

FOCUS :

Contract Law Reform: Our practices are going to change!

Order n° 2016-131 of 10 February 2016 reforms contract law. We have highlighted from among the new provisions those which appear the most important and/or in line with contracts in the Intellectual Property and Information Technology domains.

Contract Negotiation – new Articles 1112 and seq. of the Civil Code

In the context of negotiations, the parties are free to conclude or break-off negotiations. However, the new text provides that the misconduct committed in the negotiations and their wrongful termination can be remedied. The injured party cannot, on the other hand, invoke damages from a lost opportunity to contract.

A duty to provide information is incumbent upon the parties regarding any information determining the consent of the other party and that might have been legitimately overlooked. This duty to inform does not, however, bear on the estimate of the value of the object of the contract. A breach of this duty could (i) entail the liability of its perpetrator and (ii) result in the nullity of the contract for defect of consent, and this even more so since the misrepresentation (“dol”) by willful omission is now codified.

Finally, the text sets forth a legal general confidentiality obligation that may engage the liability of a party who uses or discloses confidential information obtained under the negotiations. These provisions would permit the securing of the negotiations, particularly when sensitive information is exchanged, for example concerning an invention for which a patent application is about to be filed, or in the context of negotiations of an R&D or know-how contract. The means to sanction the violation of confidential information already existed, but the text has the merit of validating it legislatively.

Disappearance of the cause – new Articles 1128, 1168 of the Civil Code

The key requirements for the validity of contracts have been modified. The following will now be required: (i) the parties’ consent, (ii) their capacity and (iii) a lawful and specific content.

Concerning this last criteria, the text provides that any clause that removes a party’s essential obligation shall be deemed unwritten. This provision results from the case law known as “Faurecia”, by which limitation of compensation clauses contradicting the scope of one party’s fundamental obligation must be deemed unwritten.

The scope of this rule is now general and is no longer meant to only apply to limitation of liability clauses.

Adhesion Contracts – new Articles 1110, 11171 and 1190 of the Civil Code

The concept of an “adhesion contract” made its entrance into the Civil Code as a contract for which the general terms and conditions are defined in advance by one party and are not negotiated, such as the General Sales Terms and Conditions or the general terms of use, for example, in an e-commerce framework.

Any clause provided in these contracts that creates a significant imbalance (unrelated to the main object of the contract or to the adequacy of the price) shall be deemed unwritten.

This transposition of consumer law principles to the common law of contracts could apply to B-to-B relationships, which may imply, among other things, a review of the general sales terms and conditions, particularly in the realm of e-commerce.

In the event of any doubt regarding the interpretation of an adhesion contract, the text provides that the interpretation will play against the party who submitted it.

Change of circumstances after concluding a contract – new Article 1195 of the Civil Code

According to established jurisprudence, when an unforeseeable and unpredictable event changing the circumstances occurs during the performance of a contract (“imprévision”), a party cannot ask the Judge to revise the terms.

Now, in case of an unforeseen change of circumstances rendering the fulfillment of the contract unduly onerous for a party who had not accepted the risk, and failing an agreement between the parties, the party may seize the Judge (i) to revise the contract or (ii) to terminate it.

This new possibility could, for instance, be applied in the context of license agreements subjecting the licensee to guaranteed minimum royalties, which could not be satisfied.

Abuse of dependency – new Article 1143 of the Civil Code

Abuse of dependency, particularly economic, is a new case of coercion. It constitutes a defect of consent in that the party obtains a commitment that it would not have otherwise obtained and from which it draws manifestly excessive advantage.

This provision will have echoes in all contracts concluded between parties who are not in the same situations of power. One naturally thinks of certain service agreements, contracts relating to author’s and neighboring rights, etc.

Creation of “query” actions - new articles 1123, 1158 and 1183 of the Civil Code

The new provisions of the Civil Code set forth the possibility to address a party to a contract when a situation is ambiguous in order to know his or her intentions.

Such an action is provided for a pre-emption agreement, for example, allowing a third-party to address the beneficiary in order to request confirmation of the agreement’s existence and if he or she intends to invoke it.

This possibility will find application in the context of pre-emption agreements binding an author and an editor or an artist and a record label for instance.

This query mechanism is also provided when a cause of nullity temporarily existed in a contract. A party can interrogate the other, requesting (i) confirmation that the contract will be maintained or (ii) the bringing of an annulment action within 6 months, thus removing the doubt regarding a possible future nullity suit against the contract.

Entry into force

The provisions of the Order enter into force on **1 October 2016**, except for the provisions concerning query actions, which are immediately applicable.

