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LEGAL INFORMATION NEWSLETTER

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We are pleased to provide you with the new issue of our legal information newsletter.

Topical legal questions are discussed and those related to issues that you might encounter.

We hope that you will find it of interest. We would welcome any comment you might have.

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**THE NEW TRIBUNAL SECTIONS SPECIALISED IN INTELLECTUAL & INDUSTRIAL PROPERTY RIGHTS AND THE ENFORCEMENT OF PATENT AND TRADEMARK RIGHTS IN ITALY**

R.D. 23.6.39, n. 1127

R.D. 25.8.40, n. 1411

R.D. 21.6.42, n.929

D.Lgs. 23.6.03 n. 168

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**THE ITALIAN COURT SYSTEM AT A GLANCE**

The structure of the Italian Court system is organized in 123 first instance Courts or Tribunals of general jurisdiction.

On July 12<sup>th</sup> 2003, Legislative Decree 27.6.2003, n. 168 has entered into force. The Decree provides for the institution of 12 new specialised Sections of Tribunal with exclusive jurisdiction over matters involving intellectual and industrial property rights. As a result, there are currently only twelve Tribunal Courts that may hear cases involving the protection of IP rights, including national and EU trademark rights, patents, utility models and industrial design rights, copyrights new varieties of vegetables, and relating unfair competition practices.

The Specialised Sections of Tribunal, which are composed of a number of judges not less than six, have been established at the Tribunals and Court of Appeals of Bologna, Catania, Florence, Genoa, Milan, Naples, Palermo, Rome, Turin, Trieste and Venice.

The Court, composed of a single judge, has the power to hold on both provisional remedies and on the merits of the case.

First holdings and judgements show that the Specialised Courts tend to follow and observe the Case Law of the Tribunal or Court of Appeal they belong to.

**THE ENFORCEMENT OF IP RIGHTS IN ITALY**

There is still a general widespread opinion that Court proceedings in Italy can be lengthy and costly. Nowadays, this is only partially true. The above system of specialised Sections of Tribunals able to hand down summary judgements has now been established and is proving itself to be successful in reducing the time taken in obtaining new judgements, and most important in reducing the time for obtaining interim measures to the protection of IP rights.

The summary judgement system is efficient and satisfactory in disputes for enforcement of IP rights indeed. Nevertheless, still some distinctions have to be made between the infringement of patents and trademarks.

**SPECIFIC ISSUES RELATING TO THE PROTECTION OF DOMESTIC PATENTS**

Usually, the enforcement of intellectual property rights is characterised by the interest of the right holder in obtaining a preliminary remedy. It may be said that the most effective results for an IP right holder arise from and depend on the issuance of a preliminary relief, which can be granted by the Judge either before or during trial on the merits of the case. Statistic shows than preliminary remedies are pleaded in more than two third of the overall IP actions and

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that over one third of the proceedings are either settled or abandoned before reaching final judgement.

Provided that the Plaintiff has matched required evidence of the grounds of his own claim, chances for obtaining a preliminary relief in a litigation case for infringement or trademark rights are generally considerable. This is particularly true for remedies like seizure of the infringing goods. According to the Trademark Act (RD 929/42), in evaluating as to whether granting seizure, the Judge shall just consider if an infringement has occurred, therefore making her determination without taking into account any subjective standard, such as the intentionality or fault of the Defendant to commit the acts of infringement.

On the contrary, as far as domestic patents are concerned and whenever their validity is disputed, Judges will likely apply the "presumption of invalidity" doctrine. Italian patents are in fact granted without substantive examination and only if challenged before a judicial body, the Judge will evaluate and test their validity.

In other words, in a patent infringement case, it may be expected not only a technical assessment to determine whether the patent has been infringed, but also an assessment of whether the patent itself is actually valid and enforceable.

This circumstance, coupled with the fact that Italian patents are not published, has determined a sort of prejudice among experts and judges that a domestic patent would not enjoy the presumption of validity principle that R.D. 1127/39 sets forth. As a consequence, Judges are not usually keen to issue preliminary injunctions in patent right cases, so as to avoid the risk of undue damages to the defendant.

It should be also noted that patent litigation frequently requires technical expertise to handle specific technical issues in the field concerned (e.g. machinery, high tech, biotechnology etc.) and to that extent, Judges are not willing to get through the matter, but with the assistance of skilled technical experts. The activity of the expert is time consuming and may jeopardize the aim of obtaining a quick preliminary relief from the Court.

