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Trade secrets now more protected in Italy, in line with the standards set by the European Union

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Introduction

1. Today, June 22, 2018, **Legislative Decree No. 63 of 11 May 2018**, published in the Official Journal No. 130 of June 7 (Decree), **enters into force**. Through such Decree, **Italy implements Directive (EU) 2016/943** of 8 June 2016 *on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure* (Directive).
2. Pursuant to the Recitals of the Directive, *“Trade secrets are one of the most commonly used forms of protection of intellectual creation and innovative know-how by businesses, yet at the same time they are the least protected by the existing Union legal framework against their unlawful acquisition, use or disclosure by other parties.”* (Recital 3). *“The differences in the legal protection of trade secrets provided for by the Member States imply that trade secrets do not enjoy an equivalent level of protection throughout the Union, thus leading to fragmentation of the internal market in this area and a weakening of the overall deterrent effect of the relevant rules.”* (Recital 8).
3. The new European rules strengthen trade secrets protection, by setting a minimum homogeneous standard for member States. Implementing the Directive, the Decree introduces appropriate modifications to the Italian Industrial Property Code (IPC) and to Penal Code (PC). Let us see the main changes more closely.

Adaptation to terminology (Arts. 1, 2, 3 Decree)

4. In order to **adapt terminology** to that of the Directive, the words *“confidential business information”* are replaced by the expression **“trade secrets”** in the ICP (in particular Arts. 1 - 2, 98 - 99, as well as the Heading of Section VII, Chapter II). The relevant definition, with minor modifications, maintains its **substantive meaning unchanged**, as it already complied with the Directive. Trade secrets mean business information and technical-industrial experiences, including commercial information and experiences, subject to the holder's legitimate control, which fulfil **three cumulative requirements**: that the information or experience a) is confidential, in the sense that as a whole or in its precise configuration and the combination of its elements it is not generally known or easily accessible for experts and operators in the field; b) has an economic value inasmuch as it is confidential; c) is subjected, by the persons to whose legitimate control it is subject, to measures to be considered reasonably adequate to keep it confidential.

Extending the scope of the prohibition under Art. 99 IPC (Art. 4 Decree)

5. Art. 99 IPC, on the protection of secret information (now trade secrets), in the first paragraph will continue to provide, without prejudice to unfair competition legislation, for the legitimate holder's right to prevent third parties, subject to his consent, from acquiring, disclosing to others or using the secret in an abusive manner, except for cases in which the third party obtained the information in an independent way. With the addition of new paragraphs *1-bis*, *1-ter* and *1-quater*, **the scope of the**

prohibition is extended, expressly including certain negligent conducts. More particularly, it is provided that

- i) the acquisition, use or disclosure of a trade secret are considered unlawful also where the person concerned, at the time of the acquisition, use or disclosure, **was aware – or, according to the circumstances, should have been aware – of the fact that the secret had been (directly or indirectly) obtained by a third party who used or disclosed it unlawfully**
- ii) with reference to **goods amounting to breach** (namely “*goods whose planning, features, function, production or trade significantly benefit from ... trade secrets unlawfully acquired, used or disclosed*”), their manufacturing, offering, commercialization, import, export or storing constitute an unlawful use of trade secrets pursuant to Art. 98 IPC **where the person doing any of these actions was aware – or, according to the circumstances, should have been aware – of the fact that such secrets had been unlawfully used, acquired or disclosed**
- iii) rights and actions deriving from the unlawful conducts provided by Art. 99 IPC are subject to a limitation of **five years**, in line with the general limitation period in extra-contractual matters.

Protecting the confidentiality of trade secrets in the course of judicial proceedings (Art. 5 Decree)

6. By introducing an *ad hoc* rule into the IPC, Art. 121-ter, the Decree addresses the protection of the confidentiality of trade secrets in the course of judicial proceedings dealing with their unlawful acquisition, use or disclosure, conferring appropriate powers to the court. This concern is well expressed by the European legislator: “*The prospect of losing the confidentiality of a trade secret in the course of legal proceedings often deters legitimate trade secret holders from instituting legal proceedings to defend their trade secrets, thus jeopardising the effectiveness of the measures, procedures and remedies provided for.*” (Recital 24, Directive).
7. Now the Court can issue an order, at the request of a party and remaining effective also after the end of proceedings, which **prohibits the persons who have access to the case file** (parties and their lawyers, witnesses, counsels, etc.) **from using or disclosing the trade secrets that are the object of the proceedings, which the Court itself considers confidential**. Such order loses its efficacy if the trade secrets concerned: a) result devoid of the features required by Art. 98 IPC based on a final judicial decision, or b) become generally known or easily accessible to experts and operators in the sector.
8. Again in order to protect the confidentiality of the trade secrets concerned by the proceedings, the Court can, at the request of a party and respecting the due process principles, take such **measures as appear the most fit** for the purpose, and in particular: a) **limit the access** to hearings, and briefs and documents in the case file, **to a restricted number of persons**; b) **require to redact** those parts thereof

containing trade secrets **from orders made accessible to persons different from the parties.**

