
Secrecy in French Legal Proceedings Concerning Industrial Property Matters

by Pierre Véron

That which is not secret has no charm. These words of Anatole France were certainly not intended to apply to secrecy in legal proceedings in industrial property matters. However the subject is not without interest or even charm, to the extent that it enables one to discuss the relationship between proceedings in the Court and secrecy, which has always caused difficulty.

We will consider these matters by dealing in turn with :

- secrecy in legal proceedings before the Courts,
- secrecy in other types of legal proceedings.

Secrecy in the preliminary stages of the proceedings :

At this stage, two procedures may cause difficulties :

- one is specific to industrial property matters, and concerns orders for search and seizure for infringement;
- the other is of more general concern but raises questions specific to this subject. This concerns proceedings before Court appointed experts.

Secrecy in relation to applications for search and seizure for infringement:

Secrecy and Retention by the Customs

Several recent statutes have enabled owners of industrial property rights to obtain retention of infringing goods by Customs (article L 335-10 of the Intellectual Property Code for literary and artistic property, article L 521-7 for

designs and models, article L 716-8 for trademarks).

The procedure does not involve a real seizure by the customs nor an order for search and seizure for infringement. The retention by the customs is, in effect, a preliminary to obtaining an order for search and seizure for infringement.

It should be noted for example how article L 335-10 of the Intellectual Property Code is structured.

The Customs department may, on written application by the owner of a copyright or similar right, together with evidence of his/her rights in accordance with the provisions set out in a decree of the Conseil d'Etat, retain, within the scope of customs investigations, the goods which the owner of the right claims to constitute an infringement of such right.

The Public Prosecutor of the Republic, the applicant as well as the person filing the Customs declaration or the holder of the goods are immediately informed by the Customs service of the retention, which has been carried out. The retention measures will be automatically terminated in the event that the claimant has, within the time limit of 10 working days as of the date of notification of the retention of the goods, failed to provide the Customs service with the following :

- either an order issued by the Court for protective measures, as provided by article L 332-1;
- or evidence that it has issued proceedings before the Civil or Criminal Courts and has provided the security required to cover its possible liability in the event that the infringement is not

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subsequently found to have been proved.

The final paragraph of the provision merits our attention to the extent that it releases the Customs service from its secrecy obligations :

For the purposes of the issue of legal proceedings referred to in the previous paragraph, the claimant may obtain from the Customs service the names and addresses of the sender, the importer and the addressee of the goods retained, or their holder, as well as details of their quantity, notwithstanding the provisions of article 59 bis of the Customs Code relating to professional secrecy obligations to which the members of the Customs service are subject.

Therefore, industrial property rights prevail over the generally well-kept professional secrecy of the Customs service.

The application and order for search and seizure of infringement :

The French approach is that the very existence of the application as well as the order for search and seizure for infringement are kept secret. The person subject to the order is not given prior notice, which is very often a necessary condition for the success of the order.

French practice does not have any similar provision to the *schutzschriften* in Germany (preventive request) by which someone fearing that they could be the subject of a procedure similar to a search and seizure for infringement - to the extent that such an order is issued on an *ex-parte* application - may apply as a precautionary measure to the judge liable to issue such an order in order to communicate the defence argument.

Perhaps this approach has some merit and ought to be followed.

Enforcement of the order for search and seizure for infringement:

The question may appear to be unusual : can the search and seizure for infringement itself be kept secret ?

Secrecy may however be necessary where it is required to officially record that there has been a substitution of products in trademark cases. It is certain that one cannot naively expect the bailiff officially recording the substitution to introduce himself, show his professional card and serve the order which he is bearing,

before officially recording the substitution (that is to say, the provision of a different product to that which is requested under a specific trademark).

It is for this reason that the former Statute of 31 December, 1964 on trademarks expressly provided that search and seizure for infringement could be secret:

In the case where it is necessary to officially record the substitution of a product or a service, the bailiff is not required to serve the order, except after delivery of the product or the provision of the service, and where the order authorises several official records of substitution, then only after the final delivery or provision of service.

