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GLOBAL PRACTICE GUIDE

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Trade Secrets

Italy
Law & Practice
Trends & Developments

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[chambers.com](https://www.chambers.com)

2020

Law and Practice

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1. Legal Framework

1.1 Sources of Legal Protection for Trade Secrets

In Italy, trade secrets are protected under statutory law; namely, pursuant to Articles 98 and 99 of Legislative Decree No 30 of 2005, the Italian Industrial Property Code (IPC).

Article 98 IPC defines trade secrets, providing the requirements that technical-industrial and commercial information must satisfy to be protected as such, including the fact that the legitimate owner has to put in place appropriate protective measures to keep it secret.

Article 99 IPC, on the other hand, sets forth the protection. Firstly, it forbids third parties from acquiring, revealing or using trade secrets in an unauthorised manner; the foregoing, without prejudice to the right of third parties to autonomously develop and obtain the same information. Secondly, it states that trade secrets' legitimate owners have the right to act against third parties that acquired information from other subjects and that knew, or should have reasonably known, that the trade secrets had been misappropriated.

Moreover, there is another body of legislation that is relevant to the matter. On a residual basis, pursuant to Article 2598 of the Italian Civil Code (ITCC), Italian law also guarantees protection to relevant business information that, though being confidential and economically valuable, has not been effectively protected by its owner, against unfair acts of competition.

1.2 What Is Protectable as a Trade Secret

Article 98 IPC, the main Italian legal provision on trade secrets, states that "trade secrets include business information and technical-industrial experience, including those of a commercial nature".

Based on this general language, two macro-categories of information have been distinguished and identified as protectable: technical trade secrets and commercial trade secrets.

Technical trade secrets consist of all the technological, applicative, and technical-scientific knowledge used within companies regarding their processes and/or industrial products, regardless of the business sector.

Commercial trade secrets are all the data and information necessary or useful for the performance of companies' commercial and administrative functions (for example, sales and accounts).

1.3 Examples of Trade Secrets

Italian statutory law on trade secrets does not enumerate specific examples of protectable information; it only states that trade

secrets can consist of information both of a technical-industrial nature and of a commercial nature. Thus, the courts have had to perform the actual identification of the information falling in these two categories.

As to the first category: technical-scientific data, non-patented or non-patentable inventions, projects, designs, prototypes, production plans, hardware configurations, operating instructions, technical descriptions and explanations, bill of materials and chemical recipes have usually been considered as trade secret of the technical-industrial kind.

On the other hand, information on marketing, promotional and sales strategies, documents concerning businesses' organisations, schemes and systems on the management of bureaucracy, databases, archives, clients and suppliers' lists associated with related business information (such as, for example, applied terms and conditions) have usually and consistently been deemed to be trade secrets of a commercial nature.

1.4 Elements of Trade Secret Protection

Under Italian law, trade secrets and their requirements are defined by Article 98 IPC. This article states that trade secret protection is available to any information, or combination or configuration thereof, of both the technical-industrial and the commercial kind, that:

- is not generally known or easily accessible among experts and operators in the relevant field;
- has an economic value because it is secret (in other words, it gives a competitive advantage); and
- has been subject to reasonable protective measures to keep it secret by the person lawfully in control of the information.

On a residual basis, Italian law also guarantees protection against unfair acts of competition pursuant to Article 2598 ITCC. As clarified over time by case law, this provision applies to the benefit of misappropriated information that:

- is objectively relevant and has been obtained or developed with an actual effort;
- concerns technical and/or business practices that constitute a competitive advantage;
- is not generally known and clearly not intended to be used outside the business activity; but
- has not been effectively protected by its owner.

1.5 Reasonable Measures

Article 98, letter c), IPC requires that information is subject to reasonable protective measures of both a physical-technical and a legal-organisational nature to qualify as trade secrets under Italian Law. Therefore, owners of trade secrets must implement

such measures and be able to demonstrate having done so through policies and document-based evidence.

Measures have been found reasonable and adequate by Italian courts when they consisted of control and security systems capable of placing efficient “obstacles” against foreseeable and beatable threats, taking into consideration the nature and value of the information as well as the industry in question.

Among others, locked archives, encrypted and password-protected IT systems, limited-access restricted areas, surveillance systems (including video-surveillance) and documents’ “confidentiality” warning markers are usually deemed reasonable physical-technical protective measures.

While courts have generally considered, as reasonable organisational-legal protective measures, non-disclosure agreements and confidentiality clauses with employees, contingent workers and business partners (if applicable after the termination of the relevant agreement); binding security and confidentiality-related policies; procedures on access to restricted areas; and guidelines and information letters on the use of confidential information.

1.6 Disclosure to Employees

As a matter of fact, no secret can be in any way commercially exploited if it is not told to someone. The first people to whom trade secrets are necessarily disclosed, so as to allow for their exploitation, are usually employees.

Under Article 2105 ITCC, employees have a fiduciary duty towards their employers, under which they shall not disclose information concerning the organisation and production methods of the employer. The mere existence and by-law application of this duty, however, are not considered as sufficient legal protective measures allowing information to be qualified and protected as trade secrets. Therefore, disclosure of trade secrets to employees can affect the availability of legal protection if it is not associated with further measures. For example: confidentiality clauses and/or non-disclosure agreements executed before the disclosure and capable of being in force after the employment relationship has come to an end; the issuance of binding policies on the management of trade secrets; and disclosures of trade secrets to employees only on a need-to-know and least privilege basis.

1.7 Independent Discovery

Under Italian law, any entrepreneur has the right to pursue the discovery of information protected as trade secrets. This right comprises independent discovery practices of information already consisting in third parties’ trade secrets, even when performed through reverse engineering.

Nonetheless, such practices have to be put in place in a “non-abusive” manner (Article 99 IPC). This means that they must not be contrary to honest commercial practices: there must not be “cheap tricks” aimed at unlawfully reducing the amount of time and investments necessary to obtain the information. As would happen, for example, if reverse engineering and discovering activities were preceded by poaching of employees wilfully aimed at accelerating the decompiling processes. In these situations, owners can act against third parties.

Independent discoveries and reverse engineering practices, then, do not per se affect trade secrets’ protection; however, there is a further element worth highlighting.

If the information is too easy to obtain through these practices, even though the latter does not directly impact on the legal protection, it would mean that the relevant information is too easily accessible from experts and operators in the field. Thus, the information can no longer qualify for trade secret protection because it lacks the first requirement set forth by Article 98 IPC.

1.8 Computer Software and Technology

Italian legislation does not set forth unique rules or forms of protection specifically related to computer software and technological assets that are different from the regulation covering analogue trade secrets.

Nonetheless, if from a statutory point of view there is no specific difference, the IT-based nature of the protectable assets has consequences on the protective measures necessary to effectively enjoy trade secret protection. In short: IT-based trade secrets need IT-driven protective measures.

This has been analysed and emphasised by Italian courts, which, over time have required more and more recent and effective IT-driven measures, basically requiring companies to constantly update their security systems. For example, by increasing and strengthening the number and nature of passwords being required, so that the relevant security measure can be deemed reasonable and sufficient (nowadays the broadly required standard are multilevel passwords and/or one-time-passwords); by requiring encryption, logs-monitoring and data-loss-prevention systems; and by requiring the limitation of use of external hard-drives (in particular, USB flash drives).

