwithstanding Article 59 bis of the Customs Code, relative to professional secrets binding on agents of the customs administration”. With regard to copyright or neighbouring-rights and drawings and designs, similar provisions are provided (Articles L. 335-10 and L. 521-14, respectively, of the Intellectual Property Code), Article 9.3 of EC Regulation No. 1383/2003 of the Council of 22 July 2003 relative to the intervention of customs authorities with regard to goods which are suspected of infringing certain intellectual property rights as well as steps to be taken with regard to goods infringing certain intellectual property rights, refers back to national provisions in order to settle the secrecy issue: “in order to determine whether there has been infringement of an intellectual property right with regard to the national law of the Member State, and in accordance with national provisions relative to the protection of personal information, trade and industrial secrets, the customs office or the department which dealt with the request transmits to the holder of the right, upon its request and if they are known, the contact information of the recipient, the consignor, the declarant or holder of the goods, the origin and where the goods come from which are suspected of infringing an intellectual property right”.

16
It will appear that French civil proceeding rules may not be sufficient to ensure that the secrets of one or more parties to a civil action are preserved.

### 6.1.2.1 Access to documents and to procedural documents

Access to documents in a civil action in France is limited to the parties. But there are no legal or statutory provisions which prohibit a party or a third party from disclosing the case files or information contained in the files (whether or not covered by a trade secret) which have been obtained lawfully, or penalising this disclosure. In particular, no provision subjects the parties to the proceeding to any obligation to ensure the confidentiality of acts or documents exchanged in the context of a judicial proceeding, even if these acts and documents contain confidential information. The only exception seems to involve measures of inquiry conducted by a specialist, for which it is provided that “the opinion of the specialist, whose disclosure would violate the intimacy of private life or any other legitimate interest, cannot be used outside the proceeding, except upon authorisation from the judge or with the consent of the interested party.” (Article 247 of the Code of Civil Procedure).

Apart from this exception, it is therefore theoretically possible for the parties to use the acts or documents filed or transmitted by the adverse party, or even disclose them to third parties, except that this use or disclosure constitutes a fault in application of Articles 1382 et seq. of the Civil Code, or with regard to obligations which may be binding on the parties.

However, it sometimes happens that the parties wish to limit the use and access to procedural documents and documents which have been exchanged, when these documents contain confidential information.

In actual practice, the parties generally agree to regulate the use and access to documents which have been exchanged. But in the absence of agreement between the parties, it also happens that the courts agree to restrict access to documents which have been exchanged, in order to keep them from being disclosed to third parties. However, in actual practice, such decisions are exceptional. The disclosure of documents in violation of this obligation can then be penalised.

---

12 In voluntary matters, a third party with a legitimate interest can ask the judge for authorisation to consult the file of a case and obtain a copy of it. Nonetheless, proceedings relative to industrial property rights do not come under voluntary matters. Therefore, one can take the position that in actual practice, access to documents in a civil action in France with regard to industrial property matters is limited to the parties.


14 These agreements do not give rise to a decision; usually they remain secret; nonetheless, some decisions take this into account (Regional Court (TGI) Paris, 3rd ch, 3rd s, ord JME of 23 November 2004, Kimberly Clark / Procter).

6.1.2.2 The open-court principle

Article 433 of the Code of Civil Procedure sets out the principle that “hearings are public except in cases in which the law requires that they be held in chambers”.

With regard to industrial property, certain provisions make use of this right by anticipating that hearings will be held in chambers, mainly when it is obvious that confidential information will be discussed\textsuperscript{16}.

In addition, Article 435 of the Code of Civil Procedure\textsuperscript{17} provides the judge with the possibility of deciding that hearings will be held in chambers if all the parties so request. But in the absence of request from all the parties, the judge does not have the possibility of deciding that hearings will be held in chambers, even if he notes that the trade secrets of one party may be disclosed.

6.1.2.3 Public pronouncement of judgements

Even if the hearing is not public, the judgement which is delivered will be accessible to the public: if the judge thinks it is of use to refer to confidential information in his judgement, this information will become public.

There are no legal or statutory provisions enabling the court to restrict access to its judgement, nor to draft two versions of its decision, a complete decision for the parties and an expurgated version accessible to third parties.

6.2 Protection of trade secrets before and during a criminal proceeding

We discuss both aspects of the question, by examining, in succession:
\begin{itemize}
  \item the protection of secrets during the criminal inquiry procedure;
  \item the preservation of the secrets of one or more parties, in the context of criminal proceedings.
\end{itemize}

It will appear that French rules of criminal proceedings may also be insufficient to ensure that the secrets of one or more parties in a criminal proceeding are preserved.

