

Confidentiality Q&A: Italy

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Italy specific information concerning the key legal and commercial considerations in relation to confidentiality.

This Q&A provides jurisdiction-specific commentary on *Practice note, Confidentiality: Cross-border overview*, and forms part of *Cross-border commercial transactions*.

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Confidentiality

1. How frequently do you find that confidentiality agreements are put in place in your jurisdiction for a general commercial purpose?

Confidentiality agreements are more frequently stipulated pending negotiations to conclude contracts which deal with long-term collaboration between the parties, for the purpose of protecting the interests of parties which reveal information at this stage.

Confidentiality agreements are also frequently stipulated as ancillary contracts to collaboration contracts that may involve the disclosure of information, especially if the interest in confidentiality arises after the stipulation of the main contract.

These agreements are common either when the parties are incorporated in the Italian jurisdiction, or when one or both are incorporated in foreign jurisdictions.

2. Would contractual obligations set out in a confidentiality agreement which is governed by the law of your jurisdiction be additional to legally-imposed obligations of confidence, or would they replace them?

Articles 98 and 99 of the Industrial Property Code, which are largely inspired by Article 39 of the TRIPs Agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights), protect confidential information. In particular, “acquiring, disclosing to third parties or using that information and experience in an unauthorized manner, except for cases in which the third party has obtained it in an independent manner” are prohibited in respect of confidential information.

When information is spontaneously revealed from one side to another, the other party is not per se bound to keep it confidential, unless the consideration of all the relevant elements leads to the assumption that there is an implied undertaking of confidentiality.

In case of litigation, judges have discretion in evaluating these elements. Therefore, it is highly recommended to execute confidentiality agreements or insert specific confidentiality clauses in every case where confidential information is disclosed. In such cases, confidentiality agreements or clauses replace legal obligations (if any), unless the parties agree that they will continue to apply. In this case, the undertakings specifically agreed on integrate or modify the legal obligations.

Standard document, Confidentiality agreement (commercial): Cross-border: clause 3 contains the typical undertakings included in confidentiality agreements or clauses in Italy. Other typical undertakings include those that specify the safety measures to be implemented to protect the confidential information which have been disclosed.

3. What is the definition of confidential information in your jurisdiction? What types of information (i) cannot, under the law of your jurisdiction, be protected by a confidentiality agreement or (ii) are usually excluded from the definition of Confidential Information contained in a confidentiality agreement governed by the law of your jurisdiction?

The basic definition of confidential information in Italian case law is the one included in Article 39 of the TRIPs Agreement, which was implemented by Article 98 of the Industrial Property Code.

Since this definition is very general, it is highly advisable to specify the typologies of information submitted to the confidentiality agreement. For this purpose, broad definitions are allowed, but it is advisable that they are related to the information which is actually intended to be disclosed within the relationship (for example, it is not advisable to include a reference to chemical formulas in a confidentiality agreement concerning a relationship in which the revelation of chemical formulas



is excluded), to prevent a judge from qualifying it as a style clause and considering it unenforceable.

In Italian case law there are no limitations on the identification of information that could be the subject of a confidentiality agreement, apart from the public order limit, according to which duties of disclosure deriving from the law prevail over obligations of confidentiality.

4. Is information which is held electronically treated differently from information on paper under the law of your jurisdiction?

Generally speaking, in Italy there is no difference in the legal regime between confidential information held electronically and confidential information on paper.

However, from a practical point of view, it is strongly advisable to provide for specific conservation obligations, precisely indicating the safety measures to be adopted to keep information held on paper and information held electronically confidential. For the latter, in particular, it is common to include in the confidentiality agreements undertakings to create specific access passwords for cases where confidential information is kept on databases, and to make these passwords available only to the employees who strictly need to use them.

5. Can findings, data or analysis derived from confidential information itself constitute confidential information under the law of your jurisdiction?

Italian case law concerning the application of Articles 98 and 99 of the Industrial Property Code clarified that the ban laid down by these Articles on the use and disclosure of confidential information which has been acquired or used in violation of confidentiality obligations, whether legal or contractual, also extends to the use and disclosure of derived information, that is, confidential information that has been created starting from the safeguarded information.

However, derived information obtained in an unauthorised manner does not belong, as such, to the holder of the rights in the original information.

6. Is it possible to extend the parties' obligations in the agreement so as to capture information that was disclosed prior to the confidentiality agreement being entered into and signed? Is an undertaking by a recipient not to disclose the fact that a confidentiality agreement has been entered into, or the fact that confidential information has been made available, enforceable in your jurisdiction?