The Trademark Act of 4 January, 1991 has not expressly reproduced this provision, which therefore does not appear in article L 716-7 of the Intellectual Property Code. The disappearance of this provision would not however appear to have been intended since the Parliamentary debates on the subject are quiet.

By virtue of the general powers conferred upon the President of a Court by the Statutes relating to *ex-parte* proceedings, it is permissible for the President to authorise the bailiff not to introduce himself before proceeding to officially implement the search and seizure for infringement and thus keep the measure secret at least in the preliminary stages.

Conduct of the proceedings for search and seizure for infringement :

The enforcement of the order for search and seizure for infringement will enable those involved to have access to information that the entrepreneur in whose premises the search and seizure is carried out would wish to keep secret.

The status of the persons involved :

The first question is to know who may be involved in the proceedings for search and seizure for infringement, aside from the bailiff and the applicant's patent attorneys whose involvement is to be expected.

Can the applicant himself attend ?

A negative reply would appear to be the accepted wisdom on the subject. This is supported in the Statutes by article 4 of the decree no. 92.755 of 31 July, 1992, which

established the new rules relating to civil enforcement procedures, which reiterated the prohibition which was already contained in article 585 in fine of the former Code of Civil Procedure.

The person who has applied for enforcement measures or protective measures may not attend the enforcement except with the permission of the judge in charge of enforcement where the means of enforcement require it.

Without doubt, this provision was dictated by a requirement for a certain dignity in order to avoid the possibility that the presence of the applicant might antagonise the defendant, rather than to protect secrecy. However the two requirements lead to the same result.

It should also be noted that the most well-informed judges do not sign orders for search and seizure for infringement except where they provide that 'the expert' appointed to assist the bailiff is "not a member of the salaried staff of the claimant".

The case law is sometimes very strict on this point. A judgement of the Tribunal de Grande Instance of Rennes¹ reversed an order for search and seizure for infringement and ordered the claimant to pay damages on the following grounds :

At a time when they were not authorised by the terms of the order, two employees of Scania entered the premises of DTO together with the bailiff enforcing the order. This unlawful entry by persons who were not subject to professional secrecy created a risk of misuse of confidential information not related to any possible infringement, and therefore amounts to tortious conduct.

Nature of the information collected during the proceedings for search and seizure:

The Courts try to ensure that search and seizure orders are not turned into industrial espionage operations. They have gone as far as reversing an order for search and seizure where, during the enforcement of the order, "the bailiff required communication of the list of customers DTOs amongst which were companies which were not involved in the dispute" (Rennes, 28 February, 1994, quoted *supra*). However, more frequently the Courts will take the necessary protective measures to prevent the divulgation of secret information in favour of the claimant :

Whereas the seizure of accounting documents was only required for the purpose of determining the extent of the infringement, and as a result the extent of the damage and loss suffered by the owner of the patent, and in consequence thereof, their physical seizure and even the seizure by way of official record of their existence is unnecessary. It is therefore sufficient in order to safeguard the rights of the patent owner to authorise mere annotation of the accounting books and documents which, due to the secrecy obligation to which the bailiff and the expert involved are subject will prevent the patent owner from becoming aware of the customers of the alleged infringer at this stage of the proceedings.²

A number of decisions on *inter partes* applications have at the request of the defendant provided for the deposit under closed seals of secret materials with the clerk of the Court. These have involved both commercial and accounting documents³, or even samples of products of which the composition was kept secret by the defendant⁴.

Similar provisions are advisable where computer software is concerned.⁵ In other cases, the Courts have ordered investigation by a court appointed independent expert in order to determine what should be kept secret from the claimant or applicant and which information could be communicated to the latter.⁶

It is appropriate at this stage to refer to the protective orders, which the U.S. Courts issue in similar cases on the basis of section 26c of the Federal Rules of Civil Procedure.⁷ Such proceedings may concern disputes with ramifications in France.

The protective orders referred to also show the extent which 'common lawyers' consider that the French orders for search and seizure for infringement may be excessive. There have been cases where the U.S. Courts will order U.S. companies not to use any information of a confidential nature obtained in France within the scope of an order for interim seizure of infringing material, except within the context of the procedure giving rise to the seizure or be liable to sanctions for contempt of Court.⁸

General Search and seizure orders similar to the order for search and seizure for infringement :

It is appropriate to mention, in closing this section, the dangers of *ex parte* applications in ordinary proceedings

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(article 812 of the New Code of Civil Procedure for the President of the Tribunal de Grande Instance and article 875 for the President of the Commercial Court).

