

IP_LAW_GALLI Newsletter

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RECENT DEVELOPMENTS IN ITALIAN IP LAW

- ✓ *Approved by the Italian Government a Decree scheme for the Industrial Property Code*

With Law 12 December 2002, no. 273 (the so-called «Mercati Annexe» to the 2003 Financial Law) the Italian Parliament gave the Government **two delegations in the IP field**.

The first, in Art. 16 of the Law, concerns the establishment of **specialised IP divisions** at twelve Courts (Bari, Bologna, Catania, Firenze, Genova, Milano, Napoli, Palermo, Roma, Torino, Trieste and Venezia) and at the corresponding Courts of Appeal. It was implemented with Legislative Decree 27 June 2003, no. 168, Art. 3 of which states that the questions to be examined by the new divisions regard, *inter alia*, «national, international and EU trade marks», «copyright» and «cases of unfair competition interfering with IP protection».

The second mandate, in Art. 15 of the Law, concerns the adoption of «**one or more legislative decrees to reorganise current IP legislation**», including copyright, within eighteen months. On the basis of this mandate a Commission was set up which did, in fact, prepare an Industrial Property Single Text Draft (not including copyright). This was revised a number of times but failed to be adopted in good time by the Government.

The second mandate was, however, **renewed**, by Law 28 May 2004, no. 136, which moved the deadline forward **another six months** for adoption of the Government Decree. Actually **a Decree scheme was approved by the Italian Government on 10 September 2004**, that will now be examined by the competent parliamentary commissions before its final passage.

If the text of the decree reflects that of the Commission's Single Text Draft it will introduce **key innovations into Italian IP Law**. The most important of these regards the **extension of special sanctions and interim measures**, at present only applying to the protection of trade marks, patents and copyright, to all areas of Intellectual Property as defined at international level by the *TRIPs Agreement*, and particularly, therefore, **to the protection of trade secrets and non-registered trade marks**.

There are also important innovations in the field of **employees' inventions**, for which, in particular, the 2001 legislation on **public researchers' inventions** has been adapted. In the Single Text Draft this legislation, albeit continuing to derogate from general legislation in this field, as public researchers are still granted ownership rights on their inventions, rules out this ownership when the research leading to inventions is **financed by private bodies**.

The Single Text Draft also provides the first express Italian law on **domain names** as distinctive signs, albeit limiting itself to a few articles essentially assimilating decisions already issued by the courts. In reality, articles 118-124 of the first version of the Commission's draft provided for **intense regulation, even of a Public Law nature**, of domain names. This regulation, however, was highly **criticised** by legal scholars (see, in particular, my observations addressed to the Ministry of Production on <http://www.ubertazzi.it/it/codiceip/materiali/Galli.pdf>), both because the proposed articles concerned domain names *per se*, i.e. also domain names which constitute mere addresses, and – above all – because it would have transformed, as far as Italy is concerned, an essentially Private Law system (which is what Internet is throughout the world) into a system with strong Public Law connotations. In fact, the regulation that was going to be introduced provided that a «National Commission for INTERNET and other computer networks» be established at the Ministry of Production (art. 123), which would not have been assigned simple monitoring tasks but would have had to «issue the rules for domain name registration», i.e. lay down the so-called Italian Naming Rules. The Commission appointed to prepare the Legislative Decree Draft took these observations on board and **the disputed articles were not included** in the second draft of the Code. It is believed they will no longer be introduced.

For those areas changed by the new Code with respect to current legislation, there is, however, a delicate problem of **constitutional lawfulness**. The delegation law allowed the Government only to «coordinate, formally and substantially, the present legislation» in order to achieve «juridical, logical and systematic consistency». Therefore, all changes which do not come within these specific aims may be **criticised for exceeding the limits of the mandate and therefore be declared unconstitutional**.

In the meantime the protection of trade marks has been strengthened using **criminal law instruments** by Art. 4, paragraph 49 of Law 24 December 2003, no. 350 (2004 Financial Law), with regard to the increasingly common phenomenon of using indications to make it appear that goods are made in Italy when they are actually produced abroad (in particular, in emerging Far Eastern countries). This expressly made Art. 517 Criminal Code applicable to the «**import and export for sale or the sale of goods bearing false or misleading indications of origin**», and in particular to the use for non-Italian goods of the «**stamping 'made in Italy'**» or at any rate of «*signs, figures or other which may lead the consumer to believe that the product or goods are of Italian origin*».

✓ ***The Court of Cassation states that post-sale confusion is also relevant in assessing criminal trade mark infringement***

In its ruling no. 12926 of 5-17 March 2004, the Italian Court of Cassation once again dealt with **criminal trade mark infringement**, stating that **the fact that the purchaser of the infringing good is aware that it is not original does not *per se* rule out the offence of infringement**, provided for and sanctioned by Art. 473 Criminal Code.

This decision is in line with the position taken by the Italian Criminal Courts which have abandoned the previous stance whereby counterfeiting which is crude and recognisable by the purchaser constitutes a tort but not a criminal offence. The decision is also particularly significant since it gives importance, in trade mark infringement, to the fact that the non-original product **«could always, after sale, be taken for the real product»**. Thus, the Court considered the so-called **post-sale confusion** to be relevant in this regard. Post-sale confusion is the confusion not of the purchaser but of the person who sees the product after purchase. This case is particularly important for **fashion and luxury goods** which are purchased in order to be displayed with the label clearly shown. The decision is thus in line with **the general trend in Italian case law to strengthen protection of the most famous trade marks**, a trend which in the civil courts can clearly be seen by the broader recourse made to legislation on the protection of trade marks having a reputation.