According to Italian law, a confidentiality agreement can have retrospective effect, that is, it can capture information that was disclosed before the confidentiality agreement was entered into and signed. However, this retrospective effect is limited to the relationships between the parties and their successors (following a merger/acquisition of the holder of the confidential information) and assignees/licensees (that is, parties to whom the relevant business or exclusive right on the confidential information has been assigned or licensed) who have become such after the confidentiality agreement was entered into and executed.

An undertaking to keep confidential the existence of a confidentiality agreement is admissible in Italy, unless there are legal duties to disclose such existence that prevail over the contractual undertaking.

7. Is it necessary for "consideration" (that is, value of some kind) to be given by a discloser for a confidentiality agreement to be binding on a recipient under the law of your jurisdiction? If so, does agreement by the discloser that it will provide confidential information after a confidentiality agreement has been entered into constitute such consideration?

Yes, consideration is necessary. The general rule in Italy is that an agreement without consideration is null and therefore not binding on the parties (*Articles 1346 and 1418, Civil Code*).

The consideration must reflect a specific interest of the other party to the agreement. A commitment by the discloser that it will provide confidential information after a confidentiality agreement has been entered into may not be sufficient to constitute consideration in Italy.

In relation to confidentiality agreements stipulated to set up a partnership, consideration may consist of the mutual interest in evaluating the economic suitability of the deal.

In any case, it is highly advisable to expressly include into the agreement a clear definition of the relevant consideration.

8. What are the remedies available in your jurisdiction for a breach, or an anticipated breach, of (i) obligations set out in a confidentiality agreement, or (ii) confidentiality obligations imposed by the general law of your jurisdiction?

In Italy, the breach or anticipated breach of confidentiality obligations, whether imposed by the law or by contract, that gives rise to an unauthorised exploitation or disclosure of information protected under Articles 98 and 99 of the Code of Industrial Property, entitles the legitimate holder to all the remedies normally available for IP rights infringements, including provisional measures, and to claim damages or disgorgement of infringer's profits. These remedies include:

- Preliminary injunctions and seizure.
- Protective measures.
- Orders that products manufactured using the confidential information be withdrawn from the market.

If the information disclosed or used in breach of a confidentiality agreement does not qualify as a trade secret protected under Articles 98 and 99 of the Code of Industrial Property, the non-breaching party is only entitled to terminate the agreement, to enforce it by order of the judge, and to claim damages.

9. Is it common in your jurisdiction for an indemnity to be requested by the disclosing party from the recipient for any loss or damage arising from the misuse or unauthorised disclosure of the confidential information disclosed?

In Italy, an indemnity that is contractually agreed will be recognised. In confidentiality agreements it is quite common to insert such a clause covering loss or damage arising from the misuse or unauthorised disclosure of the confidential information disclosed. However the judge may reduce the amount of the indemnity if it is clearly excessive, considering the interest of the disclosing party (*Article 1384, Civil Code*).

10. Does the law of your jurisdiction impose a limit on the time during which the obligations set out in a confidentiality agreement may continue to apply?

According to Italian law, an essential feature of confidential information is that its protection is limited, since it does not protect the holder against the subjects who develop the same information autonomously (instead patent protection would offer such protection). However, while patent protection expires 20 years after filing, confidential information protection lasts as long

as the secret is kept. Therefore, industrial secrets, unlike patents and other exclusive rights with predetermined duration, are potentially perpetual rights.

A corollary of the potential perpetuity of these rights is the equally potentially perpetual duration of the obligations that are assumed concerning them. This is also consistent with the rule laid down by Articles 98 and 99 of the Industrial Property Code, according to which it is strictly necessary, in order to preserve the right, to adopt practical measures aimed at keeping the information confidential, including contractual undertakings of non-disclosure, which potentially have the same duration of the right and therefore are potentially perpetual. This means that, under the Italian law, they are valid contractual clauses requiring that information be kept confidential until it becomes generally known or easily accessible can be valid. A possible wording of this clause compatible with Italian law is as follows:

"The confidentiality obligations provided for in this Article shall be valid at any time during the term of this Agreement and for an unlimited period after termination of this Agreement until the information provided under this Agreement has become generally known to the experts in the field for fact not due nor directly or indirectly to the receiving party and/or its employees."

11. Is a clause requiring the return or destruction of the confidential information, on the request of the disclosing party, permitted in your jurisdiction?

A clause requiring the return or destruction of the confidential information on the request of the disclosing party is permitted in Italy, provided that a term for such a request is included in the agreement or it is made conditional on specific events (for example, breach of confidentiality by the receiving party).

12. In your jurisdiction, who would be the typical list of permitted representatives of the recipient in a confidentiality agreement who could receive the confidential information?

In Italy, it is up to the parties to determine who are the permitted representatives of the recipient agreement who could receive the confidential information.