Contracts concluded before this date are still governed by the previous law.

CASE LAW NEWS

Rejection of a Coca-Cola 3D trademark for lack of distinctiveness

Coca-Cola applied for the registration of a community 3D trademark in the form of a bottle without grooves, which the European Union Intellectual Property Office (“EUIPO”, former OHIM) refused for lack of distinctiveness.

Coca-Cola lodged an appeal before the European Union’s General Court (EUGC) in order to show that the requested trademark had become distinctive through use.

The EUGC considered that, in accordance with community case law, the distinctiveness should not be demonstrated country-by country, but

for a “significant portion” of the relevant public. To this end, Coca-Cola had surveys carried out in 10 of the 27 countries of the European Union of the period in question (including Germany, France, the United Kingdom and Italy).

According to the EUGC, the result of these surveys cannot be extrapolated to the remaining 17 member States, even more so as the surveys provide no information for the States that joined the EU in 2004 (primarily the eastern States) even if the surveys had been conducted in Poland and Estonia, which justified, among other reasons, the upholding of the EUIPO’s decision.

EUGC, 24 February 2016 – T411/14

Protection conferred to a well-known trademark

The company owning the well-known trademark “Maison du Monde” initiated an action for unfair and parasitic competition against the company GIFI, as well as an action for infringement of its trademark. The French Supreme Court overturned the ruling of the Court of appeal that rejected the claims, considering that no risk of assimilation between the two brands existed.

The Supreme Court recalls that *“the protection conferred to well-known trademarks is not subordinate to a risk of assimilation or confusion; it suffices that the degree of similarity between such a trademark and the sign leads the relevant public to establish a link between the sign and the trademark”*.

Cass. Com., 12 avril 2016 – n°14-29414

Significant use of a trademark belonging to a family of brands

The French Supreme Court observes that a trademark holder (in this case, “Micro Rain”) cannot rely on the use it makes of another trademark in the same family (“Mini Rain”) to prove significant use of the former and thus avoid its revocation for lack of genuine use.

Cass. Com., 19 January 2016 – n°14-18434

Liability of a previous trademark licensee for online advertisements that he was unable to have removed

A Hungarian mechanic licensed by the holder of the Mercedes Benz trademark placed, with the trademark holder’s agreement, internet advertisements indicating that he was an “authorized Mercedes Benz repairman”

The mechanic’s license having been terminated, he requested in vain that these advertisements be removed. The licensee’s attempts (sending of letters) having been unsuccessful, the trademark holder initiated proceedings before the Hungarian courts, who referred to the European Union’s Court of Justice (EUCJ) for a preliminary ruling on the prohibition possibilities.

According to the EUCJ, the holding of the advertisements on the internet, which the advertiser had requested be removed and which the website’s owner did not remove, must not be analyzed as a utilization of the

trademark attributable to the advertiser. Only a third-party who has direct or indirect control of the act constituting the alleged utilization can comply with the trademark holder’s prohibition request.

The owner could, however, demand compensation due to an economic advantage that the advertisements may have procured for the mechanic on different ground, and /or take action against the owner of the website.

EUCJ, 3 March 2016 – C-179/15

Reservation of a competitor’s domain name the day after its expiration

A company owned a domain name, made up of its company name, logo and trade name.

The day after its expiration, a competitor, who has the same highly specialized activity in a shop located 700 meters away from the company’s shop, reserved this domain name.

The French Supreme Court upheld the judgement of the Court of Appeal in that it held that the conduct gave rise to a risk of confusion between the two companies, in order to capture the clientele of the former, thus justifying the award of damages and interest as compensation (i) for the detrimental dilution of the logo and domain name’s power of attraction and (ii) for harm to the company’s image.

Cass. Com., 2 February 2016 – n° 14-20486

Distribution of products on an online pharmacy platform

The company Caudalie implemented a selective distribution network for its products, structured by two distribution contracts, one of which concerns pharmacy sales, and the other online sales, it being specified that online sales are solely allowed via the distributor’s own site.

The company eNova, by providing pharmacies with the possibility of selling their products online, via its “1001 Pharmacies” platform, was prohibited, in summary proceedings, from the online sale of Caudalie products, on the grounds of manifestly unlawful disturbance, as eNova is not part of Caudalie’s selective distribution network.

Hearing the appeal of the summary judgement, the Court of Appeal found that the general prohibition of the use of an online

marketplace could indeed constitute a manifest restriction of competition and is thus illegal.