It may happen, particularly in unfair competition cases, for example, by way of passing off or fraudulent use of plans, that ingenious claimants may apply to the President of the Court (usually the Commercial Court) for what amounts to search and seizure for infringement, but which is not described as such. Judges who are not familiar with industrial property proceedings, and the difficulties to which they may give rise, occasionally sign orders for these types of procedures.

This uncontrolled practice may give rise to difficulties to the extent that a person not holding a right under private law should be entitled to obtain the benefit, without restrictions, of measures as constraining as those which are allowed by the Statutes in favour of owners of industrial property rights granted by public authorities.

Secrecy and proceedings involving Court Experts:

In contrast with search and seizure for infringement, proceedings involving Court Experts are not restricted to industrial property matters.

However, a review of the latter will reveal the most difficult conflicts between intellectual property rights and trade secrecy.

It will be seen that secrecy is both a matter to be determined by the expert as well as giving rise to legal issues in the expert proceedings themselves.

Secrecy as a matter to be determined by the expert

Industrial property matters are no doubt unique to the extent that the determination of what material is to be kept secret may be the very subject matter of the expert proceedings.

An expert may be appointed, for example, in a matter involving violation of secret processes (article L 621-1 of the Intellectual Property Code) or in a matter involving communication of know-how, to assess whether the technical knowledge concerned was in fact secret.

The greatest interest has been aroused by decisions involving the appointment of an expert for the purpose of carrying out interim seizure of infringing materials, and which have given rise to divulgence of information considered as secret by the holder (usually the defendant).

The dangers which arise from the exceptional pow-

ers granted by Statute to the applicant in interim seizure procedures have been the subject of a research study by the International Association for the Protection of Industrial Property.⁹ The following resolution was adopted :

The Court should take all steps necessary for the protection of trade secrets of the alleged infringer or any person affected by the measures, for example by prohibiting the owner (of the industrial property right) from being present, or by only permitting the attendance of independent experts or advisers subject to confidentiality rules.

A time limit must be defined within which the evidence obtained on enforcement of the order may not be disclosed, in order to enable the alleged infringer or any person affected by the measure, to apply to the Court for other measures appropriate to protect their rights and interests.

In French practice, the 'appropriate measures' are usually the appointment of an expert to determine which information amongst that which has been obtained by the interim seizure order, in fact constitutes a trade secret.

However, those accused of infringement, who are often shocked by the seizure measures to which they are subject, have a tendency to consider that everything which has been recorded or seized is secret. It is therefore necessary to carry out a selection.

A criterion is therefore necessary, this was first established in an order, on *inter-partes* application, of the President of the Lyon Tribunal de Grande Instance:

It is certainly a fact that the divulgence of research or manufacturing secrets apprehended during a search and seizure proceeding, and which are not related to evidence of the alleged infringement, would give rise to irreparable damage for the owner, which the Court on an application of this type must seek to protect.(...) It is equally certain that such divulgence would not be justified for the sole reason that it occurred during the enforcement of a Court ordered interim seizure of infringing material, by virtue of the principle that any right is to be limited to exclude any abuse thereof.(...)

It should not however be left to the discretion of the defendant to determine which documents

found on his premises are or are not confidential, as this would otherwise deprive the owner of the patent of its legal right to obtain proof of infringement, in particular by way of physical or descriptive seizure ;(...)

In consequence, the dispute should be decided by ordering an examination by an independent expert, subject to strict secrecy obligations, under the control of this Court and with the assistance of industrial property advisers chosen by the parties, of all the documents to enable the separation of those documents constituting the evidence from those confidential documents which are not needed as evidence.¹⁰

The same formulation has been used in other decisions.¹¹ The enforcement of those decisions does not appear to have given rise to any particular problems, despite the potential difficulties.

