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Trade Secrets: Publication of Decree n°2018-1126 of December 11, 2018 clarifying procedural aspects

Decree n°2018-1126 of December 11, 2018 on the protection of trade secrets (the “Decree”) adopted in furtherance of Law n°2018-670 of July 30, 2018 was published in the Official Journal of the French Republic on December 13, 2018.

This eagerly awaited Decree further details the procedural aspects related to the protection of trade secrets and offers innovative and pragmatic solutions to maintain a balance between the various interests at stake throughout the procedure.

The vast majority of the provisions set forth in the Decree entered into force on December 14, 2018.

The Decree introduces three main changes:

- clarification of the content and legal regime applicable to interim and protective measures that the judge may order on *ex parte* motions or in the context of summary proceedings in order to prevent and put an end to trade secret infringements;
- definition of the procedural rules governing the request for disclosure and production of exhibits;
- harmonization of the provisions and terminology used within the various French Codes.

This article outlines the main procedural innovations introduced by the Decree.

1. **Interim and protective measures to protect trade secrets**

Article R. 152-1-I of the French Commercial Code now provides that the judge may order “*any proportionate interim or protective measures, including with the payment of a penalty for non-compliance*” in order to prevent or to put an end to trade secret infringements.

In this respect, the Decree specifies that the judge may:

- prohibit the perpetration or continuation of acts of use or acts of disclosure of a trade secret;
- prohibit the production, offer, placement on the market or use of products that suspectedly result from a serious infringement of a trade secret;
- order the seizure or the placement in escrow of such products in order to prevent their entry in / movement on the market.

As such, the Decree further details and complements Law n°2018-670 of July 30, 2018 as it provides for the possibility of ordering the seizure or the placement in escrow of products that suspectedly result from a serious infringement of a trade secret in order to prevent their entry in / movement on the market.

In addition, and as an alternative to the aforementioned measures, the Decree innovatively strengthens the powers of the judge by introducing a “*security for cost*” mechanism mainly inspired by the practice of Common law courts^[1].

As such, the French judge may henceforth order the delivery of financial guarantees either:

- by the plaintiff who has been granted interim or protective measures, if the alleged infringement of the trade secret is subsequently found baseless, in order to compensate the defendant or any third-party affected by the measures;
- by the defendant, as a condition for allowing for the continuation of the alleged infringement.

This new mechanism appears to be welcome as it appears to be part of a desire to find a right balance between the infringement of a trade secret and the damage that may result from interim measures for either party.

2. **The provisional placement in escrow of documents obtained in the framework of preparatory inquiries in futurum (literally for the future)**

Wherever the judge is asked to rule on an *ex parte* motion and to order preparatory inquiries *in futurum*, he/she may “*order on his/her own motion the provisional placement in escrow of the requested documents in order to ensure the protection of the trade secret*” (Article R. 153-1 of the French Commercial Code).

The Decree introduces something new here: this measure is only provisional, i.e. “*If no request for amendment or withdrawal of the order is lodged with the judge (...) within one month from its service, the escrow is released and the documents may be sent to the plaintiff*”.

This innovation is particularly interesting as it seems appropriate to preserve the interests of both the plaintiff and the defendant. Indeed, in the absence of a request for amendment or withdrawal, the documents are sent to the plaintiff. If such a request is filed, the judge will hear the parties on this measure.

Lastly, it should be noted that this new measure also applies to so-called “*saisie-contrefaçon*” (i.e. search and seizure in order to document and establish infringements of IP rights).

3. **The protection of trade secrets in the context of the disclosure / production of exhibits**

The Decree creates new Articles R. 153-2 to R. 153-9 of the French Commercial Code that deal with the protection of trade secrets when filing or producing exhibits in the context of a civil or commercial litigation. It specifies how the request for production of exhibits can be made to the judge and clarifies the latter's powers in this respect.

It is, in particular, interesting to note that:

- the party or the third-party who invokes the protection of trade secrets must deliver, within a timeline set by the judge, the full confidential version of the exhibit, a non-confidential version or a summary of the exhibit, and a brief setting out the reasons why such exhibit is to be held secret;
- the judge rules on the production of the exhibit and the manner in which such production must take place, without holding a hearing;
- whenever the judge considers that the exhibit is not necessary for the resolution of the dispute, he/she may decide not to order its disclosure/production.

On the other hand, if the judge considers that all or part of the exhibit is necessary for the resolution of the dispute, he/she may order the production of a non-confidential version or a summary of that exhibit. In that case, the judge must also specify who (in addition to the litigants' legal counsels) will be entitled to access this document.

The Decree specifies that the judge's decision may be appealed against during a 15-day period. However, it must be noted that such decision is not, in principle, provisionally enforceable.

Whenever the request for production of a document is made in the context of a dispute on the merits, it is important to stress that the judge's decision can only be challenged on appeal together with the ruling on the merits.

Again, the Decree seems to strike a fair balance between the interests of the parties.

4. **Confidentiality of judgments**

Lastly, the Decree introduces new Article R. 153-10 in the French Commercial Code. Pursuant to this Article, only a version in which “*the information covered by the trade secret is redacted*” can be provided to third-parties and made available to the public in electronic form.

SOULIER BUNCH

As such, trade secrets are protected not only during the course of the proceedings but also after the end of such proceedings, thereby guaranteeing a maximum protection to the holder of a trade secret.

[1] *Security for costs* is a common law legal concept according to which a party to legal proceedings, generally the defendant, seeks an order from the court requiring the plaintiff to pay a sum of money to the court as security for the potential legal costs likely to be incurred by the defendant in the proceedings in case the plaintiff does not prevail. *Security for costs* can also be sought by the plaintiff against the defendant in respect of any counterclaim filed by the latter.

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