This means, that the stakeholders must provide a sound justification if they wish to impose such a restriction. This principle applies even if they normally negotiate the distribution of their products in the physical realm by concluding exclusivity agreements.

CA Paris, Pôle 1 Ch.3, 2 février 2016

Conditions of reliability for electronic signatures

The secured electronic signature benefits from a presumption of reliability when this procedure is established in compliance with certain conditions defined under Article 1316-4 of the Civil Code.

An individual contested having signed an application for complementary insurance on the internet. The Supreme Court recalls that when it is contested, the trial judges are required to verify the conditions of the signature's validity.

The signature must therefore allow for the verification (i) that the signatory's identity is guaranteed with the instrument to which it is attached, (ii) that the instrument's integrity is assured, (iii) that it proceeds from a security device for electronic signature creation, (iv) and that the verification of this signature is based on the use of a qualified electronic certificate.

Cass. Civ.1, 6 avril 2016 – n° 15-10732

IN BRIEF

The French National Assembly adopted the [bill for a Digital Republic](#) (known as the “Lemaire Act”) on 26 January 2016. The government undertook the accelerated procedure on the text, which means that in principle it will only be read once at the Assembly National and in the Senate. We will report on the provisions of this text in our next newsletter.

According to the study by PwC on corporate fraud, “Global Economic Crime Survey 2016”, [68% of French companies state that they have been victim of IT fraud](#) during the last 24 months. This figure has risen since 2014 (55%) and is significantly higher than the global average (36% in 2016).

PRACTITIONER'S CORNER:

THE EU-U.S “PRIVACY SHIELD” AGREEMENT

The European Commission published the draft of the decision on the “Privacy Shield” agreement on 29 February 2016.

This new agreement was made necessary following the ECJ's invalidation of the “Safe Harbor” of 2000 on international data transfers from Europe in a 6 October 2015 decision (aff. C-362/14, Schrems), and the revelations regarding mass surveillance made in 2013.

Privacy Shield aims at providing EU citizens with the guarantee that their personal data will benefit from the same protection on US soil as it does in the European Economic Area.

What guarantees that personal data protection will be respected?

This new framework would apply to any American company processing personal data and providing services on the European market.

Effective protection of EU citizens: Requirement for companies to respond to complaints within 45 days.

Several redress possibilities:

- Out-of-court dispute resolution will be made available free of charge.
- Citizens may also contact their national data protection authority, which will collaborate with the Federal Trade Commission.

An annual joint review:

The European Commission and the American Secretary of Commerce will undertake a joint review of Privacy Shield, which will take place

annually and deal primarily with the question of access for national security purposes.

What are the immediate practical consequences for companies?

The invalidation of Safe Harbor results in its retroactive disappearance: companies continuing to make transfers on the basis of Safe Harbor are therefore operating illegally.

While awaiting the final validation of Privacy Shield, companies can adopt the alternative mechanisms provided by the 1995 Directive 95/46CE to legalize their transatlantic transfers:

BCRs (Binding Corporate Rules):

BCRs are an internal code of conduct for a company or group, imposing principles reiterating the fund rules of the 1995 Directive upon its members. However, the validation procedure for the BCRs by the protection authorities is long and the BCRs do not apply to transfers outside of the group.

MCCs (Model Contractual Clauses):

MCCs are the standard model clauses adopted by the Commission. Their implementation could prove limiting when the transfers in question are complex and varied.

Ultimately, however, one cannot exclude a revision of the MCCs in order to include specific guarantees on the access to personal data by the American authorities and to upgrade the requirements in accordance with the Draft European Regulation for the Protection of Personal Data.

Schedule

24 February 2014: enactment of the Judicial Redress Act, law providing European citizens with the ability to initiate legal proceedings in the American courts in the event of improper use of their personal data.

12 and 13 April 2016: The W29 rendered its opinion over the assessment of the draft adequacy decision. The w29, while noting major improvements, considers that some key data protection principles are not reflected in the draft. For instance, additional recourses offered to individuals appear to be too complex and thus may be ineffective.

Therefore, the W29 requests clarification to ensure that data protection offered by the Privacy Shield is essentially equivalent to that of the EU and that it should be consistent with the new EU General Data Protection Regulation.

FIRM NEWS

Pierre and Jean-Guy will attend the INTA (International Trademark Association) conference that will be held in Orlando at the end of May. This will be an opportunity to exchange with clients and colleagues from many countries.

Jean-Guy and the white collar crime team of Altana have provided training on “cybersecurity in 2016” for the DII (Development Institute International).



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