The resulting practice is that, in the first instance, the expert reviews the documents which are claimed to be secret in the sole presence of the lawyers and the parties' patent attorneys. Depending on the observations made to the expert the latter will then make a more or less detailed proposal to classify the documents, depending on the nature of the case, as follows:

- in simple cases, confidential/non-confidential documents,
- in more complicated matters, creation of sub-categories of confidential documents with a given classification, for example: technical, accounting, commercial,
- in other cases, the expert may make up copies of the seized documents blanking out confidential information.

Following the above operations, and where there is a disagreement between the parties, the Court will have to decide whether or not to confirm the selection carried out by the expert.

If the Court agrees with the expert that the matter is not secret, it will then order the seals to be broken and the communication of the documents to the parties.¹²

As a result, the expert procedure enables a determination as to which documents are subject to industrial or commercial secrecy and should not be subject to interim seizure. However, in other cases the question of secrecy will merely be an incident in the proceedings before the Court expert.

Secrecy as a legal issue in the proceedings before the

Court Experts :

In this second hypothesis, the question of whether any information is secret is no longer the main object of the proceedings before the Court expert.

It may happen during the proceedings involving the Court expert in the ordinary way, that one of the parties refuses to provide information to the other, invoking its secret nature.

It may also occur where the expert is requested to deal with technical matters, for example, concerning the existence of the alleged infringement, that the defendant will indicate that the formula of the litigious product comprises components which are not the subject of the proceedings, and whose existence is secret.

To give another example, where the expert is dealing with accounting questions which the Court has ordered to be investigated in order to calculate the amount of damages following a decision that there has been an infringement, the defendant may refuse to communicate the list of customers claiming that such information is of a confidential nature.

It then has to be determined how to reconcile, in such cases (a), the need for full disclosure of all documents provided to the expert to all the parties involved, in order to comply with the principle of natural justice, with (b) the secret nature of information provided to the expert.

In practice, there are a number of solutions to this difficulty, which in general provide a satisfactory answer.

First of all, in numerous cases, the parties accept, without difficulty, that the expert will proceed alone with certain investigations (audit of accounts for example) in respect of confidential documents, on the basis that the expert will then provide the parties with a report at a later meeting between the expert and the parties.

In an order addressed to an expert, the judge in charge of preparing cases for trial at the first chamber of the Amiens Court of Appeal formulated the following order to the expert :

In a case involving commercial companies, you should not violate business secrecy by communicating to X or Y the accounting documents which may contain information which is not the subject of this litigation. You should comply with the provisions of article 15 of the Commercial Code, and only extract the documents that have been provided to you concern-

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ing the subject matter of this litigation and which will enable you to reply to the questions raised by the Court.¹³

A similar formulation is to be found in an order of the judge in charge of preparing cases for hearing at the Court of Appeal in Dijon.¹⁴

Whereas expert proceedings should be carried out in accordance with the principles of natural justice, each party being represented by a person of its choice.

However, the distribution agreement may contain clauses which should not be brought to the attention of competitors.

The examination of this document will therefore be carried out by the expert alone on the basis that he will then inform the parties of the provisions which may have an effect on the litigation and which should be submitted to the parties for debate.

However, in other cases, such provisions may not be sufficient, since the parties will wish to be able to check the information provided by the expert. Thus for example, the parties will wish to check the components of cost indicated by the patent owner who is claimant in infringement proceedings. In such cases, practitioners have developed a formula which enables the advisers of the parties to attend the expert's investigations and to be informed of confidential information.

In the note quoted above, the judge in charge of preparing cases for hearing at the Amiens Court of Appeal, provided as follows :

In order to ensure that the principle of natural justice is complied with, it is appropriate that X and Y appoint a technician, as has been proposed by the expert, to attend your investigations at the registered office of A in order to ensure more detailed review.

It goes without saying, that, in order to preserve trade secrets, the technician should not be an employee, but a professional person, subject to professional secrecy obligations, and who would be liable for negligence in the event that he revealed to his clients any information which was not the subject of these proceedings.