✓ ***A hotly debated Court of Cassation ruling on actions seeking a negative finding of patent infringement***

Limits on the **jurisdiction of Italian courts** in actions seeking a negative finding of patent infringement continue to be much discussed, following the Italian Court of Cassation ruling no. 19550 of 19 December 2003, whereby the jurisdiction of the Italian Courts to decide on **an action seeking a negative finding of infringement of an Italian patent** (or the Italian part of a European patent) held by a non-Italian, may not be based on Art. 5.3 of the 1968 Brussels Convention (now replaced by EC Regulation 44/2001), also in relation to infringement occurring in Italy. It stated that this article applies only to actions brought against the infringer to secure a positive finding of infringement.

The importance of this decision needs to be considered in the light that it upheld a ruling of the Appeal Court of Bologna (Appeal Court of Bologna, 26 July 2000) which had in turn upheld a previous ruling of the Court of Bologna (Court of Bologna, 22 September 1998). As is the case with these two rulings, the Court of Cassation decision is essentially based on the importance, in actions seeking a negative finding, of the event under ascertainment being presented by the plaintiff as lawful and, as such, lying outside the notion of “delict and/or quasi delict” under the Brussels Convention. This argument appears, however, to be **open to censure** – and has in fact already been criticised in relation to the decisions of the Bologna Courts – due to the fact that, in reality, in all cases of ascertainment, both positive or negative, of extra-contractual tort, the juridical circumstance under ascertainment is presented as lawful by one of the parties and unlawful by the other. Thus, in both types of cases the subject at issue is always the same.

A restrictive interpretation of Art. 5.3, so as to exclude actions seeking a negative finding from its scope, does not seem justifiable even in relation to the fact that this article derogates from the general criterion, in Art. 2 of the Convention (now of the Regulation), of the Courts of the State of domicile of the defendant. In fact, the **ECJ** has so far settled doubtful cases brought in relation to this and to other articles which are exceptions to Art. 2 on the basis of the **rationale** of such articles (see, for example, with reference to Art. 5.3, ECJ, 30 November 1976, C-21/76); and this rationale, in the case in question, seems to give **jurisdiction in cases of extra-contractual tort to the Courts of the place in which the alleged tort occurred**. This does not appear to allow actions seeking positive finding of this tort to be distinguished from actions seeking a negative finding. A recent ECJ ruling decided thus, interpreting Art. 5.3 of the Brussels Convention as meaning that it could also be applied with regard to **a tort which had not yet been committed**, as in fact is now expressly laid down by Art. 5.3 of EC Regulation 44/2001 (ECJ 1 October 2002, C-167/00). If this article can give jurisdiction to a national court to decide on harmful events which are only feared but which have not yet been committed, all the more reason for it to be applied to harmful events which have already been committed and whose lawfulness is disputed.

What is more, equating cases seeking positive findings with those seeking negative findings is entirely **indisputable in Italian case law when the defendant is a resident of Italy**. In this regard see, by way of example, Court of Cassation, 11 March 1981, no. 1398 and Court of Cassation, 10 September 1991, no. 9405, the latter dealing with patent infringement.

The Court of Cassation decision no. 19550/2003 does not appear to have taken into account all these aspects, which seems to indicate that **a different assessment** of the issue by the Italian Courts is still possible.

A further problem is that of establishing whether Art. 5.3 of the Convention and now of the Regulation gives Italian Courts the jurisdiction to decide not only on the (non -) infringement of an Italian patent or trade mark, but also on the **infringement of foreign patents or trade marks** corresponding to the Italian one, or rather on the infringement of the foreign national parts of an European patent extended to Italy. In fact, since each national patent/trade mark is effective only in the corresponding State, only actions committed in that State constitute infringement of the relevant patent/trade mark. As a general rule the jurisdiction of the Italian Courts based on Art. 5.3 of the Convention should therefore concern only the alleged infringement of an Italian patent/trade mark (or the Italian part of a European patent) and cannot concern cross-border actions.

However, when a negative finding is sought **in the State in which the alleged infringing production takes place**, it does not seem unreasonable also to give the Court seised the jurisdiction to decide on the **foreign distribution** of the goods thus produced. A signal in this sense can be found in the ECJ decision, 7 March 1995, C-68/93, Fiona Shevill, which, in a case of newspaper libel, ruled that the State in which the newspaper containing the libellous article was published was “**the place of the event giving rise**” to the entire damage and was therefore relevant for the purposes of Art. 5.3 of the Convention as the basis for an action also relating to the libellous repercussions of foreign distribution of the articles, “**in that it was the place of origin of the harmful event from where the libel was formulated and placed in circulation**” (point 24 of the grounds to the decision). In legal theory it has therefore been suggested that “in this light it could be assumed that **the Courts of the State where goods are produced which in that State infringe a patent also have the jurisdiction to decide on the distribution of those goods in other States**, gauging whether this infringes parallel patents in those States” (GALLI, *Problemi e prospettive delle cross-border injunctions in materia di proprietà intellettuale*, (*Problems and Prospects of Cross-Border Injunctions in Intellectual Property Matters*) in *Riv. dir. ind.*, 1999, I, 21ff., note 63 of p. 43; similarly see , CONSOLO, in *Riv. dir. priv.*, 2000, ...).

Therefore, in this specific case, it also appears possible to postulate bringing **torpedo actions** in Italy for negative findings against the non-Italian holder of a European patent or of a number of parallel patents or trade marks one of which is Italian.

Of course in patent cases consideration must be made of the **ECJ decisions** in the case C-4/03 (which is shortly to be issued) and in the case C-539/03. In the case C-4/03, on 16 September 2004 the Advocate General Geelhoed filed his conclusions whereby **the exclusive jurisdiction of the Courts of the State where a patent has been granted on validity matters also extends to infringement proceedings in which an objection is raised concerning the validity of the patent at issue**.

