

27 June 2018

Italy – Trade Secrets: new regulation for a better protection



Last 7 June, legislative decree no.63 of 11 May 2018 implementing EU Directive no.2016/943 of 8 June 2016 on “*on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure*”, was published in the Official Journal of the Republic of Italy, pursuant to article 15 of Delegated Law no. 163 of 25 October 2017.

The purpose of this act was twofold: on the one hand, it assisted in matching the already existing Italian legislation – in particular, articles 98 and 99 of the Italian Code of Industrial Property – with the new EU legislation; whilst, on the other hand, it implemented new and more effective provisions of law on the protection of trade secrets.

The European Union introduced Directive no. 943/2016 in order to harmonize and ensure consistent protection of know-how and trade secrets on European level: in fact, irrespective of article 39 of the TRIPs Agreement, Italy was the only EU member having a domestic definition and a specific protection of trade secrets and no EU law has been passed governing their unlawful acquisition, use or disclosure. This factor weakened the ability of several countries to protect one of the most prominent intangible assets for industry 4.0 and next-generation innovative businesses.

Amid this European scenario, Italy maintained a privileged position *vis-à-vis* most of the other Member States, since provisions for specific protection of business know-how and confidential information had already been laid down under articles 98 and 99 of the Italian Code of Industrial Property. This is why **Italian lawmakers intervened in articles 98 and 99 of the Italian Code of Industrial Property** to merely replace the former language

“business information and expertise” with the notion of “trade secrets”, while basically leaving the protections envisaged in article 98 of the Italian Code of Industrial Property unchanged to its earlier version, which was already in line with the EU rules.

Apart from this, the **legislative decree** supplemented the applicable rules and **improved the standards of protection of trade secrets**, pursuant to EU Directive no. 2016/943, to enable judicial decisions in protection of trade secrets to be weighed against, *inter alia*, the significance of such information, its importance for the claimant, and the precautionary measures implemented by the owner thereof.

In the first instance, paragraph 1-*bis* of article 99 of the Italian Code of Industrial Property has been introduced to **take negligent behaviours into consideration** on the matters of infringement of trade secrets, so that the acquisition, use, or disclosure of trade secrets may be held unlawful even when, at the time of the challenged circumstances, the individual was, or should have been, aware, as the case may be, that the trade secrets had been directly or indirectly obtained by the party that unlawfully used or disclosed them.

Quite the reverse, article 9, paragraph I, of the Directive has been fully implemented in article 121-*ter* on the **preservation of confidentiality of trade secrets in the course of legal proceedings**, irrespective of these being for precautionary measures or on the merits of the unlawful acquisition, use or disclosure of such trade secrets. According to such new provision of law, any (ordinary, civil or criminal, administrative or accounting) court of law will be entitled to prevent the counterparties, their representatives and advisors, legal counsels, clerical staff, witnesses, any court-appointed or delegated experts, and any other persons having access to the decisions, briefs and documents included in the court file, from using or disclosing the trade secrets discussed in the proceedings that the court may classify as confidential. In addition, it is expressly provided that such a prohibition shall maintain full force and effect after the conclusion of the proceedings in which scope it was imposed, while *vice versa* its effectiveness will be forfeited (i) in the event that the lack of the requirements set out in article 98 of the Italian Code of Industrial Property in order to have a valid trade secret is assessed by ruling, or (ii) where the trade secrets fall in the public domain or become easily accessible to industry players and experts.

Furthermore, in the same article **specific measures** were laid down for the **preservation of confidentiality of trade secrets in the course of legal proceedings**: hence, subject to compliance with the principles of fair trial, the judge will be entitled to adopt the most appropriate measures to preserve the confidentiality of the trade secrets discussed in the trial. Besides, the article explicitly sets forth two of the measures available to the judge: *i.e.*, restricting access to hearings, briefs and documents included in the court file; and ordering the clerks to conceal the specific parts containing the trade secrets from the documents filed in the proceeding. However, because policymakers did not deem it appropriate to enable the judicial authorities to impose such prohibitions and measures by operation of law, they preferred leaving any request in this respect to the parties' initiative, owed to the apparent high technical expertise required to appraise the confidential nature of such trade secrets.