It should be noted that this practice would appear to be quite widespread in medical expert proceedings, where

the principle of human dignity requires that the examination of the victim should not be conducted by the expert doctor in the presence of the tortfeasor. In this case, it would be a medical adviser who would attend at the examination.¹⁵

In a resolution of 24 May, 1994, the Association of Industrial Property Lawyers strongly recommended this formulation.¹⁶ The Paris Bar Council did the same shortly afterwards.¹⁷

It may be observed that the position of the adviser who may come into possession of confidential information provided to him or her on a confidential basis by the adversary is not an easy one.

In this case, the adviser will have to explain to his/her own client that he/she may not be able to reveal all such information, and that he/she will be required to filter the information.

This explains why the reference made in this field to professional secrecy to which professional advisers are subject may not be sufficient. In normal terms, the professional secrecy only covers the information which is provided by a client to his/her adviser.

The answer is to be found in my view in more general ethical obligations to which reference must be made, in order to justify the fact that an adviser may come into possession of secret information which he/she may not be able to transmit as such to the client. In fact, this system operates reasonably well, and has not apparently given rise to difficulties or even the exclusion of expert proceedings from the evidence.

We will now turn to consider the situation at the time of judgement where there are quite specific provisions concerning industrial property.

Secrecy at the trial itself :

Before coming to deal with the secrecy of the hearing and the judgement in industrial property matters, we should first refer to a very specific French statutory provision, which has an effect on the collection of evidence in this field before foreign Courts.

Statute of 16th July 1980 concerning the communication to foreign public authorities of industrial or commercial information :

This statute¹⁸ which is not widely known, prohibits, in principle, French nationals from communicating industrial and commercial information to foreign Courts for the purposes of collecting evidence where this occurs outside the scope of procedures organised under inter-

national conventions concerning judicial assistance.

The prohibition referred to is subject to criminal sanctions. It has been claimed that this statute was only voted to counteract the excessive curiosity of U.S. adversaries of French companies in the discovery phase of proceedings.

It has also been claimed that the criminal sanctions contained in the statute were for the exclusive purpose of enabling French companies to refuse to comply with excessively detailed discovery requirements on the basis that they had a lawful excuse.

It is interesting to see how the U.S. Courts have dealt with this lawful secrecy excuse.

In the case of *Graco versus Kremlin and SKM*¹⁹, the District Court of Illinois did not hold the French statute in high esteem, and rejected the application by the French company SKM and its U.S. subsidiary Kremlin who were claiming, in effect, that they had a lawful excuse under the French statute of 16 July, 1980.

The Court, having impertinently remarked that no criminal sanctions had ever been pronounced in France by virtue of the said statute, gave judgement in trenchant terms:

The statute of 16 July, 1980 is not Graco's (the U.S. party) problem, neither is it the problem of the Court. It is SKM's problem. By adopting this statute, France imposed on its own nationals a serious handicap. If SKM is not in a position to satisfy the order of the Court, then it runs the real risk of having a default judgement issued against it, as well as other severe sanctions. Even if SKM can avoid the more severe sanctions by proving its good faith, it may however suffer from the fact that the Court will determine the facts of the case in an unfavourable manner against it.

It would not be right to say that our French statute on secrecy has therefore been widely accepted by the U.S. Courts.

Secrecy of the hearings and judgement in industrial property matters in France :

Title VI of the Intellectual Property Code, which deals with patents, lays down certain specific provisions which provide for the secrecy of hearings in industrial property matters.

It may, in effect, be prejudicial to the interests of a party in proceedings which relate, for example, to the

original nature of a manufacturing process which has been kept secret, that such process be divulged and exposed in detail in a public hearing.

It is true that under article 435 of the New Code of Civil Procedure, the judge *may* decide that the hearings should be heard in chambers if all the parties request it, but, firstly, not all the parties may request this in such a situation, and secondly, the statute only gives the judge discretion. This is why certain provisions lay down an obligation to hold the hearings in camera:

- article L612-10 of the Intellectual Property Code concerning the compensation of the owner of a patent application being subject to an extension of the prohibition of divulgation and publication,
- article L613-19 and L613-20 of the Intellectual Property Code respectively relating to compulsory licences and expropriation for reasons of national defence.

Even more unusual are the provisions of articles R613-37 and R613-42 of the Intellectual Property Code (formerly articles 34 and 39 of the decree of 18 October, 1969), which provide that in the same circumstances, the Court seized of a matter "both at the trial and in interlocutory proceedings should determine the matter by decisions which will not contain any analysis of the invention in such a manner as to involve divulgation."