THE CASE

✓ ***A recent decision extends protection of trade secrets in Italy (Court of Brescia, interim ruling 22 April 2004) – The full text of the ruling***

The Court of Brescia (the second most important industrial centre in Lombardy after Milan) issued an important interim ruling on 22 April 2004 on the violation of trade secrets, granting the party complaining of violation – represented by our firm – a particularly **broad injunction** enjoining the violators from using the stolen secrets to produce and sell goods “*which are identical to those*

manufactured by the petitioner and/or which incorporate the know how ruled in these proceedings to be secret”, and thus also goods which are not identical to those of the holder of the secret but whose production entails **exploitation of the stolen secrets**.

The ruling also forbade the violators to use trade marks of the holder of the industrial secret to describe the characteristics of their goods, even in the context of expressions such as “**type ..., model ..., interfaceable with ...**”, ruling that this use constitutes **parasitical exploitation of the goodwill** of the holder of these trade marks and therefore an act of unfair competition. The Court also ordered **publication** of the injunction in some of the major Italian newspapers, at the expense of the violators.

The ruling is particularly interesting both because it is a small summary of trends in Italian trade secrets case law and also because it takes up a particularly clear position on the problems of **proof in trade secrets violation**, admitting that this proof may be given in any way and therefore may also be **circumstantial evidence**.

The ruling was later **upheld** at appeal stage (Court of Brescia, order 12 July 2004) and the proceedings into the merits are currently in course.

The English translation of the full text of the ruling now follows.

COURT OF BRESCIA

THIRD CIVIL DIVISION

Appointed Judge

Dr. Cesare Massetti

On the petition *ex* Art. 700 Code of Civil Procedure (CCP) submitted by LA LEONESSA s.p.a. against OFFICINE NICOLA GALPERTI E FIGLIO s.p.a., GALPERTI ENGINEERING AND FLOW CONTROL s.r.l., FRUSCA s.r.l. and Dr. Ing. DANIELE DOTTA (no. 7286/2003 R.G.) and the petition *ex* Art. 700 CCP submitted by LA LEONESSA s.p.a. against GALPERTI TECH s.r.l. (no. 9045/2003 R.G., joined to the former);

having read the case papers and, in particular, the final authorised notes;

having heard the parties at the last hearing of 18 March 2004;

having removed the reserve given in that hearing;

whereas the petitioner complained that the petitionees had committed a series of acts of unfair competition by producing identical or similar goods in the bearing or slewing ring sector, availing themselves of confidential information (both technical and commercial) acquired for the purpose through Mr. Dotta, a former employee of La Leonessa who went on to work for Galperti;

the petitionees refuted all charges, objecting, in particular, to the argument whereby production of the bearings or slewing rings required the development of specific technology. They stated, on the contrary, that this technology was in the public domain, thereby intending to rule out the possibility that “secrets”, in a technical-juridical sense, were at issue in this case.

OFFICINE NICOLA GALPERTI E FIGLIO s.p.a. and GALPERTI ENGINEERING AND FLOW CONTROL s.r.l., *inter alia*, pleaded that they could not be sued, pointing out that, in any case, the production of bearings or slewing rings was carried out by another firm in the Group – GALPERTI TECH s.r.l. –, where Mr. Dotta is at present employed;

FRUSCA s.r.l., *inter alia*, stressed that it had acted simply as an “agent”;

following the plea of the above two firms that they lacked the capacity to be sued, LA LEONESSA s.p.a. submitted a further petition, identical to the first, against GALPERTI TECH S.R.L., and these two proceedings were subsequently joined;

a Court Appointed Technical Expert's Report was then drawn up by the Dr. Ing. Vittorio Faraggiana;

at the hearing of 18 March 2004 the Appointed Judge fixed a deadline for the parties to submit their final notes, bringing to an end the debate phase of the proceedings, it not being necessary either to fix a further deadline for replies (which could have been requested when the Appointed Judge reserved his decision), or a hearing for discussion (as the interim proceedings were "de-formalised").

That having been stated

OBSERVES

- I) The Court Appointed Technical Expert's Report

This is to be dealt with before any other consideration whether of fact or of law.

Recourse has had to be made to a *technical* opinion due to the enormous differences in the arguments of the parties in these proceedings as to the nature and characteristics of the production of bearings or slewing rings.

It would be well to stress that, following the results of the Court Appointed Technical Expert's Report, both parties stated that they "agreed with" the conclusions of Mr. Faraggiana, whilst giving different and contrasting interpretations of the Report.

However, I am of the opinion that isolated "pieces" of the Report may not be extrapolated in order to support elements *in favour* of one's argument whilst ignoring those elements which *refute* same. Obviously the Report has to be read in its entirety, whilst acknowledging that, in some ways, it is in fact "ambiguous".

That having been stated it would now be worth summarizing Mr. Faraggiana's opinion on the arguments he was asked to examine.

Mr. Faraggiana stated as follows:

- there are at least *two* types of production of large slewing rings, i.e. a) "standardised" production, whose basic characteristics are the same, as the slewing ring is a relatively common product, even when intended for use in different applications in the industrial sector; and b) "specialised" or "personalised" production, since the purchaser often requests "variations", ranging from the most "banal" to the most "sophisticated" (**QUESTION 1**);

- the "Galperti" slewing rings, at least on the basis of the submitted documentation ("Frusca" general layout of a slewing ring, accompanied by a load diagram), seem to have been designed on the basis of a drawing of a "Leonessa" slewing ring, also in view of the fact that the former were intended to *replace* the latter (**QUESTION 2**). It is also true that the Expert stated that he was unable to answer the question on the alleged "identical nature", or to say whether Galperti had used the same know how as Leonessa's in manufacturing its slewing rings;

- it is impossible to manufacture slewing rings, especially the more sophisticated, simply on the basis of knowledge of ISO standards. Specific know how is indispensable. There is undoubtedly a series of general or basic know how regarding the manufacture of slewing rings but beyond this each manufacturer develops its own know how within the company which distinguishes its own product from that of competitors (**QUESTION 3**);

- on the basis of the submitted documentation (manufacturers' catalogues, Internet, any designs and specifications provided by end users) it is certainly possible to manufacture bearings or slewing rings which are *similar* to those manufactured by Leonessa. However, it is impossible to manufacture *identical* bearings or slewing rings if certain modifications have been made to the slewing rings (**QUESTION 4**);

- finally, Leonessa seems to have adopted certain measures to avoid its know how being

divulged to non-authorised parties. These measures, at least for what concerns computer archives, can in effect attain the desired result (**QUESTION 5**). It is also true that the Expert did not consider it necessary to carry out direct checks in the company since said checks would not, in any case, have made it possible to ascertain whether these measures had already been put into place at the time of events.