6.2.1 Protection of secrets during the criminal inquiry

In general, no secret can be invoked in order to refuse to transmit information required by the examining magistrate (except for professional secrets or medical secrets). Therefore, the existence of a trade secret, unless it is covered by defence secret, cannot obstruct the criminal inquiry.

\textsuperscript{16} Texts providing that discussions are to take place in chambers:
- Articles L. 612-10 of the Intellectual Property Code with regard to compensation of the holder of an invention patent application which is subject to extension of the disclosure and prescription prohibition;
- Articles L. 613-9, L. 613-20, R. 613-37 and R. 613-42 of the Intellectual Property Code with regard, respectively, to official license and expropriation for the needs of national defence;
- Articles L. 615-21 and R. 615-22 of the Intellectual Property Code pertaining to actions relative to employees’ inventions.

\textsuperscript{17} Article 435 of the Code of Civil Procedure: “The judge can decide that oral arguments shall take place or shall continue in chambers where their public disclosure might violate individual privacy or, if all the parties so request, or if such disturbances arise as may disrupt the judicial atmosphere.”
The investigation file, and the information which it contains, are covered by investigation secrecy. It is accessible neither to the parties nor to third parties, with the result that secret information is protected against any disclosure. However, the attorney of a party can ask the examining magistrate for authorisation to obtain a copy of certain documents and turn them over to his client, who must then undertake to keep them confidential and use them only within the context of the case. Nonetheless, it should be noted that the penalties incurred in case of violation of this obligation are slight (a fine of 3,750 Euros). In sensitive cases, the person who wishes to protect trade secrets obtained during the inquiry can write to the examining magistrate to ask him to refuse the transmission of any documents to the parties. However, investigation secrecy stops at the conclusion of the investigation, particularly in the event of referral before the court. The investigation file then becomes accessible.

6.2.2 Preserving the secrets of one or more parties in the context of criminal proceedings

Following the example of what was said for civil proceedings, there are no legal or statutory provisions prohibiting a party from disclosing to a third party the documents which have been transmitted to it by the adversary in the context of criminal proceedings. Theoretically, nothing seems to prevent the parties from agreeing to limit the disclosure of documents which have been exchanged to third parties, nor even to prevent one of the parties from asking the court to order such a measure. But in fact, this practice appears to be extremely rare or even previously unknown.

The public conduct of discussions is an essential principle of criminal proceedings. Admittedly, Article 400 of the Code of Criminal Procedure authorises the court to order closed proceedings when the public conduct of discussions is dangerous, especially with regard to “the interests of a third party”. But we do not know whether this provision has been applied in order to protect trade secrets.

The judgement itself is also public: it is pronounced in open court and anyone can obtain a copy of it. As in civil matters, there are no provisions enabling the court to restrict access to its judgement, or to draft two versions of its decision, a complete decision for the parties and another one which is expurgated and accessible to third parties.

6.3 Protection of trade secrets before and during an administrative proceeding

Reconciling the adversarial principle with the protection of trade secrets is a problem which is to be found in the context of administrative proceedings, especially when public contracts are being awarded, where the essential reconciliation of transparency and the protection of trade secrets is involved. However, this issue seems to go beyond the context of the question raised, so that one will merely refer to an article by David Capitant which points out that:

- the French code of administrative justice includes the adversarial principle among the basic principles of administrative litigation;
- the French administrative judge, faced with the necessity of protecting the secrecy which is attached to certain confidential documents, did not, nonetheless, feel obliged to limit the adversarial principle by holding that the administrative judge is required to rule only in light of documents in the file which have been transmitted to the parties; in other words, it appears that a document cannot be invoked by a party without being disclosed to the other parties;
- EUCJ case law seems to accept a broader protection of secrets.

---

7 Licensing trade secrets
Licence de secret d'affaires

By way of introduction, it could be noted that the terminology which is generally used in order to designate the subject of this kind of contract is “know-how”, with the result that subsequently, the “know-how license” terminology will be used in lieu of “trade secret license”.

The main or specific contributions of French case law, including from the Court of Cassation, with regard to the subject of know-how licenses or other equivalent intangible values, are all but non-existent.

Legal theory and the authorities, both national and community, responsible for regulating competition in their respective territories, have until now helped build and clarify the subject. But it should be emphasised that in this area, there are customary practices resulting from contractual practices in various business sectors which play a decisive role.