1.9 Duration of Protection for Trade Secrets

According to Italian law, a trade secret’s duration of protection is theoretically endless. As long as the relevant information satisfies all the requirements set forth by Article 98 IPC, it can be protected as a trade secret.

Therefore, disclosure of trade secrets jeopardises the legal protection. On one hand, it spreads the relevant information among the public, having an impact on the first and second requirement; on the other hand, it demonstrates a lack of protective measures. It does not matter whether such disclosure is accidental or not.

The disclosures necessary to commercially exploit trade secrets must always be controlled so as not to affect the applicability of the legal protection and mitigate the effects of the inevitable spreading of the information.

In order to achieve this, disclosures must be performed taking all the legal and organisational protective measures. Among others, by executing appropriate non-disclosure agreements and confidentiality clauses whose term is not fixed in advance. Indeed, doing so would mean that the owner of the information itself has autonomously deemed that its information is not worth protecting after that fixed term ends. Duration of non-disclosure agreements and clauses should always be based on the persistence of the legal requirements: as long as the disclosed information is protectable, the contractual obligations shall be in force.

1.10 Licensing

Pursuant to Article 99 IPC, owners of trade secrets have the exclusive right to authorise third parties to use them; thus, to license them.

Licence agreements constitute one of the most efficient way to commercially exploit trade secrets. They allow owners to focus on developing further trade secrets while earning from the authorised uses that third parties make of their assets.

They do not have an impact on the existence and protectability of trade secrets as long as they are executed taking all the necessary legal protective measures. In fact, licences are disclosures and, as such, it is necessary that they contain strong confidentiality obligations applicable even after the term of the licence, until the trade secret is protectable pursuant to the applicable law.

Moreover, any licence agreement must, in order not to be void, clearly have a subject matter. Therefore, it is necessary to specifically identify and/or sufficiently describe the relevant information for the contract to be valid. Any owner, in its role of licensor, must also keep protecting the licensed information as trade secrets to maintain the relevant IP right and, consequently, the subject matter of the licence itself.

1.11 What Differentiates Trade Secrets from Other IP Rights

In Italy trade secret protection differs from the protection granted by other IP rights in four main aspects:

- subject matter of protection;
- extensions of granted rights;
- duration; and
- costs.

With regard to subject matter: since Article 98 IPC contemplates any technical and commercial information, potentially everything is protectable if it is not common or easily accessible knowledge, gives a competitive advantage and is duly protected. Thus, the range of subject matter potentially protectable as a trade secret is broader than other IP rights. There is no need for non-obviousness and novelty capable of industrial application, as under patent law; there is no need for creativity to be found in a specific list of works of an artistic or technological nature, as under copyright law. Even a rather boring way to speed company bureaucracy up is protectable.

Differences with regard to the extension of granted rights are twofold. On one hand, Article 99 IPC allows independent discoveries and reverse engineering, thus reducing the scope of the “monopoly” granted by the right in comparison to that granted by patent law; the latter, in fact, gives an absolute right to (try to) exclude third parties from exploiting patented inventions, even when independently discovered or reverse engineered. On the other hand, the same provision allows owners to directly act against third parties who did not directly misappropriate trade secrets but acquired them from others who knew or were in the position to know, that the information had been misappropriated. In this respect, trade secrets law is broader because it expressly protects against indirect exploitation.

With regard to duration: any other IP right has a fixed term (for example, 20 years from applications for patents), whilst trade secrets are potentially endless.

Finally, since trade secrets are an unregistered IP right, the obtainment of the protection is usually less expensive. Investments made for protective measures are usually cheaper than patent applications, and exploitable for more than one secret at a time (while any patent application can protect only one invention).

1.12 Overlapping IP Rights

The broad scope of protectable subject matter under Italian trade secret law allows both for the possibility that the same information is protected by IP rights other than trade secrets,

and for the possibility that other IP rights protect assets related to the information itself.

As to the first one, creative items can usually find protection both as trade secrets and as copyrightable works (or be protectable through neighbouring rights). Since under Italian law copyright is an unregistered IP right arising with the creation of works, it can immediately coexist with trade secrets. In some cases, such coexistence lasts until the work is first published: for example, with undisclosed manuscripts (such as the final instalment of a literary saga). Where works are not intended ever to be disclosed, it can last longer; this happens with databases.

The second possibility is related to situations where an asset protected by a registered IP right (an invention, a design, or even a semiconductor product), needs further instructions, procedures and technical documents to be efficiently exploited. These additional items can be trade secrets, enforceable together with the registered IP right.

1.13 Other Legal Theories

In Italy, circumstances related to trade secrets can determine more than only the application of Article 98 and 99 IPC. Consequently, in relation to trade secrets it is possible to bring claims other than misappropriation ones.

Firstly, plaintiffs can claim torts related to unfair competition as set forth by Article 2598 ITCC, demanding the payment of damages. This provision does not only apply on a residual basis to protect valuable confidential information that has not been duly protected by its owner; it also applies in cases of poaching of employees aimed at unlawfully obtaining third parties' trade secrets, and of interference aimed at pushing third parties to breach confidentiality obligations.

Moreover, where there was formerly a contractual relationship between the plaintiff and the defendant – such as an NDA or even a confidentiality obligation in other agreements – the former can also claim a breach of contract.

Finally, where employees are involved, it is possible for owners to bring claims and demand damages for breach of the specific fiduciary duty set forth by Article 2105 ITCC, according to which employees must not disclose information concerning the organisation and productive methods of the employer.

2. Misappropriation of Trade Secrets

2.1 The Definition of Misappropriation

Pursuant to Article 99 ICP, in trade secrets misappropriation cases the relevant owner needs to demonstrate that its com-

mercial information and/or technical-industrial experience have been acquired and/or used and/or disclosed by third parties unlawfully. In essence, it means that these acts have been carried out by a third party without the prior consent of the legitimate owner.

Cases where a third party independently discovers trade secrets are excluded from the scope of the protection (see **1.7 Independent Discovery**).

Upon the implementation of the Trade Secret Directive, even negligent behaviour is taken into consideration. Indeed, even those who were, or should have been, aware of the unlawful origin of a trade secret may fall within the scope of trade secrets rules.

2.2 Employee Relationships

There are no different elements to be noted, should the trade secret misappropriation claim involve an employee(s) of the owner.

Although the Italian legal system does not provide any special rule regarding trade secrets protection regarding employees, it should be borne in mind that – pursuant to Article 2105 ITCC – employees are subject to a duty of loyalty towards their employer; in detail, they are prevented from using or disclosing any valuable information concerning the employer's business or organisation known because of their job position in any manner whatsoever where this is aimed at damaging the company.

This being the case, an owner can act against its employees due to the violation of this provision, even taking disciplinary action against the same up to and including dismissal.

2.3 Joint Ventures

The Italian legal system does not set forth any specific provision regarding obligations between joint venturers with respect to trade secrets.

In any case, it is common practice to regulate trade secrets aspects in joint ventures agreements in particular when the joint venture is related to R&D activity.

2.4 Industrial Espionage

Industrial espionage is not specifically regulated in the Italian legal system; indeed, it provides neither a specific definition of the same nor specific, or stricter, rules that apply to it.

It may be said that this behaviour is managed through the overall regulatory framework regarding the misappropriation of trade secrets, both from a civil and a criminal perspective. Indeed, there is no difference between unlawful acquisition,

use or disclosure of trade secrets for the purpose of industrial espionage and unlawful acquisition, use or disclosure for any other reason.