Corrective measures and civil sanctions, publication of the judgement and interim measures (Arts. 6, 7 and 8 Decree)

9. The Decree adds paragraphs *6-bis*, *6-ter* and *6-quater* to Art. 124 IPC, dedicated to **corrective measures** and **civil sanctions** (injunction, seizure, order of removal or destruction, etc.), introducing some provisions that apply in proceedings dealing with a breach of Art. 98.
10. Firstly, it is stated that, when providing for corrective measures or civil sanctions, and evaluating their proportionality, the Court must consider the **circumstances of the concrete case**, including: a) the value and other specific characteristics of the trade secrets; b) the measures adopted by the legitimate holder in order to protect them; c) the conduct of the infringer; d) the impact of the unlawful use or disclosure; e) the parties' legitimate interests and the impact that the grant or rejection of the measures could have on them; f) third parties' legitimate interests; g) general public interest; h) need to protect fundamental rights (see the list in new Art. 124, para. *6-bis*, IPC).
11. Besides, the Decree allows, **at the request of a party and under certain conditions, the possibility for the Court to adopt alternative measures, namely, the payment of an indemnity**, which in any case cannot exceed the amount that would have been due in case the party had asked for the legitimate holder's consent to use trade secrets (for the time period during which their use could have been banned). This, as long as three cumulative conditions are met: a) the applicant, at the time of use or disclosure, did not know – nor, according to the circumstances, should have known – that the secrets had been obtained by a third party who was using or disclosing them unlawfully; b) the execution of the measure or sanction can be excessively onerous for the applicant; c) the indemnity results adequate in relation to the prejudice suffered by the party who has applied for the measures.
12. The Decree then modifies Art. 126 IPC, which provides the **power of the Court to order the publication of the judgment or order** (adding a sentence at the end of the first paragraph and paragraphs *1-bis* and *1-ter*). Pursuant to this article as amended, in deciding whether to issue an order of publication and evaluating its proportionality, the Court, again, must take into account the **circumstances of the concrete case**, including for instance the risk of further unlawful use or disclosure of the secrets by the infringer. In particular, the Court must consider if the information on the infringer are capable to identify an individual: in such case, it must evaluate if the publication of such information is justified, also considering the possible damages that the measure could cause to the person's private life and reputation. In any case, the adoption of this measure must ensure the protection of the trade secrets' confidentiality.
13. Also with reference to the grant of **interim measures** in proceedings concerning trade secrets violations (see new Art. 132 IPC, to which paragraphs *5-bis*, *5-ter* and *5-quater* are added), the Court must take into account, also for the purposes of the

proportionality assessment, the circumstances listed in new Art. 124, para. 6-*bis*, IPC (see point 10 above).

14. Similarly to what applies to ordinary proceedings, pursuant to the Decree **the Court can, at the request of a party, in alternative to interim measures, authorize the interested party to continue using the trade secrets providing a suitable security** is posted for the possible compensation of the damages suffered by the legitimate holder, but with the prohibition to disclose such secrets to third parties.
15. If the interim measures cease, or it is subsequently ascertained that there was no breach of trade secrets, the applicant must compensate damages.

Amendments to the Penal Code (Art. 9 Decree)

16. Trade secrets' protection is enhanced also from the criminal point of view, through the **modification of two articles of the Penal Code (PC)**.
17. New Art. 388 PC applies the sanction laid down for malicious non-execution of judicial measures (up to three years' prison or a fine) towards i) whomsoever eludes the execution of prohibitory or corrective measures protecting industrial property rights, and ii) whomsoever, being bound to confidentiality by an express order adopted by the Court in proceedings that concern industrial property rights, breaches the relevant order.
18. New Art. 623 PC imposes the penalty laid down for the disclosure of scientific or industrial secrets (up to two years' prison) also to whomsoever, having acquired trade secrets in an abusive manner, reveals or employs them to its own or someone else' profit. The penalty is increased in case the fact is committed through an IT tool, in line with the awareness of the European legislator that *"the increased use of information and communication technology contribute[s] to increasing the risk of ..."* *"dishonest practices aimed at misappropriating trade secrets"* (see Recital 4, Directive).