It is in effect exceptional that a statute imposes such limits on the manner in which the Court is to draft its decisions. However, even these provisions go much further by providing, exceptionally, that "the decisions shall be issued in chambers. Only the Public Prosecutor, the parties or their representatives may obtain a copy thereof". This involves a derogation from the principles laid down by articles 11.2 and 11.3 of the statute no.72.626 of 5 July, 1972 concerning the public nature of judgements.

It is therefore in this way that the necessities of secrecy in industrial property matters and general principles of litigation, which may be affected by such necessities, are reconciled in proceedings before the ordinary Courts.

Secrecy in legal proceedings of a public nature :

The European Patent Office and the French National Institute of Industrial Property (Institut National de la Propriété Industrielle) :

Decision G10/91 of the Board of Appeal²⁰ has decided that the opposition procedure, at least at the appeal

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stage, is in the nature of a Court proceeding. By virtue of article 116(4) of the Munich Convention on the European patent :

Oral proceedings, including the delivery of the decision, shall be public, as regards the Boards of Appeal and in the enlarged Board of Appeal after publication of the European patent application and also before the Opposition Divisions, in so far as the department before which the proceedings are taking place does not decide otherwise in cases where admission of the public could have serious and unjustified disadvantages, in particular for one a party to the proceedings.

It may be questioned whether the opposition procedures established by article L712-4 and L712-5 of the Intellectual Property Code in trademark matters, are in the nature of Court proceedings.

In any event, there is no provision in article R712-6 of the Intellectual Property Code (formerly article 15 of the decree of 30 January, 1992) for the public nature of the 'oral observation' phase.

The National Commission of Inventions by Salaried Employees :

Although it may be open to dispute to include the National Commission on Inventions by Salaried Employees amongst organisations in the nature of Courts - since this Commission formulates conciliation proposals - it may be interesting to note the confidential nature of its meetings, which is laid down by article R615-22 of the Intellectual Code (formerly article 27 of a decree of 4 September, 1979):

Except with the permission of the President, only the members of the Commission and the National Institute of Industrial Property as well as the parties and the persons assisting or representing them shall be present at the conciliation hearings.

One should however deplore the fact that it has been deduced from the private nature of these hearings that there is a general principle of confidentiality of the proposals formulated by the Commission. In fact, having for a time anonymously published the nature of its proposals, the Commission then decided to keep them secret. This is to be regretted since the

publication of information in the nature of 'case law' is an important element of ensuring legal certainty. It is therefore to be hoped that the commission whilst remaining discreet should nonetheless be less secretive.

Secrecy in legal proceedings of a private nature :

Arbitration :

Whilst there is sometimes a debate as to whether arbitration has the advantage of speed and economy, it is not disputed that this method of dispute resolution has the advantage of confidentiality. In fact, arbitration proceedings are by their very nature private, even if the existence of the arbitration may become known in the event of an appeal. It is for this reason that arbitration awards are never published as case law, without all the necessary precautions being taken to ensure that the parties may not be identified. However, it does occur when one of the parties claims by way of reparation that the award be published in the trade press, as is frequently the practice for decisions of the Court in unfair trading cases and industrial property matters.

A recent arbitral award issued in proceedings of the International Chamber of Commerce (award)²¹ has reiterated the fact that confidentiality is obligatory in arbitration proceedings :

Such a publication might be justified where, by its conduct, X had disparaged (the technology of Y) or at the very least caused the former serious confusion in the market place. Y which has not proved the existence of such tortious conduct nor of any such confusion, should therefore fail on this particular claim. This decision is in any event in conformity with the spirit of any arbitration proceeding which is based on the search for a discreet resolution of a dispute between two or more parties.

The regulations of the arbitration institutions provide in fact for such confidentiality. Thus, the recent arbitration rules of the World Industrial Property Office provide for appropriate and detailed provisions to enable the preservation of "the confidential nature of the existence of arbitration" (article 73) and the "confidential nature of information divulged during the arbitration proceedings"(article 75). In addi-