3. Preventing Trade Secret Misappropriation

3.1 Best Practices for Safeguarding Trade Secrets

Companies wishing to protect – and, therefore, exploit – their trade secrets under Italian law should proceed to identify, track down and define – in a timely fashion – the knowledge created and/or used that can be considered a trade secret.

In order to detect the same, the company should carry out a risk assessment, highlighting the main areas of risk and considering its real needs and opportunities. One of the most efficient way to deal with this task is to carry out interviews with directors and professionals in order to both outline the information they handle (and which is therefore handled by the company) and figure out how it flows inside and outside the company.

The company should then collect all the information identified as trade secrets in hard and/or soft copy in order to apply the appropriate confidentiality measures. It is advisable, in particular, to segregate and mark them as confidential, see **1.5 Reasonable Measures**.

In order to keep up with technological advancements and verify that the implemented measures are being respected, it is recommended that periodic internal audits related thereto are performed, so as to be able to timely update all the necessary protective measures. These are all practices in which a forward-looking company should invest to secure its trade secrets.

Lastly, training and empowering employees to manage the confidential data appropriately is a key point in order to make the adopted measure effective.

3.2 Exit Interviews

Exit Interviews are not established by the Italian legal system, and it is not a common practice in Italy.

Regardless, pursuant to Article 2125 ITCC, an employer may keep under close control – for a limited and defined period – former employees' new business activities and/or jobs. One of the measures allowing an employer to preserve trade secrets after the conclusion of a work relationship is to enter into a non-compete agreement with an employee (aimed at, for example, preventing the former employee from exploiting trade secrets).

4. Safeguarding Against Allegations of Trade Secret Misappropriation

4.1 Pre-Existing Skills and Expertise

Employees' personal and professional knowledge and skills are distinguished from trade secrets.

Despite the absence of specific provisions set forth by the law, the criteria for determining this distinction have been established by scholars and the case-law, distinguishing between:

- employees' skills and professional experience acquired over the course of their career, which constitute a "personal heritage", and which are therefore freely available for use; and
- real "trade secrets" (ie, those characterised by secrecy and all the other requirements; see **1.2 What is Protectable as a Trade Secret**).

Generally speaking, a case-by-case assessment would be helpful (if not necessary) to figure out whether a particular case is one of legitimate use of an employee's skills and professional experience or one of misappropriation of the outcome of third-party research efforts.

Italian legislation does not provide any rule on the doctrine of "inevitable disclosure".

4.2 New Employees

Employers should use appropriate contractual means to ensure that no trade secret is infringed by the new employees. In particular, the employer could insert a specific clause in the employment agreement, whereby employees represent and warrant that they will not use any document and/or confidential information whatsoever owned by and/or related to previous employers, and, in any case, will not save or copy them on any company device during the execution of their employment relationship with the company.

It is worth noting that Italian case-law is getting more and more rigorous regarding trade secrets misappropriation by new employees, considering their new employers strictly liable in this respect (according to Article 2049 ITCC, which sets forth the strict liability of the employer for the acts of its employee in the exercise of the assigned duties). This means, in particular, that new employers are held liable even in the absence of any abusive or fraudulent intent on the part of the company, or negligent behaviour.

5. Trade Secret Litigation

5.1 Prerequisites to Filing a Lawsuit

Italian Law does not provide for specific steps or requirements for initiating a civil lawsuit alleging theft of trade secrets. However, it is advisable, before starting any lawsuit, to send a cease and desist letter to try to find an amicable solution. Such “best practice”, however, is not applicable in cases of interim proceedings due to the urgency of the situation and the element of surprise that characterises some interim proceedings.

Another common best practice is to perform a forensic analysis of former employees’ company computers and devices to collect evidence of misappropriation of trade secrets before starting a lawsuit. Such best practice may be helpful for collecting evidence and to avoid its loss if the computer is reassigned to other employees.

5.2 Limitations Period

All rights and actions regarding trade secrets protection have a statute of limitation of five years.

5.3 Initiating a Lawsuit

The trade secret owner may either:

- serve the alleged infringer a writ of summons, scheduling the first hearing (which the court may choose to postpone); or
- for interim proceedings, file a petition for interim relief before the competent court and wait for the court to schedule a hearing.

5.4 Jurisdiction of the Courts

The general rule in Italy is that a defendant may be sued before the court of the district in which it has its place of business or, as an alternative, before the court of the district of the locus commissi delicti, ie, the place where the conduct has been allegedly committed.

Furthermore, claims of infringement of trade secrets must be raised before the specialised IP sections of Italian courts (IP Courts).

The courts are organised on a territorial basis and only the most important cities host IP Courts (there are 23 IP Courts in Italy today).

It is worth noting that if one of the parties to the proceedings has its registered office in a foreign country, then only 11 IP Courts, among the above mentioned 23, will have jurisdiction over the matter.

5.5 Initial Pleading Standards

No heightened pleading standard is applicable to trade secret claims.

In the case of proceedings on the merits, the owner of trade secrets may allege facts on information and belief.

Indeed, the plaintiff shall serve the alleged infringer a writ of summons which shall point out the claims and related grounds and reasons for raising the claim.

The plaintiff does not need to point out and disclose the evidence of misappropriation immediately, but it must do it – at the latest – with the second and third defensive briefs (Italian law provides for three defensive briefs, which the plaintiff may exploit for better defining its claims, for providing the court with evidence and documents supporting the claims and for providing counter-evidence according to the defendant’s own defensive claims).

On the other side, in case of interim proceedings, the plaintiff has no alternative but to support its claims by providing all the evidence and documents together with the petition for interim relief and, therefore, may not file such a petition before the court based only on information and belief.

Please note that interim proceedings are, per se, characterised by an atypical investigation phase; indeed, the judge may issue the decision based on prima facie evidence and without specific formalities.

The Italian law provides for a mechanism useful for gathering evidence to support a trade secret claim requesting a pre-trial description (see **5.6 Obtaining Information and Evidence**). It is worth noting that, should the plaintiff’s claim turn out to be totally ungrounded, and if there is a lack of evidence of misappropriation, then the defendant may ask the judge to take into consideration the plaintiff’s bad faith in the proceedings and order compensation for damages as well as reimbursement of the court fees.

5.6 Obtaining Information and Evidence

Article 129 IPC provides for the right of the owner of a trade secret to request a pre-trial search order of some or of all the items that constitute infringement of that trade secret. In ordering the description, the judge may also authorise the withdrawal of samples of the above-mentioned items. This mechanism is often used for collecting evidence before interim proceedings, but it may also be requested before starting a proceeding on the merits as well as in the course of proceedings. Once the measure is granted it shall be confirmed or revoked by the same judge

that issued it, at a further hearing and in the presence of all the parties involved.

The search order shall be enforced by the party that has requested it together with a court's bailiff and, sometimes, a technical expert.

Furthermore, the Italian law allows each party to the proceedings to request that the judge order the exhibition of documents by the other party, as long as they actually exist and that they are relevant to the proceedings. Such a mechanism may not only have the aim of "fishing for evidence".

Finally, as pointed out in **5.1 Prerequisites to Filing a Lawsuit**, prior to starting a civil lawsuit and with the specific aim of collecting evidence, the plaintiff may perform a forensic analysis on former employees' company laptops and devices. This activity may be performed apart from the search order and as an extra activity. Since the forensic analysis is performed on a company's proprietary devices, there is no need to ask for court permission to perform it.