- II) Analysis of the Fact

At this point it is worth highlighting the salient facts of the case which, directly or indirectly, may be considered to have been demonstrated so far.

The two fundamental aspects, proof of which I believe has been provided, at least circumstantially are: **a)** that the production of “La Leonessa” slewing rings comes within the high and/or intermediate level and, above all, requires specific know how, **b)** that a former employee of Leonessa, aware of the confidential company information by virtue of the tasks carried out at the time, went on to work for Galperti just when this company had decided to enter the slewing ring sector.

As regards the first point (**a**), in addition to the documentation submitted by the appellant, which attests, if nothing else, that “efforts” had been made for a long time in the research and development sector, there is the Court Appointed Technical Expert’s Report.

In all truth, Mr. Faraggiana was not expressly requested to indicate which type of production Leonessa carried out in the bearing or slewing ring sector, also because, at the beginning such a problem had not been considered. However, he stated that “*it is true that the slewing rings in question are not the height of bearing sophistication and their production does not require cutting edge technology*” (see Report p. 15), only to add that “*the type of slewing ring produced by the petitioner, La Leonessa, has to be designed paying attention to the specific application*” (see Report p. 15).

Therefore, it seems Mr. Faraggiana considers, at least implicitly, that “Leonessa” production comes within the *second* type of slewing ring manufacture named, i.e. “specialised” and/or “personalised” production, which requires certain technologies (know how) not in the public domain.

This conclusion is supported both by the fact that the Expert declared that it was impossible to manufacture “identical” slewing rings without this know-how (see Report p. 23), and the fact that the petitioner has fully demonstrated, by means of documentation, that its relations with its clients are highly “personalised” in that each client requires a certain type of bearing or slewing ring designed *ad hoc*.

As regards the second point (**b**), an absolutely clear and indisputable fact, the *coincidence* of Mr. Dotta’s resignation and Galperti’s expansion into the slewing ring sector cannot but be highlighted, so much so that it may be supposed that Mr. Dotta was taken on in view of the launch of this new activity by a group which until then had operated in the metallurgical field.

A series of other facts revolve around these “principal” facts, so as to say, which are relevant as regards unfair competition.

Firstly, it has been proved that Frusca, Galperti’s agent, contacted a number of Leonessa’s clients, offering them identical products. This could, if it were considered alone, appear irrelevant if it were not for the fact that: **1)** these products were named as “*slewing rings interfaceable with Leonessa*”; **2)** the offer was accompanied by designs and diagrams which Mr. Faraggiana considers were taken from “La Leonessa” material (see reply to Question 2); **3)** the codes indicated in Frusca’s offer were the same as Leonessa’s internal codes.

Therefore, it is clear that Frusca knew “who” to contact and “how” to contact them, as the agent was perfectly aware of the technical characteristics of the slewing ring normally requested by the individual client, if it is true that designs and diagrams actually accompanied the offer.

There is no proof that it was the indicated two clients who sent Galperti the technical data required to make an *ad hoc* offer. The burden of proof here obviously rests with the petitionees. As it stands, therefore, I accept the opinion of the petitioner that it was most certainly *not* a “solicited” offer.

Secondly, it has also been proven that Galperti contacted Leonessa’s main ring supplier, sending a virtually identical offer, for what concerns size, materials and quantity, to the one normally made by the petitioner (see the comparison between the ring list attached to the “Galperti” order and the extract of “Leonessa’s” ring code list).

If, in principle, it is accepted that in this special sector the clients normally send the designs required for the manufacture of the slewing rings, it is difficult to imagine the supplier of one of the components required for the manufacture of the slewing rings contacting the manufacturer (a manufacturer, what is more, which has just entered the market), with a highly personalised offer.

Thirdly, Leonessa adopted adequate measures to safeguard the confidentiality of its technical and commercial data. The judgement of “adequate” was given by the Expert whose grounds appear to be perfectly acceptable (see reply to Question 5). The question as to whether these measures had already been adopted in the company at the time of events may easily be answered: Mr. Dotta, in his written defense, has never refuted this fact, simply disputing whether or not these measure were suitable. The fact that an individual within the company at the time of the events, carrying out high level duties, did not state otherwise means that, at the time of events, those measures, considered by the Expert to be “adequate”, had already been adopted to avoid data coming to the knowledge of third parties.

- III) Considerations in law

Assessing all the above facts as a whole, according to their logical connection, there is little doubt that Galperti, through Mr. Dotta, took confidential Leonessa information, in order to enter the large slewing ring production sector and, moreover, committed acts of unfair competition.

Given, at this stage, that *full* proof is not required but simply the *likelihood* of the right invoked in the proceedings, and also given that proof of unfair competition is, by its very nature, eminently circumstantial, it cannot be explained how the petitionees came to be in possession of designs, measurements, codes etc. if not by theft. The fact that the new product was presented as being “interfaceable” with, i.e. “identical” or “equivalent”, to, that of the competitor is surprising.

Furthermore, if, during the technical consultancy stage of the proceedings, Galperti neither proved that it possessed its own know how (see Report p. 11), nor felt that it had to spontaneously show its product to the Expert in order to demonstrate any diversity, it can only be concluded, at least circumstantially, that Galperti only (illicitly) intended to “exploit” the other’s know how and information.

