Published on 26 December 2016 by **Laure Marolleau**, Member of the Paris Bar
l.marolleau@soulier-avocats.com
Tel.: + 33 (0)1 40 54 29 29

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Legal privilege under US law vs. French right to evidence

Can legal privilege under US law prevent the enforcement of a preparatory inquiry *in futurum* (literally for the future) ordered in France?

Under French law, preparatory inquiries *in futurum* are designed to establish or preserve evidence, most of the time in connection with a future trial. Their implementation may be hindered by several barriers, including business secrecy, professional secrecy, employees' right to privacy, or else the interference with the specific procedure called *saisie-contrefaçon* (i.e. search and seizure to document and establish infringements of IP rights).

In a decision issued on November 3, 2016, the *Cour de Cassation* (French Supreme Court) ruled on the tricky issue of how to accommodate the protection of professional secrecy and the right to evidence in an international context.

The *Cour de Cassation* was asked to rule on this issue in connection with a dispute between the French companies Technicolor SA and Thomson Licensing SASU and the US company Technicolor USA Inc. (hereinafter collectively the "Technicolor companies") on the one hand, and the US company Metabyte Inc. (hereinafter "Metabyte") on the other hand.

After taking control of the US company MNI held by Metabyte, the Technicolor companies decided to sell off MNI's assets that primarily consisted in patents. In circumstances challenged by Metabyte, the patents were sold to Thomson Licensing.

Metabyte then asked the French judge to appoint a bailiff to visit Technicolor companies' premises located in France and to collect any and all documents related to the exploitation and sale of said patents. It explained that it had an interest in obtaining such documents in order to subsequently use them in proceedings on the merits that it contemplated initiating against the Technicolor companies.

In principle, French rules of civil procedure require that the parties themselves establish the evidence to support their claims[1]. They do not provide for mechanisms such as discovery in the United States of America or disclosure under English law[2].

Yet, French rules of civil procedure allow to efficiently obtain pieces of evidence prior to any trial through "*legally permissible preparatory inquiries*" ordered by the judge upon ex parte motions[3] or in summary proceedings wherever "*there is a legitimate reason to preserve or to establish, before any legal process, the evidence of the facts upon which the resolution of the dispute depends.*"[4] As such, the plaintiff must prove that he has a "*legitimate reason*" to ask for the preparatory inquiries in view to subsequently initiating proceedings before the trial judge.

The French judge considered that such a legitimate reason existed in the matter at hand, and instructed a bailiff to collect and keep in escrow the documentation which included correspondence between in-house lawyers of the Technicolor companies.

The Technicolor companies challenged the judge's order that had appointed the bailiff[5], on the basis of the legal privilege that protects such documents, while Metabyte asked for the release of the escrowed documentation.

The Court of Appeals of Paris refused to withdraw the judge's order, and ordered the production of the escrowed documentation.

The Technicolor companies lodged an appeal before the *Cour de Cassation* and strongly challenged the judgment of the Paris Court of Appeals: According to them, collecting correspondence protected by the legal privilege under US law was not only a breach of US law (in particular the Restatement (third) of the Law Governing Lawyers §119 (2000)) but also a breach of French law (in particular Article 145 of the French Code of Civil Procedure that authorizes "*legally permissible preparatory inquiries*"). In addition, as this preparatory inquiry was an interim measure, keeping the documents in escrow until the conduct of proceedings on the merits was essential to prevent any breach of a foreign law that could potentially be applicable to the substance of the dispute.

The *Cour de Cassation* rejected these two arguments.

It should be recalled that the *Cour de Cassation* already ruled that, in the context of an international dispute,

the implementation of preparatory inquiries on the basis of Article 145 of the French Code of Civil Procedure is governed by French law and does not impose to the judge the obligation to characterize the legitimate reason to order a preparatory inquiry under the law that may be applicable to the proceedings on the merits that could potentially be initiated[6]. In other words, the "*legitimate reason*", the existence of which is a perequisite to preparatory inquiries *in futurum*, must be assessed under French law, not under the "hypothetical" foreign law that may be applicable to the merits of the case.

This solution has not been unanimously supported. It is understandable that the French judge, a judge ruling on obvious facts, ordering interim relief measures in the framework of a fast-track procedure in connection with a hypothetical dispute on the merits, can hardly be forced to rule in accordance with a foreign law that he/she has no knowledge of, notwithstanding the fact that the determination of the applicable law itself may raise serious objections. Yet, on the other hand, one might question the usefulness of a preparatory inquiry if it appears right from the start that such inquiry will not help resolve the dispute.

The *Cour de Cassation* considered that the preparatory inquiry sought by Metabyte was governed by French law and, therefore, ruled that such preparatory inquiry "*was legally permissible insofar as it infringed neither the proportionality principle – which was not claimed – nor the fundamental freedoms, among which the internal rules regarding the protection of the confidentiality of correspondence between a client and his/her attorney and between attorneys, since* [in the matter at hand] *the documents were exchanged between in-house lawyers who do not have the status of attorney under French law*."

The *Cour de Cassation* pursued its reasoning and approved the production of the collected and escrowed documentation on the ground that "*business secrecy and professional secrecy do not in themselves constitute an obstacle to the application of the provisions set forth in Article 145 of the* [French] *Code of Civil Procedure*" and that "*the only reservation about the production of the escrowed documents concerns the confidentiality of correspondence between attorneys or between a client and his/her attorney, as prescribed by Article 66-5 of Law n°71-1130 of December 31,971"*, which was not applicable in matter at hand.

This decision clearly illustrates the differences that exist in civil law and common law countries with respect to the protection of confidentiality, between the French concept of professional secrecy of attorneys and the Anglo-American concept of legal privilege, as well as the close connection between these concepts and the rules of evidence applicable in such countries.

[1] Article 6 of the French Code of Civil Procedure: "*In support of their claims, the parties must put forward the relevant facts supporting such claims.*" and Article 9 of the French Code of Civil Procedure "*Each party is under the duty to prove, in accordance with the law, the facts that are necessary for the success of his claim.*"

[2] Cf. article entitled "*Common law vs. Civil law: Cultural gaps in the rules of evidence*" published in our June 2015 e-newsletter.

[3] Article 493 of the French Code of Civil Procedure: *"An ex parte order is a provisional order given without trial in cases where the petitioner has good reason for not summoning the opposing party"*. Preparatory inquiries *in futurum* may be ordered upon ex parte motions only if the circumstances require that they be not ordered in the presence of the opposing party in the context of summary proceedings. The "surprise" effect becomes then a condition for the effectiveness of the ordered inquiries.

[4] Article 145 of the French Code of Civil Procedure: ""If there is a legitimate reason to preserve or to establish, before any legal process, the evidence of the facts upon which the resolution of the dispute depends, legally permissible preparatory inquiries may be ordered at the request of any interested party, by way of an ex parte motion or by way of summary proceedings."

[5] A court order issued on ex parte motion can be challenged by way of summary proceedings to obtain the withdrawal of said order, as per Article 497 of the French Code of Civil Procedure; these proceedings allow for the resumption of an open debate before the judge who ordered the preparatory inquiry.

[6] First Civil Chamber of the *Cour de Cassation*, July 4, 2007 – n°04-15.367.