5.7 Maintaining Secrecy while Litigating

Article 121-ter IPC allows the judge to prohibit the use or the disclosure of those trade secrets involved in the proceedings, that he or she assumes to be confidential, to anyone he or she chooses (including the parties in the proceedings, their technical experts, consultants and any other person who may have access to the proceeding's files).

Furthermore, the judge may also adopt all the measures useful for granting confidentiality to that information, such as limiting access to documents, hearings and files of the proceedings (in some cases storing them in safes) and by omitting, in his or her judgment, all references to the trade secrets.

5.8 Defending against Allegations of Misappropriation

There are various defence strategies that the defendant can pursue.

The defendant may claim that the information or data that the plaintiff deems to have been stolen are not sufficiently well identified, or should not be considered trade secrets at all due to the lack of the criteria that Article 98 IPC prescribes for granting protection to trade secrets. It is worth noting that one of the most common mistakes made by entrepreneurs is to believe that the third requirement of Article 98 IPC can be considered automatically fulfilled just because their companies have "written down on paper" such protective measures or because they have installed state-of-the-art and unbreakable IT security systems.

On the contrary, settled case-law states that the persons to whose legitimate control the information is subject must be able to prove that such protective measures are not just existent, but also effectively enforced. Failing to do so leads to the information not being considered as trade secrets.

Another useful defence refers specifically to cases of alleged misappropriation of clients and suppliers' lists. In such cases, and if the defendant is a former employee or agent, he or she may well object that the trade secret allegedly stolen was not owned by the plaintiff and, on the contrary, it constituted personal knowledge of the former employee. According to the settled case-law, a clients' list is today considered a company's trade secret as long as it also includes not only the names of the clients (which any agent/employee – in particular sales – may easily remember and which they may well be entitled to exploit as professional knowledge) but also other data, such as economic conditions and other identification data. In the absence of such further data, the information would lack economic value and would therefore not enjoy the protection granted by Article 98 IPC.

Finally, the defendant may also raise counterclaims against the plaintiff.

5.9 Dispositive Motions

Italian Law does not provide for dispositive motions before trial.

5.10 Cost of Litigation

A general estimate of the expected costs for trade secret litigation in Italy depends on several elements (such as the length and complexity of the proceedings and the involvement of technical consults) and may not be preliminarily assessed.

In general, whoever starts a proceeding should pay the upfront court fee (*contributo unificato*), whose amount depends on the overall value of the claims raised. For proceedings that shall be raised before the IP Courts, the court fee is doubled.

As a general principle, the Italian Law provides for the so-called "losing party rule", which states that whoever loses the proceeding shall pay all the court expenses determined by the judge as well as the other party's expenses. However, the judge is also free to decide on different cost-sharing principles on a case by case basis.

Contingency litigation is not a recognised concept under Italian law.

Even though Italian law does not provide for litigation financing, such a mechanism is deemed to be admissible.

6. Trial

6.1 Bench or Jury Trial

Trade secrets trials can be decided exclusively by judges. More specifically, such trials must be brought before the territorially competent IP Court. In Italy, which is a civil-law country, only criminal trials may involve a jury (*Corte d'Assise*), depending on the felony contested. The criminal provision for the protection of trade secrets (see **9. Criminal Offences**) is not included among the felonies that can be decided with a trial before the *Corte d'Assise*.

6.2 Trial Process

The legitimate owner of a trade secret has the right to start proceedings on the merits in order to prosecute any of the unlawful acts listed pursuant to Article 99 IPC.

The proceedings are usually decided by the judge relying both on documentary evidences and live witnesses' testimonies (if any).

The first step consists in the filing of a writ of summons in which the plaintiff makes its requests against the defendant.

Then, the parties will attend a first hearing, during which they will discuss the content of the writ of summons and of the statement of defence filed by the counterparty (which might contain counterclaims against the plaintiff).

Pursuant to Article 183, paragraph 6 of the Italian Code of Civil Procedure (ITCCP), the parties can request that the judge allow them to submit their evidence through the exchange of further briefs. These briefs shall be no more than three, and parties shall file them by the same dates.

After the exchange of the briefs, the parties will attend a new hearing, during which they will present their arguments and will request that the judge concede or not concede the acceptance into the proceedings of the evidence (such as documents, testimonies and/or a technical consultancy managed by a court-appointed expert – see **6.3 Use of Expert Witnesses**) whose relevance has been pointed out in the exchanged briefs.

At the end of the evidentiary phase, the parties will attend a final hearing, during which they will make their final requests to the judge (such requests might be different from the ones made at the beginning of the trial, in consideration of the information discovered during the proceedings).

The parties will then submit their final briefs and their counter briefs to respond to the counterparty's conclusive briefs.

The duration of the trial cannot be predicted in advance as it depends very much on the complexity of the activities that shall be performed in the evidentiary phase. The average duration of a trial is not less than two-and-a-half to three years.

6.3 Use of Expert Witnesses

Usually, when the subject of the proceedings involves trade secrets, the parties request that the judge appoint a neutral and independent court expert to deal with those assessments whose performance involves the use of some specific technical knowledge or skill. For example, the judge might appoint an IT expert in order to verify a plaintiff's claim of embezzling of trade secrets from its IT systems and/or an accountant whose task will consist in calculating the amount that the plaintiff should receive as damages due to the respondent's unlawful act.

If the judge appoints a court expert, a technical consultancy shall take place. The court expert is required by the judge to respond to a specific question (that the judge shall phrase at the parties' request), which will constitute the subject matter of the technical consultancy. The response to this question will be provided to the judge by the court expert in written form, but it is possible that the court expert will be requested to attend the hearing(s) scheduled to discuss the outcome of the technical consultancy, in order to provide in person any clarification on the content of his or her report.

The technical consultancy may be performed by the court expert in an adversarial procedure with party-appointed expert witnesses. The party-appointed experts will be in contact only with the court expert (and not with the judge), during physical and/or digital meetings aimed at clarifying the parties' position on the matter and will provide him or her with any relevant documentation necessary to respond to the judge's question. The court expert will provide them with a draft of the report before its submission to the judge in order to collect parties' experts notes and observations – which may or may not be taken into account for the drafting of the final version of the report, which will be filed with the court.

Parties' expert witnesses are not required to testify before the judge but can nevertheless attend the hearing(s) scheduled to discuss the outcome of the technical consultancy, along with the court expert.

The cost of the technical consultancy is usually quite high, considering that the parties shall bear the costs of their own expert witnesses, on top of the court expert's. Such expenses are usually paid at the end of the trial, according to judge's order, by the losing party.

7. Remedies

7.1 Preliminary Injunctive Relief

The plaintiff can request that the judge rule on the application of preliminary injunctive relief for the protection of trade secrets before and/or while the proceedings on the merits are still pending.

Such measures (Article 129 and 131 IPC) consist in:

- ante causam search orders;
- injunctions against manufacture, sale, and use;
- definitive withdrawal from the market; and
- seizure (about the latter, see **7.4 Seizure**).

The implementation of these measures is subject to the existence of specific criteria, listed in the newly introduced Article 124, paragraph 6-bis IPC, whose occurrence shall be evaluated by a judge when considering if and to what extent remedies and civil sanctions should be ordered in the case of unlawful acquisition, use or disclosure of trade secrets.