Going on now to analyse each tort in detail, the following types of unfair competition can be seen:

1) not only the general clause of Art. 2598 no. 3 Civil Code (CC) (which sanctioned the violation of trade secrets even before the new law came into force) but also the specific clause of Art. 6 bis Patent Law are infringed. See above for what concerns the specific nature of Leonessa’s know how and the adequacy of the security measures adopted within the firm.

On the other hand, it seems that Art. 2598 no. 3 CC can ensure protection in cases of systematic parasitical acquisition of another’s information which is easily accessible or inadequately protected. This could be the situation in the case in question, even if the main request were rejected.

In juridical terms this know how undoubtedly constitutes a protectable “secret”. The Expert could not say this as it is a purely juridical assessment but I believe it to be so, in the light of the technical considerations illustrated by the Expert.

It would be well to stress that the violated secrets are both of a *technical* and a *commercial* nature, i.e. the “common practice” set up by the petitioner with its clients and suppliers. In both cases the information is not made available to the public as it is of objective importance to the company, being technical or commercial data which must be kept from third parties. It appears superfluous to point out that this information has an undoubted value so much so that the competitor acquiring the information makes a notable saving.

2) In addition there is unfair competition due to the misappropriation of qualities (Art. 2598 no. 2 CC), given the use of Leonessa’s name in the offers, which obviously demonstrates the intention to *parasitically exploit*;

3) as for inducing Mr. Dotta to breach his fiduciary duty to his former employer, admitting the “plan” and “orchestration” argument, it cannot but be acknowledged, again circumstantially, that this activity was begun well *before* Mr. Dotta resigned from Leonessa, so much so that – also regardless of the suggestion offered by analysis of TIM (Italian Cell Phone Telecom) printouts – the petitioners’ main defence argument falls down (according to this argument fiduciary duty is breached only when the competitive activity is carried out, at least in part, when there is still a working relationship).

In any case, even if it were admitted that fiduciary duty *does not* continue post-resignation, the fact remains that Mr. Dotta, availing himself of information (this refers only to technical information: the possibility of a former employee using the so-called client-list is hotly debated), acquired during his period of employment at Leonessa, but not forming part of the State of the Art accessible to firms operating on the market and intended to be kept secret, thereby breached, together with his new employer, the duty of confidentiality and/or good professional conduct pursuant to Art. 2598 no. 3 CC.

A few words for what concerns *periculum in mora*, since we are dealing with a requirement which, in the case in question, is generally held to be *in re ipsa*.

In any case, already launching an activity involving unfair competition, moreover in a particularly “odious” way, with the well-known associated difficulties in assessing damage, which, due to its very nature, will increase over time, are reason enough to hold that imminent and irreparable damage is involved in the case in question.

- IV) The content of the measures which may be issued and the position of each petitioner

An analysis of Leonessa’s petition shows an evident intention to extend the protection of the *injunction* to the production of non-identical but only similar and/or derived slewing rings.

However, as the Expert pointed out that, on the basis of the State of the Art, it is undoubtedly possible to make similar products (so that, for these similar slewing rings, we cannot speak of secrets in a technical-juridical sense), provided that there is no patent, I hold that the broader claim cannot be admitted.

Therefore, the injunction must be limited to the manufacture and sale of goods incorporating the know how which, in these proceedings, has been considered “secret”.

For what concerns the request for *publication* of the order in the press, following the argument whereby the function of this measure is mostly *preventive*, a publication order can be issued also at the interim stage, despite the perplexity of the petitioners on this point.

Publication of the order in the press would, in fact, help to avoid further damage to the petitioner due to continuation of the effects of the competitors’ tort. Publication is a very suitable method for making interested parties, usually potential clients of the firms involved, aware of the situation which has arisen due to the tort.

One last point concerns the subjects of the order.

Whilst there is an evident capacity to be sued for GALPERTI TECH s.r.l., as manufacturers of bearings or slewing rings, FRUSCA s.r.l., as the agent (and, therefore, acting in the interests of the manufacturer, albeit not at the same level) and Mr. Dotta, as joint tortfeasor, albeit not a business, (Mr. Dotta, however, cannot be issued with an injunction: see Court of Mantova, 11 April 2002), the liability of the remaining petitioners is debatable i.e. OFFICINE NICOLA GALPERTI E FIGLIO s.p.a. and GALPERTI ENGINEERING AND FLOW CONTROL s.r.l., who have stated that they are extraneous to the events.

However, the fact that we are dealing with a “group of companies” and that the order to OMBA-IRE s.p.a. (document 7 petitioner’s file) was sent by a member of the group (GALPERTI ENGINEERING AND FLOW CONTROL s.r.l.), which states that it does not deal in slewing rings, leads me to consider well-founded, at least circumstantially, the argument that all the firms summonsed were involved in the plan illustrated above.

FOR THESE REASONS

Having considered Art. 700 CCP

- Partially admitting the petition, **enjoins** the petitioners (Mr. Dotta excluded) from using the technical and commercial information stolen from the petitioner regarding the manufacture and sale of large bearings or slewing rings which are identical to those manufactured by the petitioner and/or which incorporate the know how ruled in these proceedings to be secret;

- **enjoins** the petitioners (Mr. Dotta excluded) from circulating communications which constitute misappropriation of the qualities of the petitioner’s goods;

- **orders**, against all the petitioners (Mr. Dotta included), publication of an extract of this order, to be arranged by the petitioner and paid for by the petitioners, once, in double size characters and with the names of the petitioners in bold, in the newspapers “Il Sole-24 Ore”, “Il Corriere della Sera” and “Il Giornale di Brescia”;

fixes a deadline of 30 days from issue of this order for the case into the merits to be begun;

- costs to be assessed at final ruling

Brescia, 29 April 2004

THE ARTICLE

✓ *Trade Marks Having a Reputation Following the Adidas Ruling* (ECJ, 23 October 2003) – Translation of an article by Prof. Cesare Galli published in *Rivista di Diritto Industriale*

The ECJ decision in *Adidas v. Fitnessworld* (ECJ, 23 October 2003, C-408/01) presented Professor Cesare Galli with a starting point for a full reflection on the scope and limits of protection for trade marks having a reputation, both from an EU and an Italian perspective.

