

**DE GAULLE
FLEURANCE
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SOCIÉTÉ D'AVOCATS

Trade Secrets protection, what's next?

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I. SOME KEY FIGURES

2013/2014 “GLOBAL FRAUD REPORT”, KROLL

- In 2012 18 % of companies reported theft of information, in 2013 the percentage increased to 25 %.
- This is due to several factors, such as: Globalization and fierce competition, offshoring, outsourcing, increased use of external consultants, longer supply chains, increased use of Information Communication Technology, increased job mobility.

“STUDY ON TRADE SECRETS AND CONFIDENTIAL BUSINESS INFORMATION IN THE INTERNAL MARKET” – 11.07.2013, BAKER & MCKENZIE

- Trade secrets are considered as important as other forms of intellectual property by companies.
- Over the last 10 years, about one in five company has suffered at least one attempt at misappropriation within the UE.

“TRADE SECRET THEFT, MANAGING THE GROWING THREAT IN SUPPLY CHAINS”, CREATE

- As much as 75 % of most organizations' value and revenues source are in intangible assets, IP and proprietary competitive advantages.
- Intellectual property theft's impact on the global economy accounts for \$500-600 billion in lost sales each year or 5-7 % of world trade.
- 68 % of companies believe they have extensive risk in trade secret theft and only 36 % rated their company compliance program effective.

II. PROTECTION OF TRADE SECRET TODAY

- TRIPS AGREEMENT - ARTICLE 39.2

- “Natural and legal persons shall have the possibility to lawfully prevent information **within their control** from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices so long as such information:
 - (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
 - (b) has commercial value because it is secret; and
 - (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, **to keep it secret.**”

- A FRAGMENTED LEGAL PROTECTION WITHIN EU:

- Not all Member States have adopted national definitions of trade secrets and/or unlawful acquisition, use or disclosure of a trade secret, so that the scope of protection is not readily accessible and differs throughout Member States.
- European Commission Regulation (EC) No 772/2004 of 27 April 2004 on the application of Article 81(3) of the Treaty to categories of technology transfer agreements.

II. PROTECTION OF TRADE SECRET TODAY

- **UNDER FRENCH LAW, NO COMPREHENSIVE DEFINITION**
 - criminal case law in connection with manufacturing secret protection (Article L.621-1 IP Code and Article L.1227-1 Labor Code)
 - civil liability / unfair competition (Article 1382 Civil Code)
 - contractual breach (Article 1147 and 1134 Civil Code)

 - **RECENT CASE LAW HIGHLIGHTS THE APPLICABLE JUDICIAL TEST (CA PARIS, PÔLE 5, CH.11, 12 AVRIL 2013, N 12/21643, CAMILLE C/ THALÈS):**
 - explicit reference to TRIPS agreement - Article 39.2
 - explicit reference to Regulation (EC) No 772/2004 of 27 April 2004
 - trade secret evidenced thanks to documentation:
 - Technical analyses;
 - Contractual documentation, exhibits and confidentiality clauses;
 - R&D process and documentation;
 - Technical processes.
- EVIDENCE OF THE TRADE SECRET RESULTS FROM TANGIBLE DOCUMENTATION AND PROCESS**

III. PROTECTION OF TRADE SECRET TOMORROW : DRAFT DIRECTIVE ON THE PROTECTION OF UNDISCLOSED KNOW-HOW AND BUSINESS INFORMATION

- DEFINITION OF THE TRADE SECRETS: ARTICLE 2

For the purposes of this Directive, the following definitions shall apply:

(1) 'trade secret' means information which meets all of the following requirements:

- (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question;
- (b) has commercial value because it is secret;
- (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, **to keep it secret**.

- DEFINITION OF THE ILLEGAL ACTS: ARTICLE 3

The **acquisition** of a trade secret without the consent of the trade secret holder (theft, bribery, deception, breach or inducement to breach a confidentiality agreement, etc..).

The **use or disclosure** of a trade secret without the consent of the trade secret holder, intentionally or with gross negligence, by a person who is found to meet any of the following conditions: (a) has acquired the trade secret unlawfully; (b) is in breach of a confidentiality agreement or any other duty to maintain secrecy of the trade secret; (c) is in breach of a contractual or any other duty to limit the use of the trade secret.

➔ The question is to know how to objectively demonstrate (i) that the conditions of the protection of trade secrets are satisfied and (ii) the illegal acquisition, use and/or disclosure.

IV. THE IMPLEMENTATION OF DOCUMENTATION PROCESSES OR HOW TO PASS THE JUDICIAL TEST ?

- ❖ **IN PRACTICE, THE FUTURE DIRECTIVE MAY ESTABLISH A REQUIREMENT FOR A PRIVATE FORMALISM TO BE USED AS EVIDENCE BEFORE COURT**
- ❖ **AS A CONSEQUENCE, THE “*HOLDER OF THE TRADE SECRET*” SHALL IMPLEMENT SEVERAL TYPES OF PROCESSES AIMING AT THE:**
 - identification and authentication of the informations to protect;
 - documentation of the origin and the traceability of this informations;
 - document how this information are protected and accessible.
- ❖ **SUCH PROCESSES SHALL INCLUDE FOUR MAIN FLOWS OF INFORMATION:**
 - IT systems;
 - documentation management;
 - employees;
 - third parties: service providers, suppliers, sub-contractors.

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❖ **QUESTIONS?**

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