The criteria consist of:

- value and other specific features of the trade secrets;
- measures taken by the rightful owner to protect the trade secrets;
- conduct of the infringer in acquiring, using or revealing trade secrets;
- impact of unlawfully using or revealing trade secrets;
- legitimate interests of the parties and the impact that the acceptance or rejection of the measures could have for the same;
- legitimate interests of third parties;
- general public interest; and
- requirements of protection of fundamental rights.

The preliminary injunctive relief measures may or may not be confirmed by the judgment and, through this, become permanent (see **7.3 Seizure**).

The plaintiff is not required to post a bond to obtain the application of the preliminary injunctive relief.

The IPC provides two pathways in favour of the defendant as alternatives to the application of such preliminary injunctive relief.

According to Article 124 IPC, it is possible to pay an indemnification as an alternative to the application of the above-mentioned measures, granted upon the interested party's application

and provided that all of the requirements laid down by Article 124, paragraph 6-ter IPC are met, that:

- at the time of the use or revealing, the applicant (usually, the defendant) was not, nor should have been, aware that the trade secrets had been obtained by the third party unlawfully using or revealing them;
- the execution of these measures would be unduly burdensome for the applicant; and
- the indemnification is commensurate to the damages suffered by the party seeking the application of relieving measures.

However, Article 124 IPC, paragraph 6-quater, states that such compensation cannot, in any case, exceed the amount of the rights that should have been paid by the party in case it requested the authorisation to use the trade secrets for the period of time for which the use of such secrets could have been forbidden.

Another alternative to the application of precautionary measures such as preliminary injunctions is provided by Article 132, paragraph 5-bis IPC, according to which 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 owner. The prohibition on revealing the trade secrets remains valid and effective and the defendant is therefore not entitled to reveal to third parties the relevant trade secrets, even if he or she may keep using them.

7.2 Measures of Damages

According to Article 125 IPC, the compensation for the damage suffered by the plaintiff shall be set according to the provisions of Articles 1223, 1226 and 1227 of the ITCC, taking into account all the pertinent aspects, such as:

- negative economic consequences, including lost income and loss of profits, suffered by the plaintiff;
- benefits achieved by the defendant;
- actual loss resulting from the loss of the economic value that the information had for the owner as a secret and, in the appropriate cases;
- non-economic elements, such as the moral damages caused to the plaintiff by the infringement.

The judgment that rules on the compensation of damages may establish the payment of an overall sum based on the results of the accounting technical consultancy (if any) and/or the evidence provided in the case and the presumptions thereof. When the quantification of the damages is based on the presumptions that result from the evidence submitted, the loss of profits shall be determined as an amount not less than the royalties that the

author of the infringement would have had to pay, had he or she obtained a licence from the owner of the infringed right.

Punitive damages can never be applied under Italian law.

The plaintiff may decide to request, as an alternative to the compensation for the loss of profits, the recovery of the profits obtained by the defendant. Usually, such a request is made by the plaintiff when, from the results of the accounting technical consultancy (see **6.3 Use of Expert Witnesses**), the profits obtained by the defendant exceeded the sum the plaintiff would be able to collect as compensation for the loss of profits.

In case the judge rules in favour of the defendant, the latter is entitled to request the compensation for the damages eventually suffered because of his or her undue involvement in ungrounded proceeding (*lite temeraria*), according to Article 96 of the ITCCP.

The defendant can propose counterclaims within the proceedings in order to recover any damages suffered because of the trial and any facts related thereto.

7.3 Permanent Injunction

Permanent injunctions are applicable to the final judgment. Other than the preliminary injunctive relief referred to at **7.1 Preliminary Injunctive Relief**, which might be issued before and/or during the trial and then confirmed with the final decision, permanent injunctions can consist:

- in the assignment of the ownership of the trade secrets to the owner of the right;
- in the recall and the destruction of the products by the defendant; and
- in the order to publish the judge's ruling both offline (ie, newspapers) and online (ie, online newspapers, respondent's website and social networks, if any).

Such measures can be assisted with a penalty for any delay in complying with the order and/or for any further infringement detected after the deadline set in the judgment for complying with the order issued.

The criteria for the application of permanent injunctions are the same pointed out in **7.1 Preliminary Injunctive Relief**. The measures listed in **7.1 Preliminary Injunctive Relief** and above are not time-limited, except for the publication of a judge's decision, which is due for a limited amount of days and/or must be performed only a certain number of times.

The limitation of an employee's subsequent employment is usually required when the proceeding has been brought against a

competitor who has hired, or tried to hire, the plaintiff's employee in order to gain and exploit the plaintiff's trade secrets; and/or against disloyal employees, on charges of unfair competition along with violation of trade secrets. Such a measure cannot be taken as fail-safe, as it greatly limits the free movement of workers.

In any case, such a ban may only stand for a limited amount of time (usually several years) in order to balance the interest of the plaintiff in protecting its trade secrets and the employee's right to work.

7.4 Seizure

As stated in **7.1 Preliminary Injunctive Relief**, seizure constitutes one of the forms of preliminary injunction relief that the plaintiff can request in order to preserve its trade secrets. The conditions for its application recall the ones listed in **7.1 Preliminary Injunctive Relief**.

7.5 Attorneys' Fees

According to Italian Law, the cost of the trial (including attorneys' fees) shall be borne by the losing party. The parties shall request that the judge rule on this specific issue with their writ of summons/statement of defence and at the final hearing referred to in **6.2 Trial Process**, during which the parties are required to make their final requests to the judge. The liquidation of attorneys' fees is usually calculated according to the criteria set forth in the Ministerial Decree No 55 of 2014 (lastly updated on April 2018), which provides some uniform benchmarks, and not according to the actual and documented costs incurred for its legal defence by a party.

7.6 Costs

The recovery of the trial costs shall be requested in the same manner as attorneys' fees (see **7.5 Attorneys' Fees**). The parties can submit to the judge fiscal documents attesting all the expenses actually sustained for the trial, including court fees, technical expert's pro veritate opinion and parties' expert witnesses' invoices for their involvement in the technical consultancy (if any). The judge will take into account such evidence to liquidate the costs due to be borne by the losing party.

8. Appeal

8.1 Appellate Procedure

Orders issued in preliminary injunction proceedings (started before and/or during the proceedings on the merits), may be challenged by the unsuccessful party, within fifteen days from its service by the winning party or from the date the order is lodged by the clerk (pursuant to Article 669-terdecies ITCCP).

Final decisions rendered in a trade secrets trial can be appealed before the Courts of Appeal by the party which is the total or partial loser in the judgment of first instance, regardless of whether that is the plaintiff or the defendant.

The procedure for appealing is regulated by the applicable provisions set forth by Articles 339 et seq ITCCP – therefore, the procedure is consistent with the “general” rules for appealing a decision of first instance rendered in a trial on civil matters.

The term for filing an appeal is two-fold: if the decision of first instance is served by the winning party, the losing party shall appeal the decision within thirty days from the service (short term). If the first instance judgment is not served, the losing party can appeal within six months, calculated from the date the judgment is lodged by the clerk (long term).

The appealing party shall submit, before the competent court, a writ of summons in which it identifies the sections of the first instance judgment that are challenged.

The parties will be required to attend a first hearing, during which the court shall pronounce on the admissibility of the appeal.

The court will decide on the preliminary admissibility of the appeal, based on the claims raised by the appealing party, considering whether there is a reasonable prospect of its success. If the appeal is manifestly groundless, the court should dismiss it without further delay.