An article of his on the question was published in the 3/2004 issue of *Rivista di Diritto Industriale*, the oldest Italian IP review. The full English translation of the article now follows.

CESARE GALLI

THE LIMITS OF PROTECTION OF TRADE MARKS HAVING A REPUTATION IN ECJ CASE LAW.

With its ruling of 23 October 2003, C-408/01 (*«Adidas v. Fitnessworld»*), the ECJ deepened the conclusions it had reached in interpreting the articles of EEC Directive 89/104 concerning the scope of protection of trade marks having a reputation, in particular with its previous **«Davidoff»** decision [ECJ, 9 January 2003, C-292/00]. In this latter case it ruled that the «extended» protection

of the trade mark having a reputation provided by Art. 5.2 of the Directive must **also apply in cases of use not giving rise to confusion on goods which are similar** to those for which the trade mark has been registered, when such use may lead to undue advantage for the user or detriment to the repute or distinctiveness of the imitated trade mark. Thus the Court went against the conclusions presented by Attorney-General Jacobs on 21 March 2002, essentially sharing the view expressed by Attorney-General Ruiz-Jarabo Colomer in his conclusions in a previous case, in which, however, the Court ended up not handling the issue [conclusions presented on 13 June 2002, C-206/01 («Arsenab»)]: a point of view **in line with what Italian legal theory had already maintained** (expressly in this sense see GALLI, *La protezione del marchio oltre il limite del pericolo di confusione*, in AA.VV., *Segni e forme distintive: la nuova disciplina*, papers from a convention held in Milan on 16 and 17 June 2000, Milano, 2001, pp. 31-34; MANSANI, *La funzione di indicazione d'origine del marchio nell'ordinamento comunitario*, Milano, 2000, pp. 15-17; and VANZETTI-GALLI, *La nuova legge marchi*², Milano, 2001, pp. 40-42. In foreign legal theory, in favour of the application of the extended protection provided by Art. 5.2 of the Directive even when the goods for which the trade mark has been registered are similar to those for which the sign of the imitator is used, see, by way of example, KAMPERMAN SANDERS, *Some Frequently Asked Questions about the 1994 UK Trade Marks Act*, in *EIPR*, 1995, 67ff., pp. 69-70).

Drawing expressly on this decision, the Court, in its ruling of 23 October 2003, stated firstly that the option provided by Art. 5.2 of the Directive, which leaves States free to decide whether or not to grant to the respective national trade marks having a reputation protection beyond the limits of confusion provided by this article, does not extend to determining the kind of protection, which cannot differ from the protection outlined in the article itself. The ECJ thus maintained that the harmonization of national laws by the Directive on this point provided for **a clear alternative between two systems of protection for trade marks having a reputation**, one corresponding to the general system provided for all trade marks by Art. 5.1 of the Directive and the other which adds to this general system the more extended protection provided by Art. 5.2, without allowing Member States to outline intermediate levels of protection (for example, only against detriment and not against undue advantage) as was, however, expressly provided – for example – by EC Directive 2001/29 on the harmonization of some aspects of copyright and connected rights in the information society, in relation to free use (ABRIANI stresses this aspect in *Le utilizzazioni libera nella società dell'informazione: considerazioni generali*, in *AIDA*, 2002, 98 ff., p. 106).

The ECJ therefore ruled out the possibility that, if the second system were chosen i.e. that of extended protection, this protection would necessarily be based on the premise that there was a likelihood of confusion, stressing that the detriment of Art. 5.2 refers, as an alternative to undue advantage, to the fact that a specific premise for protection is the consequence «*of a certain degree of similarity between the mark and the sign, by virtue of which the relevant section of the public makes a connection between the sign and the mark, that is to say, establishes a link between them even though it does not confuse them*» (point 29 of the decision). Similarly the Court also ruled out that the mere fact that the imitator's sign is (also) perceived by the public as a **decorative use** may exclude Art. 5.2 of the Directive being applied to this use, whenever the public establishes a link between the two. This link, or rather **the reminder, albeit merely psychological, of another's trade mark having a reputation**, seems to emerge therefore as the **common denominator** of the two hypotheses of undue advantage and detriment considered by Art. 5.2 of the Directive and, by correlation, Art. 1.1.c Italian Trade Mark Law, being analogous to the «**risk of association**», as delineated – prior to implementation of the Directive – in Benelux case law (see GALLI, *Funzione del marchio e ampiezza della tutela*, Milano, 1996). From this point of view it is worth noting how, in the Adidas case, both the Commission and Adidas' defence expressly referred to this notion of risk of association to indicate the pre-requisite for protection laid down by Art. 5.2 of the Directive (see in particular point 25 of the decision). This appears to be in keeping with the reasoning of the ECJ in its decision in C-292/00 («Davidoff»), in which it ruled that Art. 5.2 was also applicable to use not giving rise to

confusion made on similar goods not *«solely on the basis of its wording, but also in the light of the overall scheme and objectives of the system of which it is a part»* (Art. 5.2 of the Directive: ed) (point 24 of the decision), and thus essentially to fill the gap in legislation created following the restrictive interpretation of the same Court of the «risk of association», provided by Art.5.1.b of the Directive itself.