The following relevant or important points can be adopted in this field:
- in national law (cf. for example, Intellectual Property Code), there is no definition of the know-how license
- with regard to know-how licenses, two very different categories should be distinguished. An initial category involves the case in which know-how corresponds to a technology which is sufficiently developed to enable commercial exploitation. In this case, the main subject which is transferred is know-how, materialised by detailed technical files. This transfer is usually accompanied by technical assistance and training services, by access to suppliers or expertise networks. The second category corresponds to the situation in which the exploitation know-how has not yet been developed, and the essential component is a patent license, and the know-how which is granted is not very highly developed. However, it plays a very important role in the negotiation of the license, especially with respect to its territorial field of application, and its sustainability in case of cancellation of patents.
- by its very nature, the know-how license contract is a contract for skill and labour and is assessed as such by French courts

7.1 In national law, there are no definitions or even references to the know-how license

At this time, the only available definition of know-how and, consequently, of the know-how license, is to be found in EC Regulations N° 772/2004 and N° 2970/1999, previously mentioned, of the European Commission relevant to application of Article 101, paragraph 3 of the EC treaty to certain categories of agreements between companies and, to a certain extent, in EC Regulation n° 2659/2000 also with regard to exemption relative to research and development agreement categories.

However, without naming them, the Court of Cassation enshrined these notions of know-how and know-how license (cf. Cassation Chambre Commerciale 13 July 1966, Almes company versus Dita Bottonificio & Fossanèse company).

But, in these different occurrences, technical or industrial know-how is involved to the exclusion of other non-technical information which may be described as trade secrets.
7.2 The explicit or implicit practice of know-how licenses by national economic operators, especially industrialists and tradesmen, is quite widespread.

In principle, know-how license agreements, whether incidental or combined, are widely implemented in order to transfer technology in the context of cooperation or industrial operations, both vertical and horizontal.

Many other technical or industrial agreements include know-how licenses without expressly stating them, such as, for example, subcontracting, research and development, engineering agreements, etc.

But the notions attached to know-how licenses should not be reserved only for agreements whose subject or reason is technology exchanges. In practice, certain concepts inherent in know-how licenses are, for example, to be found:

- in certain franchise agreements, which include the transmission of managerial, service or commercial know-how,
- in some application software licensing contracts, the technical assistance provided to the licensee enabling the transfer of codified know-how on a digital medium.

7.3 As defined in French law, named or unnamed, the know-how license contract is a contract for services, or a contract for skill and labour, assessed as such by judicial authorities dealing with them.

Generally, this kind of contract is analysed and resolved by a certain number of positive and negative obligations, respectively, of the “licensor” (that is, of the master, proprietor or party possessing the know-how), and of the “licensee” (that is, the party to whom the know-how is transmitted and who is going to use/exploit it); the identification and listing of these obligations is the very subject of the know-how license contract which must, with respect to this matter, be as complete as possible. It should be emphasised that the principle of freedom to contract applies very broadly to this type of contract.

Without going into the details of the various aforementioned obligations, the following points should be taken into account:

- above all, the know-how license must define the extent of the rights of use of the know-how by the licensee, and provide for transmission of the know-how under license;
- provisions preserving the confidentiality and prohibiting any use after termination of the license (a “post-term ban”) are current practice, deemed to be compatible with community competition law;
- practice can differentiate the “assignment” of know-how from the “licensing” of know-how, depending on whether or not the proprietor of the know-how transmits its know-how to a third party once only and definitively, and/or whether the third party, to whom the know-how is transmitted, has or does not have the right to continue exploitation of the know-how at the end of the contract; in addition, the know-how license may or may not be exclusive;
- most judges attach a personal character to the know-how license because of the technical assistance provided to the licensee, which means that the license may not be freely passed along (cf. for example, Grenoble Court of Appeal, 13 January 1999).

Antitrust rules are included below, as being those both national and international, in particular, with respect to France, set by the EU treaty whose purpose is to regulate the free flow of goods and services in the national market, and outside France, especially in the single market established by the EU treaty.
On the national level, regulation of the national market is placed under the control both of judicial authorities dealing with it, and of the Competition Authority (formerly the Competition Council), which is an independent administrative body whose jurisdiction is derived especially from Book IV of the Commercial Code, and whose decisions are subject, in the field of the question which was raised, to the control of the Paris Court of Appeal. A complainant can refer a case to this body or refer the matter to itself.