If the appeal overcomes this admissibility test, the Court of Appeal will schedule a final hearing, during which the parties will make their final requests to the court.

The parties will then submit their conclusive briefs and their counter briefs to respond to counterparty’s conclusive briefs.

Upon the filing of an appeal against a first instance judgment, the court can either reject the appeal (on procedural reasons or on the merits) or grant it. In this second instance, the decision issued by the Court of Appeal fully replaces the decision of first instance.

The appeal procedure usually lasts between one-and-a-half and two years.

The decision issued in the appellate court judgment can be challenged with the Supreme Court, but only for procedural or legal matters (except in the case where a determining fact was not considered by the previous judges or was not known at the time of the first proceedings).

8.2 Factual or Legal Review

The object of the appeal is not a mere review of the judgment of first instance, but rather a complete review of the proceedings and the rendering of a new decision in the dispute.

As highlighted in **8.1 Appellate Procedure**, the appealing party should indicate the part or parts of the decision that should be corrected in the second-instance judgment, literally quoting it/ them in the writ of summons, along with the reason or reasons why the part or parts of the judgment should be revoked. Such arguments cannot be sustained by introducing elements and evidence which were not already introduced and discussed during the judgment of first instance.

The Court of Appeal is not allowed to rule on and/or correct issues which are not addressed by the appealing party in the writ of summons, whose exclusion amount to a waiver of such issues.

The appeal is decided mainly relying on the written arguments presented by the parties in their briefs. Nevertheless, one of the crucial moments of the procedure, namely the evaluation of the preliminary admissibility of the appeal, is based on the live discussion of the matter before the court during the first hearing.

According to Italian law, the preservation of issues for appeal is not applicable.

9. Criminal Offences

9.1 Criminal Penalties for Trade Secret Misappropriation

Criminal law plays an important role in the protection of trade secrets in Italy. Pursuant to Article 623 of the Italian Criminal Code, those who, due to their qualified position, have used or disclosed trade secrets unlawfully in order to pursue (or allow third parties to pursue) profits may be sentenced to a term of imprisonment of up to two years. In order to fight cybercrime, should the crime be carried out by means of IT instruments, the sentence is increased.

In order to proceed, a criminal complaint by the injured party is required. Once the crime is reported, the investigation will take place.

If there is enough evidence of an infringement, the prosecutor may charge the offender and criminal proceedings may be initiated. The burden of proof rests on the prosecutor.

Trade secrets holders are not considered as parties to criminal proceedings, so they are not entitled to apply for ex parte orders.

The main defences in both criminal and civil proceedings are substantially based on the same arguments; indeed, in order to avoid being found guilty, the offender in a criminal proceeding should argue that:

- the relevant information does not enjoy protection as a trade secret (with regard to the requirements set forth by Article 98 ICP; see **1.2 What is Protectable as a Trade Secret**), or
- the relevant information has been obtained independently.

10. Alternative Dispute Resolution

10.1 Resolving Trade Secret Disputes

Trade secrets misappropriation disputes can be referred to an arbitrator (or more than one; in this case, the panel should be uneven) chosen by the parties, whose decision shall be binding upon them.

Thanks to this alternative dispute resolution mechanism, the parties can obtain a more in-depth analysis of the case, with more intensive evidence-taking than ordinary court proceedings. This, *inter alia*, creates enhanced opportunities to find a settlement during the proceedings.

The parties may set a time limit for the decision to be issued; in the absence of a specific deadline set forth by the parties, the decision should be issued within 240 days upon acceptance of appointment by the arbitrator/s.

Arbitration costs are, on average, higher than court litigation costs and this can prevent parties from pursuing arbitration until the award.

In conclusion, the most important advantages of arbitration are the neutrality and specialisation of arbitrators, confidentiality of the dispute, efficiency and duration. The main disadvantages are the higher costs and problems related to the enforcement of the decision. In addition to these disadvantages, arbitrators cannot grant interim relief.

LCA Studio Legale is an independent law firm, with offices in Milan, Genoa, Treviso and the UAE (in partnership with IAA Law Firm), and is active in all the main areas of business law, including corporate, finance, IP, IT and privacy, advertising, art, restructuring, tax, criminal, and labour law. The firm assists both larger businesses and SMEs, and has always adopted an international approach, advising Italian companies in their internationalisation processes, foreign corporations interested in investing in Italy, and multinational corporations involved

in multi-jurisdictional transactions. LCA has great expertise in all IP rights-related matters. It assists clients in all contentious issues related to patents, trade secrets, trade marks, designs and copyrights before national, European and international administrative and judicial authorities. LCA supports its clients in drafting and negotiating licences and assignment agreements related to patents, trade secrets and copyrights, and agreements concerning technology transfer and R&D. Extrajudicial assistance also includes trade secrets protection projects.

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Trends and Developments

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Historical Evolution of Italian Protection of Confidential Information

Italian protection of confidential commercial and technical information is a legal tradition dating back to the beginning of the twentieth century.

Back then, Italy was one of the countries that executed the Paris Convention for the Protection of Industrial Property, an international treaty that, between 1900 and 1925, was amended with a provision addressing and requiring its executing States to oppose acts of unfair competition (Article 10bis). This circumstance brought Italian Courts to protect companies from unfair acquisitions and unauthorised uses of internally developed information that was not disclosed outside their business activity.

At the beginning, such acts were considered general torts under Article 1151 of the Italian Civil Code of 1865, but then became regulated under Article 2598 of the “new” Italian Civil Code of 1942. This provision is still in force, and it specifically regards unfair competition, stating that it is forbidden to use, directly or indirectly, means contrary to the principle of professional fairness and capable of damaging other companies.

According to Italian case law, this provision was applicable to unfair acquisitions of business information if the misappropriated information was not generally known, was of economic importance and, in any case, was not meant to be disclosed outside the company’s business activity, also by virtue of precautions taken by the entrepreneurs owning the information.

Later, Italy formally implemented a set of statutory provisions specifically addressing the issue. Once again, it was due to the execution of an international treaty: the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights signed in Marrakech on 15 April 1994, which came into force on 1 January 1995 (the TRIPs Agreement).

The “new” Article 6bis, added in the Royal Decree no. 1127 of 1939 (the s.c. Italian “Inventions Law”) by the execution of Legislative Decree No. 198 of 1996, substantially consisted of the ratification of Article 39 of the TRIPs Agreement. Such Article was in addition to the unfair competition rules set forth by the Italian Civil Code, and was only applicable to acquisitions and

uses that did not comply with the principles of fair professional conduct.

Both Article 2598 of the Italian Civil Code and Article 6bis of the Inventions Law were supposed to be applied against acts that were not consistent with the principles of honest practices, so what was the difference between these norms? Article 6bis was meant to be implemented only to shield information that had been duly protected by the relevant owner. Information that was not generally known, and that had an economic value, but that was not protected by the owner with all the necessary protective steps could only be shielded through unfair competition provisions under the “general” rule of Article 2598 of the Italian Civil Code.

Within the context of a general and broad reorganisation of intellectual property laws, the Italian legislator abrogated the Inventions Law and issued Legislative Decree no. 30 of 2005, the Italian Industrial Property Code (IPC). Articles 98 and 99 of the IPC specifically addressed the identification and protection of the information referred to so far, which was finally statutory and was named “Confidential Information” and protected (and defined) as an “unregistered” intellectual property right. These provisions did not prejudice the unfair competition law, which was still applicable in the circumstances highlighted above.