All this also seems to confirm that **the problem of interpreting the notion of «risk of association» in Art. 5.1.b of the Directive is essentially «surmounted»**, when trade marks having a reputation include all those which may be exploited or suffer detriment following use by a third party of the same or a similar trade mark even should there be no likelihood of confusion as to origin and when they are protected against this situation of undue advantage/detriment regardless of the fact that the use causing the situation is effected in relation to similar or non-similar goods (in this sense see again GALLI, *La protezione del marchio oltre il limite del pericolo di confusione*, cit., p. 29). On co-ordinating the principles expressed in the «Adidas» and «Davidoff» cases with those of the «General Motors» ruling (ECJ, 14 September 1999, C-375/97) – in which the Court held that protection beyond the likelihood of confusion is not limited to a small group of very famous trade marks but is given to all trade marks known on the market –, it seems to emerge that **the rule-exception relationship between protection against imitation likely to lead to confusion and protection against imitation unlikely to lead to confusion is no longer current**. Therefore situations in which confusion arises must instead be understood as **particular cases** of use leading to parasitical exploitation of the repute and distinctive nature of the trade mark or to detriment of same.

It must still be noted however that the «Adidas» decision failed to take into account **another issue** of possible importance in the case under examination, connected to the response given by the ECJ, little more than a year earlier, to a reference for a preliminary ruling regarding the scope of Art. 5.5 of EEC Directive 89/104, i.e. the article which provides that *«Paragraphs 1 to 4 (i.e. the provisions of Art. 5 of the Directive regulating scope of protection: ed) shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark»*. In that case the Court clearly stated that this provision intends to leave Member States completely free to arrange the situation as they think fit, i.e. to exclude this specific subject from the harmonization effected by the Directive (ECJ, 21 November 2002, C-23/01). Thus, neither are those states which exercised the option of giving trade marks having a reputation the protection extended beyond the limit of likelihood of confusion as laid down in Art. 5.2 of the Directive obliged to protect the trade mark against uses of an identical or similar sign which, albeit capable of leading the public to establish a link between the sign and the trade mark, are **not effected to distinguish the goods to which the sign refers**.

The fact that neither the decision of 23 October 2003, nor the previous decision given in the «Arsenal» case considered this aspect, although both cases involved use of a sign probably not effected to indicate the origin of the goods on which it was placed, is therefore **a clear indicator of how difficult it is to distinguish between the two situations**, when it is argued (as the ECJ does) that the trade mark is protected not only against the likelihood of confusion but also against parasitical exploitation of its repute and distinctive character, or against detriment to same. Failure to consider the issue is all the more significant in the «Arsenal» case, since it is one of those questions which Mr. Justice Laddie asked to be interpreted by the EU Courts (*«1. Where a trade mark is validly registered and (a) a third party uses in the course of a trade a sign identical with that trade mark in relation to goods which are identical with those for [which] the trade mark is registered; and (b) the third party has no defence to infringement by virtue of Art.6(1) of [Directive 89/104], does the third party have a defence to infringement on the ground that the use complained of does not indicate trade origin (i.e. a connection in the course of trade between the goods and the trade mark proprietor)? 2. If so, is the fact that the use in question would be perceived as a badge of*

support, loyalty or affiliation to the trade mark proprietor a sufficient connection?»). In fact the failure of the ECJ to consider this point was interpreted by a UK author as implicitly taking up a position that for trade mark protection on the basis of the Directive «TM use is not required» (ADAMS, Arsenal v Reed: No favours from ECJ, in IPQ, 2003, 229 ff., pp. 231-232; for a fuller handling of the question of non-authorised use of sports trade marks effected to evoke non-distinctive components of their «message», see GALLI, Estensione e limiti dell'esclusiva sui nomi e sui segni distintivi dello sport tra merchandising e free-riders, in AIDA, 2003).

At least in the **Italian legal system**, for these purposes **equating use effected as a means of distinguishing with use not effected as a means of distinguishing** seems difficult to refute, once it is maintained that the rationale behind the introduction of extended protection for trade marks having a reputation is to place «*the traditional origin function of the trade mark*» alongside «*that of protecting against any kind of parasitical exploitation*», in the sense that «**there is infringement when the value that a certain, specific trade mark enjoys on a certain market, is in some way taken from its holder because a third party takes possession of it, gaining an advantage for himself or causing detriment to the holder ... that is each time parasitical exploitation arises through the adoption of an identical or similar trade mark, the trade mark is infringed**» [VANZETTI, I marchi nel mercato globale, in Riv. dir. ind., 2002, I, 91ff. and in Il futuro dei marchi di fronte alle sfide della globalizzazione (The Future of Trade Marks in the Face of the Challenges of Globalisation), edited by GALLI, Padova, 2003, p. 5 ff., p. 15; see also SENA, Il nuovo diritto dei marchi³, Milano, 2001, whereby the protection of trade marks having a reputation would entail «*forbidding any initiative which allows third parties to gain undue advantage from the distinctive nature and renown of the trade mark or cause detriment to same*», save for the exceptional limitations in Art. 6.1 of the Directive. In a similar perspective see RICOLFI, I segni distintivi. Diritto interno e diritto comunitario, Torino, 1999, p. 148; and GALLI, Segni distintivi e industria culturale (Trade Marks and the Cultural Industry) in AIDA, 2000, 391ff., pp. 395-396]. In fact, once this is argued, it becomes extremely difficult – and possibly also **constitutionally unlawful**, due to violation of the **principle of equality** – to discriminate between parasitical uses of the trade mark effected to distinguish goods and parasitical uses not effected to distinguish goods. We may also wonder whether there is still any sense in speaking of **use of a sign «as a trade mark»** only for its distinguishing uses, or rather whether each use of a sign must be considered a use as a trade mark when it recalls one or more components of the message communicated by the trade mark. According to this construction, we could speak of use *not* as a trade mark, only when a sign identical or similar to a trade mark is used in such a way as to be perceived as a generic or descriptive term.