With a view to ensuring a more accurate and effective preservation of trade secrets, criteria have been laid down (in article 124, paragraph 6-*bis*, of the Italian Code of Industrial Property), which the Judge will be bound to uphold when establishing the remedies and civil sanctions – and assessing whether these are suitable – in the proceedings on the matters of unlawful acquisition, use or disclosure of trade secrets under article 98. For this purpose, the Court is required to **take into consideration the material circumstances of the case at issue**, among which:

- the value and other specific features of the trade secrets;
- the measures implemented by the legal holder to protect the trade secrets;
- the actions carried out by the infringer to acquire, use or disclose the trade secrets;
- the impact of the unlawful use or disclosure of the trade secrets;
- the parties' legitimate interest, and how this may be affected by the endorsement or rejection of the judge's measures;
- the legitimate interest of third parties;
- the interests of the general public; and
- the need to ensure protection of the fundamental rights.

Not only will the Judge be bound to take these circumstances into

consideration in the course of the proceedings on the merits, but also upon issuance of the **precautionary measures** sought by the trade secrets holder, and upon appraisal of their suitability, based on the explicit warning contained in new paragraph 5-*ter* of article 132 of the Italian Code of Industrial Property. Consequently, the Judge will issue a preliminary injunction or another interim measure only if the requesting company proved having adopted all the necessary measures and internal protocols to keep a given trade secret confidential.

According to new paragraph 5-*bis* of article 132 of the Italian Code of Industrial Property all proceedings aimed at seeking protective measures for trade secrets, as an alternative to the application of the precautionary measures, the judge may **authorise the defendant to continue to use the trade secrets, subject to providing an appropriate security for compensation of any damages suffered** by their legitimate holder, in any event, without prejudice to the prohibition to disclose the trade secrets authorised for use.

The precautionary measures adopted in protection of the trade secrets may be forfeited either for failure to commence the proceedings on the merits within the mandatory deadline (set out in article 132, paragraph 2, of the Italian Code of Industrial Property), or as a result of the claimant's actions or omissions. Where the unlawful acquisition, use or **disclosure** of the trade secrets are subsequently found to be groundless, the claimant will be sentenced to repay the damages caused by the adopted measures.

As a further novelty, Legislative Decree no. 63/2018 introduced a **compensation**, payable as an alternative to the application of the measures under article 124 of the Italian Code of Industrial Property, which may be granted upon the interested party's application, provided that all of the following requirements laid down by new paragraph 6-*ter* of article 124 of the Italian Code of Industrial Property are met: at the time of the use or disclosure, the claimant was not, nor should have been, aware that the trade secrets had been obtained by the third party unlawfully using or disclosing them; the execution of these measures would be unduly burdensome for the claimant; the compensation is commensurate to the damages suffered by the party seeking the application of relieving measures and, in any event, it does not exceed the amount that would have been paid on account of royalties for the use of the trade secrets throughout the challenged period of time.

A statute of limitations has been established in **5 (five) years for rights and actions connected with such misconducts**.

As a final provision, in line with the availability of progressive measures and enhanced accuracy and effectiveness of trade secrets protections, which are the EU Directive basic principles, a list of the items is provided which the judge ought to appraise to order the publication of his ruling, and to weigh the suitability of the claimed measures: the value of the trade secrets; the actions carried out by the infringer to acquire, use or disclose the trade secrets; the consequences of the use or disclosure of the trade secrets; the risk of the infringer carrying on with the unlawful use or disclosure of the trade secrets.

Furthermore, to make the above appraisal the Judge shall also consider whether, based on the available information, a natural person may be identified as the actual infringer and, in the affirmative, whether the publication of such information is justified in the light of any potential damages that may be caused to the infringer's private life and reputation.

In conclusion, articles 388 (wilful failure to enforce a court decision) and 623 of the **Italian Criminal Code** (disclosure of trade or science secrets) **have been amended** to improve the criminal reliefs granted under the Italian legal system, so as to include breach of trade secrets, and the measures connected therewith, among the misconducts sanctioned under the above provisions.

All that considered, **a new approach in adopting internal rules and compliance's procedures is required** to companies and trade secrets owners in order to protect their confidential information and to safeguard their judicial protection and new language shall be adopted in drafting non-disclosure agreements: as a matter of fact NDAs were in the past very often merely copied and/or downloaded from the web without any juridical care and the due attention.

LEGAL DISCLAIMER - This article, as well as all the content of our website, does not provide or offer legal or other advice. You should not rely on it as legal advice. We do not accept any liability to any person who does rely on the content of this website. COPYRIGHT - All rights reserved. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of the publisher or the author.