It is worth noting that, at first, the Italian Legislator distanced itself from both the legal structure of Article 39 of TRIPs and the Italian case law tradition. The language of Articles 98 and 99 IPC did not mention that the forbidden acquisitions had to be put in place against professional correctness. Basically, the provisions did not require an “actual” misappropriation in order to be applied. Several scholars interpreted this as the creation of a quasi-patent right, harshly criticising the Italian Legislator for its choice, which over-stretched the perimeter of protection granted by an unregistered IP right (by way of exemplification, formally forbidding autonomous developments and correct reverse engineering activities, classically deemed lawful under Italian Law). Later, the Legislator reassessed this approach through Legislative Decree no. 131 of 2010, amending Article 99 IPC and stating that only “abusive” acquisitions and uses were forbidden according to such provision.

The last legislative intervention on the matter at issue was through Directive (EU) 2016/943 (the Trade Secrets EU Direc-

utive). Legislative Decree no. 63 of 2018 implemented the Trade Secrets EU Directive by:

- expressly granting the owner of the trade secrets the right to act against third parties that acquired the relevant information from subjects other than the legitimate owner and that knew or should have reasonably known that the trade secrets had been misappropriated;
- introducing some specific safeguard-procedural rules to protect from over-disclosure during judicial proceedings; and
- changing the statutory name of the subject matter of protection from “Confidential Information” to “Trade Secrets”.

Despite the change of name, the information protected by Italian Law is substantially the same as has always been protected. The current wording of Article 98 IPC is as follows:

“1) Trade Secrets include commercial information and technical-industrial experience, also the commercial ones, subject to the legitimate control of the owner, whether such information:

- (a) is confidential, in the sense that as a whole or in its precise configuration and combination of its elements it is not generally known or easily accessible for expert and operators in the field;
- (b) has an economic value inasmuch it is confidential; and
- (c) is subject, by the persons to whose legitimate control it is subject, to measures to be considered reasonably adequate to keep it confidential.”

Trade Secrets: the Leading Role of the Case Law

The historical development of statutory law highlighted above makes clear that there has always been a high level of attention regarding trade secrets in Italy. However, this attention has not only focused on the “formal” and legislative aspects of the issue. The main elements that the Courts always sought to understand were both what trade secrets could be, and how they could be protected.

Moreover, these two aspects are firmly bound to one another; indeed, the Courts have often assumed the secrecy and consequent relevance of information based on the protective measures that its owners implemented for preserving it.

But first of all, what shall be considered trade secret according to Italian case law? The Courts identified two main categories: so-called confidential technical information, and confidential commercial information.

According to the settled case law, confidential technical information includes, first of all, information related to technical and scientific data – for instance, non-patented or non-patentable inventions. In the latter case, an Italian Court stated that, although the relevant process did not have the patentability requirements, it still allowed the manufacturing of the products to be sped up, and this could be deemed sufficient for considering such information to be protectable as confidential information (see Court of Appeal of Bologna, 19 June 1995).

Secondly, confidential technical information can consist in projects and prototype information such as technical drawings and designs of industrial machines (see Court of Bologna, 26 April 2013) and production plants (see Court of Milan, 31 March 2004), as well as hardware configuration elements (see Court of Milan, 24 December 2015).

Lastly, it is possible to also include in such category operating instructions such as technical components list (see Court of Milan, 26 June 2015), bills of materials (see Court of Bologna, 23 April 2013) and descriptions and specifications of technical drawings (see Court of Milan, 8 January 2015).

The Courts have also come up with specifications regarding confidential commercial information, which is namely all the information useful for performing the business activity of the company, which includes (i) marketing information, such as information on prices, sales and advertising strategies and promotions (see Court of Milan, 17 February 2012) and (ii) management information, such as documents regarding a company’s organisation, information on the management of bureaucratic matters, systems and database archives (see Court of Bologna, 13 August 2013).

It is worth focusing on the evolution of the case law regarding client and supplier lists, which have historically been considered companies’ confidential commercial information. Nevertheless, the same information could also constitute agents’ and employees’ own gained and conquered expertise, which may constitute their professional background.

Indeed, the Courts had to balance the right of companies on one side with the rights of employees on the other side to be considered as rightful holders of the same know-how.

Initially, the Courts were inclined to consider client lists to be company assets (see Court of Milan, 10 December 1992).

As a consequence thereof, the former employee or agent of the company did not have the right to exploit such information, even if they remembered the names of the client by heart.

ITALY TRENDS AND DEVELOPMENTS

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The Courts' attitude towards client lists changed over time and seems to have reached a compromise today.

Indeed, today client lists are considered a company's trade secret as long as they include not only the name of the clients (which any agent/employee – particularly in sales – may easily remember by heart and which they may well be entitled to exploit as professional knowledge) but also other identification data (see Court of Milan, 6 June 2017; Court of Bologna, 4 July 2017; Court of Milan, 5 May 2012).

The settled case law has deemed further information such as phone numbers, addresses, web sites and any other personal detail to be relevant, as well as any additional business information related thereto – for instance, purchase conditions and/or terms and conditions of sale as well as purchase preferences (see Court of Venice, 18 April 2019; Court of Turin, 6 July 2012).

Lacking such further data, the information may not be considered trade secrets since it lacks a specific economic value (which is, as highlighted above, one of the requirements for accessing trade secret protection according to the Law). Such a conclusion has recently been confirmed by decisions issued by the Supreme Court on 19 June 2008, by the Court of Bologna on 4 July 2017, and by the Court of Venice on 29 November 2018.

A Focus on Measures to be Considered Reasonably Adequate to Keep Information Confidential

Having set up the boundaries of trade secrets according to Italian settled case law, it is worth focusing on the complementary issue of the adequate measures that the owner of trade secrets shall take to protect them.

As reported above, Article 98 IPC states that commercial information and technical experience can be qualified as trade secrets only if they meet three cumulative (and not alternative) requirements.

While the first two listed (confidentiality and economic value) are qualities that information either has or has not due to its inherent nature, the third one (the application of protective measures reasonably adequate to keep the information confidential) relies on the commitment and foresight of the persons to whose legitimate control the information is subject.

As reported in a recent decision, the first thing each company should do to protect its relevant information is identify, map and track down the knowledge created and/or used by the company that can be considered its trade secret and understand how it flows inside and outside the company (see Court of Turin, 12 November 2018). It is only after this assessment that a company

is in the position to identify which measures are “reasonably adequate” to protect its trade secrets.

As a preliminary remark, it must be clarified that the secrecy the Article refers to is relative and not absolute.

The economic exploitation of the company information inevitably implies its circulation and/or that it is made available to certain employees and collaborators (which are, anyway, bound to the company by an obligation of professional fairness, as stated by the Court of Turin in its decision of 12 October 2018), as well as the company's partners.

Even if it might be perceived as nonsense, this is a crucial point that must be dealt with to reduce to reality the provisions of the Law and fit with the concrete business needs of the companies.

That being said, the protective measures that apply to preserving the secrecy of such inevitably shared information can be divided into two main categories: legal and organisational protection measures, and physical protection measures.