In fact, both in the past and at present, the Competition Authority has issued opinions and decisions on know-how licenses or agreements which include know-how licenses explicitly or implicitly; cf. for example, Decision Number 93D - 05 of 27 April 1993 relative to the Frappaz company’s referral to the court.

On the community level (EU), since its origin, the European Commission has considered and placed know-how licenses under its control insofar as they may affect the flow of goods and services within the EC, now the EU. To do this, subsequent to historical developments which would be too long to describe here, the Commission enacted “exemption by categories” regulations, including EC Regulation number 772/2004, mentioned previously, which, in particular, covers know-how licenses.

Without going into the details, with respect to a know-how license to which a French operator and/or operators with a certain market share in the single market are parties, the Regulations require that said parties proceed with an economic assessment of the know-how license, in particular with a view to competition restrictions which it may contain. In order to be exempt, that is, in order not to violate Article 101.1 of the EU treaty, operation of the know-how license must lead to a positive economic assessment, without any characterised competition restrictions. Otherwise, the know-how license can be penalised by the Commission under the judicial control of the EUCJ.

As stated in paragraph 4, clauses prohibiting transmission of know-how and limiting its exploitation, under the licensee’s responsibility, are lawful within the meaning of the Regulations. As stated above, provisions providing for the extension of the disclosure prohibition and the prohibition of any use after the expiry are also lawful.

In addition, outside an applicable exemption Regulation, the licitness of the know-how license with regard to Article 30 (free flow of goods), and to Article 102 (abuse of dominant position) of the EC treaty remains under the control of the Commission in the same conditions as previously in case of non-exemption.

To be complete, on the international level it does not seem to be excluded that the scope and/or execution of a know-how license with a French part, and which affects a TRIPS rule codified by the Marrakech Agreement (establishing the WTO), can be subject by the State(s) in question, in part, to the control of the WTO and its various bodies for settling disputes between WTO members.

8 Effectiveness of non-disclosure and non-use agreements
Efficacité des accords de non-divulgation et de non-utilisation

8.1 Practical effectiveness

The term “non-disclosure agreement” used in the question has been interpreted broadly and encompasses the confidentiality agreement or clause notions. Two types of agreements have been differentiated, those entered into in the context of business relationships between a party and an independent third party, and those entered into between a company and its employee. These agreements can be the subject of an independent contract or be included in business contracts in the form of clauses (collaboration, order, license, etc.), or in an employee’s employment contract. In any event, when such agreements are invoked before
the courts, the main issue is to define the limits of the confidential information which is actually subject to obligation,

In the context of business relationships, these contracts are quite commonplace and can be held to be effective because of their dissuasive effect. The principle of freedom to contract applies fully to this kind of agreement. Thus, the duration of the confidentiality obligation has no legal limit and is negotiated freely by the parties. In practice, it is important for the confidential information to be identified clearly, for example, by means of documents submitted to the co-contracting party which will be appended to the agreement or the minutes of a meeting when the confidential information is transmitted orally. A question which comes up frequently when implementing this kind of agreement concerns the freedom for a co-contracting party to develop information which is similar to information which it has received in the context of the agreement.

8.2 Significant cases of jurisprudence

For agreements entered into in the context of business relationships between a party and an independent third party, there are very few significant cases of jurisprudence. Such agreements are frequently invoked in order to deny an act of disclosure when the validity of a patent is being discussed or an action for recovery of property. There is very little case law whose sole subject is the non-compliance with a non-disclosure or non-use obligation and settling the issue of assessing damage. Nevertheless, one can mention the Technip versus ITP case, decision of 18 March 2009 of the Paris Court of Appeal, 4th ch., in which the importance of the definition and the limits of the confidential information, the subject of the confidentiality obligation, was again emphasised.

For agreements entered into between a company and its employee, according to the Court of Cassation decision of 8 Dec. 2009, it appears that a confidentiality clause must be very precise, justified and proportionate, in accordance with the principles set out in Article L. 1121-1 of the Labour Code.
8.3 Contract law or unfair competition law?

In the context of both kinds of agreements referred to in paragraph 1, contract law is the law which applies. Moreover, the Paris Court of Appeal recently reasserted the non-accumulation of contract and tort liabilities (Technip versus ITP case, Order of 18 March 2009 of the Paris Court of Appeal, 4th ch.).