In conclusion, several factors are to be considered in evaluating the correct strategy in patent litigation cases and specifically the convenience to file a motion for preliminary remedy. Among those factors which are all

related to an economic evaluation of the case are the costs of R&D for the invention and/or innovation, the investment sustained for obtaining patent protection, and the expectation of commercial exploitation of the patent to be enforced.

## **ENFORCEMENT ACTIONS**

There are two kind of actions relating to the enforcement of patent or trademark rights that are aimed at two different goals: action against infringement and actions against the validity of the patent/trademark. A patent or trademark right owner as well as any third holder or licensee of patent/trademark rights may act as Plaintiff to enforce her IP rights against infringement. In case of challenge to the validity of a patent, anyone interested in a judgement of nullity may undertake an action to that extent, including the licensee, who may be interested in objecting to the validity of the patent, that is the main consideration of a licensing agreement. In case of IP infringement, defendant could be anyone involved in the infringement, including manufacturer, importer, exporter, distributor and retailer of the infringing goods.

## **REMEDIES AVAILABLE TO RIGHT HOLDERS**

Remedies in cases of infringement include an injunction prohibiting the manufacture, marketing and use of anything constituting infringement of the patent/trademark, destruction of the infringing goods and of their packaging, imposition on defendant of a penalty for future eventual infringements, publication of the decision of the Court and damages.

Infringement is also considered criminal misdemeanour punishable by fine and/or imprisonment. Sometimes a combined action before both criminal and civil Courts may be worthwhile, although compared to criminal proceedings, civil actions offer the Plaintiff a much more flexible approach to the protection of their interest. Such flexible approach arises from the possibility of having a certain degree of control over the action itself and from the consideration that the State, which always carries out the action in criminal proceedings, is not involved in civil law proceedings.

## **PROVISIONAL REMEDIES**

Provisional remedies may be granted by the Court before or during trial. The remedies may be *ex parte* or on notice, depending on

the existence of an actual risk of imminent and irreparable prejudice to the reasons of the plaintiff.

Plaintiff gets thirty days from issuance of the provisional remedy to enforce it. If the remedy is granted before trial Plaintiff gets thirty days from the official notice about the holdings of the Court to serve summons and complaint on Defendant. If he fails to do so the remedy is set aside.

All the preliminary remedies may be granted upon evidence of the two following conditions:

- *fumus boni juris*, that is the need to show that on the balance of probability, there is likelihood of success on the merits of the case, therefore that the infringement of the trademark/patent appears likely. There is no need to offer full evidence to match this standard of proof, rather to show cause
- *periculum in mora*, that is urgency to obtain the remedy. In this respect it is necessary to provide the Court with evidence that the delay incurred in getting through the litigation would generate an irrecoverable loss.

Provisional remedies are often denied for lack of the second requirement.

It is necessary to point out that the motion for a preliminary remedy must anticipate the claims that are going to be raised subsequently during the trial on the merits of the case. The lack of this requirement may determine that the provisional remedy is set aside by the Judge. It is also useful to observe that obtaining a provisional remedy normally paves the way for a settlement of the dispute. The following provisional remedies are available in case of patent or trademark infringement.

**“Descrizione”**. Description is an order granted by the Court authorising the Plaintiff assisted by the bailiff and usually by an expert to inspect and make a description of the goods or processes allegedly infringing the IP rights. This is the most common remedy used to protect patent rights, since as above mentioned, Judges are not keen to issue preliminary injunctions in patent litigation cases. The bailiff report is aimed at describing in details features and

characteristics of the goods inspected and at reporting the evidence collected during the inspection. The goal of the procedure is to obtain official evidence of the infringement for the trial. Usually, the order may be granted *ex parte*, therefore without notice on defendant and without preliminary hearing, whenever there is a risk that defendant can hide or remove evidence of the allegedly infringing goods. No bond is imposed normally on the Plaintiff.

Motions for a preliminary remedy of description are also often used during trade fairs or exhibitions, as long as no other civil law provisional remedies are allowed in these contexts.