The legal and organisational protection measures can consist in the following:

- legally binding undertakings that the person in control of the information can require an employee or a prospective third party partner to enter into before disclosing such information – eg, ad hoc non-disclosure agreements (see Supreme Court, 18 May 2001; Court of Venice, 18 April 2019) and/or confidentiality clauses (Court of Milan, 29 January 2019; Court of Bologna, 20 March 2008); or
- policies (see Court of Brescia, 12 April 2019), guidelines, handbooks and information letters (Court of Milan, 31 March 2004), security and classifying protocols drafted to regulate the access of the confidential information within the company, which the employees are bound to respect (see Court of Appeal of Milan, 29 November 2002).

With regard to the second category listed above, the reference to “physical” protection measures should not be interpreted deceptively. The definition includes, of course, several measures that can be implemented in the “physical” world, such as:

- marking the documents that contain confidential information as “confidential” (ie, “warning marks”), as stated by the Court of Bologna on 27 July 2015;
- imposing a clean desk policy on employees;
- using locked away archives (see Court of Turin, 16 May 2012);
- installing surveillance and video-surveillance systems (see Court of Bologna, 20 March 2008);

- controlling and recording access in the premises of the company (particularly in restricted access areas);
- recording, classifying and storing documents according to their degree of confidentiality (see Court of Milan, 31 March 2004); and
- periodically destroying unnecessary documents.

Nevertheless, the evolution of technology, as well as the computer-based systems usually used by companies to store their information, made it necessary to also include in this category IT-driven measures applicable to protecting and limiting access to confidential information saved on computer storage media.

According to Italian case law, such protective measures can consist in the following:

- computer archives protected by encrypted systems and reserved access, as well as technological measures of control and restriction of access (for example, based on codes or biometric characteristics) to premises containing confidential information (see Court of Bologna, 20 March 2008);
- multi-level passwords to access business information platforms (see Court of Milan, 29 January 2019; Court of Turin, 12 November 2018; Court of Bologna, 20 March 2008);
- encoding and encrypting software systems; and
- data loss prevention systems (DLP).

One of the most common mistakes made by entrepreneurs is to believe that the third requirement of Article 98 IPC can be considered automatically fulfilled just because their companies have “written down on paper” such protective measures, or because they have installed state-of-the-art and unconquerable IT security systems.

On the contrary, settled case law has stated that the persons to whose legitimate control the information is subject must be able to prove that such protective measures are not just existent, but also effectively enforced (see Court of Milan, 23 February 2017; Court of Milan, 10 May 2016). Failure to do so would lead to such information not being considered trade secrets.

To achieve such a goal, for example, employees should be trained to manage confidential information appropriately, complying with the guidelines and policies provided.

Recent Trends Due to (Unrelated) Legislative Developments and Conclusions

The analysis above highlights that the protection of trade secrets has always been of constant importance in Italy, and is likely to continue.

The reasons for that are quite clear.

On one side, trade secrets can be exploited as a possibly never-ending intellectual property right, capable of avoiding the costs of patenting procedures for companies. WIPO and EPO reports clearly show that the Italian patenting application rate is lower than the EU average (see, for instance, www.wipo.int/ipstats/en/ and EPO's Patent Index).

On the other side, two recent pieces of legislation are having the side effect of increasing demand for trade secret protection by economic operators.

The first effect is due to the issuance of Law no. 190 of 2014, which introduced the s.c. “Patent Box”. This is an optional tax regime that provides fiscal benefits for companies in any sector performing R&D activities and exploiting intangible assets, including “processes, formulas and information concerning experiences acquired in the industrial, commercial or scientific field that can be legally protected”: ie, trade secrets. In a nutshell, the benefit consists of a 50% detaxation of the income deriving either from the exploitation of the aforementioned intangible assets, or from their profitable assignments (if 90% of the related earnings is reinvested in the development of further intangible assets).

The aim of the Patent Box is to increment R&D activities and to make the Italian territory more attractive for innovative foreign companies. Nonetheless, it has the effect of pushing companies to seek not commonly known information within their business that helps them compete, and to invest in its physical, legal and organisational protection to pursue the application of such tax regime.

The second recent piece of legislation that had the side effect of further increasing the level of companies' attention to trade secret protection is the Regulation (EU) 679/2016, the worldwide famous General Data Protection Regulation (GDPR). Despite being a privacy-related law, the GDPR concretely intertwines with the trade secret protection systems on three aspects: the subject matter of protection, principles and ratio legis, and necessary security measures.

As to the first one, personal data is legally defined as a type of information, namely “information relating to an identified or identifiable natural person” (Article 4, Par. 1, no. (1) of the GDPR). Therefore, it can be found in several commercial assets classically deemed to be trade secrets, such as client lists or supplier lists.

The second aspect relates to the fact that one of the core principles relating to the processing of personal data is that of “integrity and confidentiality”. According to this principle, personal data shall be “processed in a manner that ensures appropriate

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security of the personal data, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage” (Recital 39 and Article 5, Par. 1, let. (f) of the GDPR). The principle sets forth an obligation for all those subjects processing personal data (Data Controllers) to protect the secrecy of their data, the loss of which might amount to a personal data breach (Recital 85 and Article 4, Par. 1, no. (12) of the GDPR) and imply extremely high administrative fines.

It is not just a matter of shared language between the principles underlying privacy and trade secret laws, though. The GDPR specifically requires Data Controllers to use “appropriate technical or organisational measures to ensure a level of security appropriate to the risk” (Recital 83, Article 5, Par. 1, let. (f) and Article 32, Par. 1 of the GDPR).

Hence, the third aspect: both the GDPR and the IPC require information owners to put adequate/appropriate security measures in place to protect it (indeed, the Italian version of the GDPR uses the very same adjective: “*adequate*”). When it comes to the protection of information, the legislator nowadays confirms that one size does not fit all.

In light of the above, when companies had to face the legal obligation of implementing tailor-made GDPR-compliant privacy structures, they understood that it might have been an opportunity to exploit the same investments to raise the level of protection of their trade secrets too, by adopting organisational, legal and physical protective measures.

The confidentiality principle, the fact that the GDPR expressly requires Data Controllers to ensure that those they authorise to process personal data on their behalf “have committed themselves to confidentiality or are under an appropriate statutory obligation of confidentiality” (Article 28, Par. 3, let. (b) of the GDPR), and – most of all – the fact that nowadays personal data and trade secrets are stored and run within the very same information technology systems gave them the chance to do so.

Continuing its dating back tradition and thus moving from a solid juridical base, the trend that Italy has been seeing over the past few years is renewed attention to the protection of information, which is considered a broad concept, regardless of its nature of mere personal data or commercial or technical trade secrets.

LCA Studio Legale is an independent law firm, with offices in Milan, Genoa, Treviso and the UAE (in partnership with IAA Law Firm), and is active in all main areas of business law, including corporate, finance, IP, IT and privacy, advertising, art, restructuring, tax, criminal, and labour law. The firm assists both larger businesses and SMEs, and has always adopted an international approach, advising Italian companies in their internationalisation processes, foreign corporations interested in investing in Italy, and multinational corporations involved

in multi-jurisdictional transactions. LCA has great expertise in all IP rights-related matters. It assists clients in all contentious issues related to patents, trade secrets, trade marks, designs and copyrights before national, European and international administrative and judicial authorities. LCA supports its clients in drafting and negotiating licences and assignment agreements related to patents, trade secrets and copyrights, and agreements concerning technology transfer and R&D. Extrajudicial assistance also includes trade secrets protection projects.

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