8.4 Obligation of non-disclosure after having left a company

The obligation stipulated in Article L.1227-1 of the Labour Code included in Article L.621-1 of the Intellectual Property Code, which prohibits a director or employee from disclosing or attempting to disclose a trade secret, is applied by the Courts to a former employee. Nonetheless, case law (Paris 23 March 1982, in particular) admits that in his new duties, a former employee is free to use the know-how and experience gained in his previous employment. Thus, the employment contract can also stipulate a confidentiality obligation once the employee has left the company, which cannot, nonetheless, be extended to include everything with regard to the employee’s skillfulness and experience. For all useful purposes, it should be remembered that Article L. 1222-1 of the Labour Code provides that all employment contracts must be performed in good faith. Loyalty and discretion obligations stem from this legal obligation of good faith.

8.5 Existence of US legal theory as regards inevitable disclosure?

No, this legal theory does not exist. In fact, Inevitable Disclosure legal theory allows an employer to have a judge prohibit a former employee from working for a new employer on the grounds that the exercise of this new job would inevitably lead to disclosure and even the use of secrets belonging to it. This legal theory recognises the employer’s right to act preventively, against a risk of disclosure, even before it has occurred. This idea seems difficult to accept in French law, in which a party can be sued only when damage has been caused, which is, of course, not the case when disclosure is merely potential. In the event that disclosure is clearly proven, violation of the non-disclosure obligation described in the previous paragraph can be penalised. For preventive purposes, one can, nonetheless, point out that the employer has the possibility of including a non-competition clause in the employment contract, whose system is very strict, with this clause having to be included in the contract, limited in time and space, having to be subject to financial consideration and having to take the specific features of the employee’s job into account.

9 Common and practical definition of trade secrets
Définition commune et pratique du secret d'affaires

As set out in point 2, there are different definitions of trade secrets in case law, some of which are very restrictive, others broader. The TRIPS Agreement proposes a definition which we feel is adequate in the context of the action in unfair competition. Consequently, our conclusion is that the definition of the TRIPS Agreement, as it stands at present, must be chosen as the reference in national law, and that there is no reason to modify it one way or the other.
10 **What is desired in your jurisdiction?**
*Quels sont les souhaits dans votre pays?*

10.1 In light of the discussion of the previous questions, the insufficiencies or problems which have been identified are as follows:

- The restrictive definition of trade secrets, which have become "manufacturing secrets" in Article L 621-1 of the Intellectual Property Code (*CPI*).
- The restrictive characteristic of national law in relation to the provisions of the TRIPS Agreement, especially with respect to the definition of trade secrets and the absence of measures prohibiting use
- The absence in case law of invoking or applying Article 39.2 of the TRIPS Agreement.
- The absence in case law of invoking or applying Article 39.2 of the TRIPS Agreement.
- The difficulties of ensuring the preservation of the secrets of one or more parties to a proceeding and, in particular, the difficulty of getting the judge to order a measure of confidentiality prohibiting the parties from disclosing to third parties the documents transmitted, the obligation, in order to obtain closed proceedings, for this to be requested by all the parties, and the impossibility for the judge to limit access to judgements or to draft several versions of his judgement (a confidential version for the parties and an expurgated version which would be the only one accessible to third parties).

10.2 A direct invocation or application of the provisions of the TRIPS Agreement could be considered, based on the principle of Article 55 of the Constitution, according to which a ratified treaty takes precedence over national law.

10.3 A revision of the rules of civil (and criminal) proceedings could be considered, in order to better protect the parties’ secrets. Other suggestions could result from comparisons between laws on trade secrets established in other countries subsequent to ratification of the TRIPS Agreement.

11 **What is required for an improved global standard for trade secret protection?**
*Qu'est-ce qui est requis pour une norme globale améliorée de la protection du secret d'affaires?*

11.1 In our opinion, the simplest and most effective way to improve global standards consists of taking the provisions of the TRIPS Agreement as a reference, since it has been ratified by the States which are members of the WTO.

11.2 With respect to the possibilities of harmonising protection during litigation, we should like to point out that this question, which is very complex as we saw in point 6, depends entirely on the civil proceeding rules of each country and associated practices, connected in particular to the organisation of judicial professions. The differences between countries with regard to this matter are considerable and we do not think it is realistic to propose harmonisation measures.
12 What would be a desirable and realistic way to proceed?
Quelle serait la façon désirable et réaliste de procéder?

In our opinion, the realistic way consists of using the TRIPS Agreement as a reference as much as possible, by referring to it in litigation. This should enable case law to develop without any major clashes, depending on the cases in point.