Usually, a limitation to the specific persons of the receiving parties who need to use the information for specific purposes consistent with the agreement is inserted. A standard clause could be the following:

"The receiving party shall not disclose or otherwise make available any of the Confidential Information to anyone, including employees and agents, except those employees or agents of the receiving party

who need to know the Confidential Information for the receiving party to perform its obligations under this Agreement. The receiving party shall (1) instruct any such employees and agents not to disclose or otherwise make available any of the Confidential Information to anyone, and (2) be liable to the disclosing party for any action or inaction of such employees or agents, and former employees and agents, that would violate this Agreement, had the action or inaction been that of the receiving party directly."

13. Where the information is particularly sensitive, would it be possible in your jurisdiction for the disclosing party to require that the recipient enters into a separate undertaking with each of its representatives?

Yes. The agreement will usually provide that the recipient must supply copies of the separate undertakings before receiving the confidential information.

14. What would be the typical list of situations under the law of your jurisdiction in which a party might be compelled to disclose confidential information supplied by the other party (and which should therefore form express exceptions to an undertaking to keep them confidential)?

Under Italian law, a receiving party is permitted to disclose confidential information if required to do so pursuant to the request of any governmental agency or any court of competent jurisdiction. With regard to these cases, confidentiality agreements usually provide that the receiving party must:

- Limit disclosure to the specific information required.
- Use its reasonable efforts to obtain confidential treatment of any such information disclosed.
- To the maximum extent permitted by applicable legal provisions, notify the other party before providing such information to enable that party to seek a protective order.

15. Might any additional undertakings be considered in certain scenarios, for example, undertakings not to entice away officers or employees or not to solicit customers of the disclosing party?

Under Italian law, no prohibition exists on inserting additional undertakings relating to specific scenarios in a confidentiality agreement, provided that they do not imply violations of the Antitrust-competition rules and are not contrary to the public order. The most frequent additional undertakings concern specific ways of keeping the information confidential.

16. Could a third party, for example, members of a party's group enforce a confidentiality agreement, without being a party to the agreement?

In Italy, agreements are binding only for the stipulating parties. However, some undertakings included in confidentiality agreements may be deemed to be inserted in favour of a third party. In such a case the third party may enforce these undertakings.

Furthermore, in specific cases the violation of a contractual undertaking may give rise to an act of unfair competition, and the relevant rules may be enforced by a competitor even if it is not a party to the confidentiality agreement.

17. Could a party to the confidentiality agreement enforce any of its provisions against a third party under the laws of your jurisdiction. For example, against a permitted representative of the recipient, without that representative being a party to the agreement?

In Italy, confidential information that meets the prerequisites laid down by Article 98 Code of Industrial Property (corresponding to Article 39 of the TRIPs Agreement) may be enforced against each subject who breaches the confidentiality, or co-operates in a breach thereof, even if they are not directly bound to a confidentiality agreement.

18. What are the formal requirements for executing a valid confidentiality agreement in your jurisdiction?

There are no formal requirements for executing a valid confidentiality agreement under Italian law. Therefore, general rules applicable to contracts apply, whereby the agreement must be made by the legal representative of the parties. Registration of a written agreement is required, unless it is executed by way of exchange of offer and acceptance signed on separate copies. In the latter case, registration is necessary only for enforcing the agreement before a court.

19. Does the law of your jurisdiction dictate which governing law and jurisdiction will apply to this agreement?

In the case of confidentiality agreements executed by parties that are both incorporated in the Italian jurisdiction, the governing law and jurisdiction will be Italian, unless special reasons for choosing a foreign governing law or jurisdiction hold (for example, when the information will be received abroad).

When at least one of the parties is incorporated abroad, the parties are free to choose both governing law and jurisdiction. In any case, the parties are free to provide for arbitration, either domestic or international.

20. Under the law of your jurisdiction, can the law chosen as the governing law of a confidentiality agreement restrict the parties' choice of law in respect of any subsequent transaction documents?

Unless otherwise agreed, the law chosen as the governing law of a confidentiality agreement does not restrict the parties' choice of law in respect of any subsequent transaction documents, as they are deemed to be separate agreements.

21. Are there any clauses in the confidentiality agreement that would not be legally enforceable or not standard practice in your jurisdiction?

Only clauses that are deemed contrary to mandatory rules (in case of agreements governed by Italian law) or contrary to the public order (in case of agreements governed by a foreign law) cannot be legally enforced in Italy. Public order is deemed to include only the fundamental principles of the Italian jurisdiction, as laid down in particular by the Constitution and the general principles of international and EU laws.

22. Are there any other clauses that it would be usual to see in a confidentiality agreement and / or that are standard practice in your jurisdiction?

No. There are no specific clauses peculiar to the Italian jurisdiction. Confidentiality agreements executed in Italy are fully consistent with the international standards.

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