

## Court clarifies doctrine of trademark limitation by coexistence Italy - IP Law Galli

Examination/opposition  
Registration  
Confusion  
Infringement

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On February 17 2016 a decision was handed down by the IP and Corporate Specialised Division of the Court of Milan which addressed the relationship between the likelihood of confusion and consumers' perception of the different messages linked to the trademarks at issue, and between the limitation by coexistence and trademark acquiescence doctrines.

The lawsuit concerned a dispute over the trademark RING, filed in 2004 and used since 2007 to identify and distinguish clothing designed for a medium-high target customer base; and the later trademark URBAN RING, filed in 2006 but used since 2004 on products targeting a sporty male customer base.

The court ascertained that the trademark URBAN RING did not infringe the prior sign RING, emphasising two elements, different but interrelated. The first was the particular connotation of the messages conveyed by the trademarks at issue, the former relating to the idea of a ring being exclusive and precious, and the latter coherent with the urban context of a boxing ring. The second was the trademarks' coexistence on the market over a long period. Both elements were deemed sufficient to exclude a potential likelihood of confusion for customers and any possibility of coupling.

The court found that the relevant customers could understand the different expressive meanings of the trademarks. The messages conveyed by the signs were fully coherent with their different brand images, created over time by the two companies. This excluded, by definition, not only any likelihood of confusion with regard to the trade origin of goods bearing those signs (the European Court of Justice (ECJ) has always held that potential confusion must be assessed on the basis of actual use of the trademarks, with a concrete-based analysis), but also any possible coupling of the alleged goodwill of the plaintiff's brand. According to the court, even if this were shown during the proceedings, it could not be claimed retroactively for a period when the trademark at issue was not renowned.

The court also underlined the "pacific coexistence of the now-interfering signs, which has lasted for several years". The court reasoned that this coexistence would have then determined "a general awareness of the different trade origin, which rules out any likelihood of confusion and thus the violation of the rights pursuant to Article 20, letter b) of the Italian IP Code".

This aspect is particularly interesting and innovative. The court first held that the principle of 'foreclosure by tolerance' (provided by Article 9 of EU Directive 89/104/EEC and Article 28 of the Italian IP Code regarding trademark acquiescence) did not apply, since no claim seeking later trademark nullification was filed. In particular, from a national perspective, Article 28 of the IP Code provides that the invalidity of a registered trademark due to lack of novelty or interference with prior rights can be remedied when the following conditions are met:

- The later trademark owner did not apply for trademark registration in bad faith; and
- The prior right owner has tolerated the sign's use for more than five consecutive years.

The decision, based on the general principle established by EU case law in the famous *Budweiser* decision (ECJ Case C-482/09, September 22 2011), stressed the long-term coexistence of the signs on the market, noting that in this case the so-called 'limitation by coexistence' should be applied, even independently of the registration.

Such a foreclosure implies the need to verify whether the coexistence of two trademarks on the market for a significant period has created a situation where potential detriment to the indication-of-origin function of the trademark for which registration is sought still exists.

From this perspective, limitation by coexistence constitutes a general principle that encompasses acquiescence itself, which in this context has only residual relevance. This limitation also works independently of the fulfilment of those conditions required for acquiescence (ie, specifically, the good faith of the later trademark owner at the time of filing, the registration of the later sign seeking acquiescence, the use of the sign in the member state's territory where the earlier trademark is protected and, ultimately, the awareness of the earlier sign owner of such use after registration. With regard to foreclosure by tolerance, see Case T-133/09, June 28 2012).

The most relevant aspect of the limitation by coexistence does not concern, therefore, the fulfilment of the conditions for acquiescence (these are considered only for the purposes of likelihood of confusion

assessment). The existence of a concrete likelihood of confusion between signs among the relevant audience becomes the key point. Furthermore, the likelihood of confusion must be examined not with regard to circumstances existing at the time at which the trademark application was filed, but rather when the protection is required.

Therefore, none of the conditions mentioned above would be decisive since, in the context of the limitation by coexistence, only the effect occurring in the market - namely, the actual exclusion of the likelihood of confusion - is crucial. This does not depend on the duration of the coexistence, whether or not this is more than the five-year period envisaged for the purposes of 'foreclosure by tolerance'.

The court concluded that the 'limitation by coexistence' precludes a prior trademark owner from seeking a later sign nullification or opposing such a use "where the simultaneous use and the long-term duration thereof, are sufficient to exclude the potential detriment to the prior trademark function aimed at guaranteeing the trade origin of the goods or services to the audience". Therefore, although two trademarks may be likely to be confused on an abstract basis, thus independently of the concrete use on the market, they might acquire an individualising ability for the relevant audience as a result of a long-term and peaceful coexistence on the market; this excludes any likelihood of confusion or association.

Clearly, these conclusions - which are noteworthy and consistent with the interpretation established by EU case law - must be integrated with the clarification that the 'foreclosure' refers not only to the indication-of-origin function, but also to those additional functions performed by the trademark on the market, which the ECJ has identified as communication, investment and advertising functions (eg, ECJ Cases C-236/08 and C-238/08, March 23 2010), when such coexistence is likely to exclude any possible detriment of the trademark reputation or give unfair advantage to its owner.

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