**“Sequestro”**. Through the order of attachment or seizure granted by the judge, the Plaintiff is authorised to search & seize the infringing goods and any means used in their manufacturing. Searches and seizures may also be carried out towards goods belonging to parties other than the alleged infringer, as long as the goods are not deemed for personal use, and were manufactured, imported or marketed by the party against whom the order was issued. A seizure is carried out by a bailiff, often assisted by the Plaintiff for the correct identification of the goods to be seized. Seizure can be repeated several times in different places. The order can be issued either *ex parte* or on motion, depending on the fact that the plaintiff provides the Court with evidence about the existence of an actual risk of immediate and irreparable damage, which justifies that Defendant is not served with notice of the motion.

Two are the goals of a provisional remedy of seizure: to prevent the infringing goods seized from being sold into the market and to acquire evidence about the infringement itself. As above mentioned, whenever proper evidence of grounds for the action are offered to the Court, the Judge will likely grant such order in case of Trademark infringement litigation. Less likely, a Court would grant the remedy in a patent litigation case.

**“Inibitoria”**. This cease-and-desist injunction which may be granted by the Court, prevents the alleged infringer from using the infringing goods or process by forbidding her the manufacture, marketing, promotion and distribution. The Court, when issuing the order may set a sum payable for

any non-compliance with the injunction-order.

## **THE TRIAL**

As above said, once a provisional remedy is obtained, it is necessary to initiate the litigation on the merits of the case within thirty days from its issuance, otherwise the remedy is set apart. Such situation might change in the near future, since the Government has been empowered to implement a unified Legislative Code for the protection of the Intellectual Property. Parliamentary 10th Commission shall express its opinion on the work done by the Government within December 29<sup>th</sup>, 2004. This could be the chance for extending the civil procedure rules in force for commercial litigation cases to the IP-related litigation cases. Those procedural rules currently provide that whenever a provisional remedy is granted before trial, it is not compulsory to carry on the action on the merits of the case, unless those against whom the provisional remedy has been issued require so.

Current rules of the Civil Procedure Code require instead the Plaintiff to serve summons and complaint on Defendant, asking the Defendant to appear at a given hearing, which date must not be sooner than 60 days from the date the delivery service is made. The complaint shall detail the facts underlying the action, propose the legal arguments and evidence to be used during the trial, and state precisely the claim or claims. If Defendant intends to file a counterclaim or to join a third party to the action, she must do so at least 20 days before the date of the hearing.

On the average, civil litigation in Italy may last three years. There are different types of hearing. The first hearing is set to check out that parties have complied with formalities that the Law requires for setting up a claim. It is also the proper venue for raising preliminary claims, such as lack of jurisdiction of the Court over the matter, or over Defendant.

The second hearing gives both parties the possibility to precise and to certain extent to modify their claims. It is also set for the attempt of settlement of the parties that the Judge has to carry out, according to Article 183 of the Civil Procedure Code. It is only at the third hearing that the trial stage starts and the Judge weighs the evidence presented by

the parties. As mentioned, patent litigation claims often require the appointment of a Court expert for

assisting the Judge and providing her with the technical opinions needed in order to evaluate the matter. The expert, usually chosen within a list of patent attorneys with experience in the specific field, has to answer to precise questions posed by the Judge. In doing so, he has broad powers to investigate the case, to inspect the goods, the processes, their means of production and to test them for evaluating their characteristics and features. Parties may submit to the Court expert the technical opinions they rely on. After conclusion of his work, the Court expert will draft his technical opinion for the Judge.

## **DAMAGES**

The winning party in an IP-related litigation can be awarded a compensation for damages. This amount is usually added to the partial reimbursement of the Attorney's fees.

Judges are not generally generous in assessing damages. The plaintiff seeking compensation for damages shall offer the Court evidence about the actual damages sustained and the loss of net profit due to the acts of infringement. During the trial stage the Plaintiff must provide such evidence. A Court expert on accountancy may be appointed in order to calculate the amount of sales for the infringing goods. It may happen that accounting books do not permit a precise identification of the goods. In such case the expert analysis may be useless and the results of it frustrating.

By Jurisprudence, compensation for damages is frequently limited to the amount of goods actually sold by the infringer on the market, and is calculated on the fictitious profit that the right holder would have gained, had the infringer not carried on such sale. In other words, based on the assumption that the right holder would have sold the amount of goods actually sold by the infringer, Courts usually award compensation for infringement in the amount of a reasonable royalty, which may sound like a sort of compulsory license for the past. According to several Authors this approach does not comply with requirements that Article 41 of TRIPS sets forth, that calls for the adoption of adequate remedies that may serve as a deterrent against infringements.