CESARE GALLI

ABOUT US

✓ *The Chambers “Leading Lawyers of the World” Guide includes our practice among the leading Italian IP law firms*

We are pleased to inform you that our firm has been included in the new edition (2004-2005) of the International Guide “**Chambers Leading Lawyers of the World**” among the **leading Italian IP legal practices**, ranked in band 3.

Professor Cesare Galli has, in turn, been listed among the leading individuals in the sector, as was the case in the two previous editions (i.e. since the guide started to cover IP in Italy).

The firm is now also on the on line edition of the **Martindale-Hubbell Law Directory**, <http://www.martindale.com>.

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✓ *Recent IP rulings secured by our firm*

Pre-trial discovery regarding the accounts of an infringer

Our firm recently obtained two **ex parte pre-trial discovery orders** from the Court of Milan concerning the **accounts of an alleged infringer** (respectively of a patent and a trade mark). A similar order was obtained by our firm, again in patent matters, from the Court of Bologna. All three orders were **enforced successfully** leading to evidence being gathered as to the **quantitative extent of the infringement**, essential for the purposes of assessing compensation, and as to the **involvement of other parties** in the infringement (in particular, identification of the foreign producer), thus allowing the claimant to bring proceedings into the merits against them too.

The two Court of Milan orders, in particular, represent an **important change of direction** with respect to the most recent decisions of this Court, which has been restrictive in its issuing of this type of order, limiting it to cases in which it was necessary to gather evidence of the existence of infringement. In this respect it is particularly significant that one of the two orders regarded the **infringement of a trade mark** for mass consumption goods, easily found on sale and, in fact, already discovered by the holder of the infringed trade mark.

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Protection of Trade Secrets

In the field of trade secrets, the firm obtained, again from the Court of Milan, **an order to seize confidential documentation unlawfully taken by a former assistant**. In this case too the order was granted *ex parte*, so as not to ruin the surprise effect on the party taking the documentation.

Again in the field of trade secrets, an injunction was obtained by the firm from the Court of Brescia, the full text of which is to be found in the “*The Case*” section of this Newsletter.

Furthermore, we must mention a decision into the merits of the Court of Milan again concerning trade secrets violation, in which **huge record damages were awarded (10 million Euro)**. The case was covered in major Italian newspapers. The claimant was assisted by a panel of lawyers, including Professor Cesare Galli.

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Design Protection

One of the first final rulings in the field of industrial design to apply the new Italian law (Legislative Decree no. 95/2001) issued in application of EC Directive no. 98/71 was given by the Court of Milan, in favour of Status s.r.l., represented by our firm. The decision firstly confirmed an **injunction** already granted in the proceedings against the infringer and then ordered the infringer to pay **a considerable sum in damages**. It is worth noting that in assessing damages the Court admitted our argument whereby the damage caused by infringement was not limited to the lost profits of the patent holder but also included **damage to image** deriving from the fact that **the quality of the infringing goods was inferior** to that of the apparently completely similar original goods, placed on the market by the holder of the registered design.

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Trade Marks

An important ruling in the area of «**weak**» **trade marks** was given again by the Court of Milan in a case brought by our firm. The Court confirmed the trend of the Italian Courts which have also ruled as valid trade marks containing openly descriptive elements of the characteristics of the goods bearing the trade mark, when these elements are expressed in a **foreign language** and may not be considered comprehensible to the average Italian consumer of this type of product. However, it refuted the possibility that in this case their protection extends to **other trade marks having the same descriptive meaning expressed in a different wording and not likely to lead to confusion**. The

Court thus ruled that both the disputed trade marks were valid, rejecting the claim of infringement brought by the opponent against our client, holder of the later registered trade mark.

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✓ *Our latest publications and Conventions*

Rivista di Diritto Industriale, the oldest Italian IP review, has again this year published two articles by Professor Cesare Galli, dedicated respectively to ***I limiti di protezione dei marchi rinomati nella giurisprudenza della Corte di Giustizia C.E.*** (the full translation of this article is published in the “*The Article*” section of this Newsletter) and to ***Globalizzazione dell’economia e tutela delle denominazioni di origine dei prodotti agro-alimentari*** (Globalization of the Economy and Protection of Appellations of Origin for Agricultural Produce).

An essay by Professor Cesare Galli on ***Le invenzioni dei dipendenti nel progetto di Codice della Proprietà Industriale*** (Employees’ Inventions According the Draft Italian Industrial Property Code) has been published in the volume of collected essays *Il progetto di Codice della Proprietà Industriale*, published by Giuffr , Milan.

Another essay by Professor Cesare Galli, on ***Protezione del marchio e interessi del mercato*** (Protection of Trade Marks and Market Interests) has been published in the volume of collected essays *Studi in onore di Adriano Vanzetti*, published by Giuffr , Milan.

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Among the **conventions** at which Professor Cesare Galli has recently given papers are: *Il progetto del nuovo Codice della Propriet  Industriale* (The New Italian Industrial Property Law Draft Code) organised by AIPPI (Milan, February 2004); *Protezione dei brevetti e interessi dell’industria* (Patents Protection and Industrial Interests) organised by the Istituto Bruno Leoni (Milan, May 2004); *Le denominazioni di origine: il caso dell’industria alimentare e altri spunti* (Appellations of Origin: the Food Industry and Other Cases) organised by INDICAM (Milan, June 2004); *Made in Italy: oltre la protezione* (Made in Italy: Beyond the Protection) organised by the Unione Industriali di Lecce (Lecce, June 2004).

Professor Galli also acted as **Italian Delegate** at the **39th AIPPI Congress**, held in Geneva from 19 to 23 June 2004.

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As is the case each year, on 8 October 2004 **Professor Cesare Galli presided over the National Intellectual Property Convention** organised by the University of Parma in collaboration with the SISPI, dedicated this year to ***L’invasione dei falsi: la difesa dei prodotti originali nel mercato globale contro le contraffazioni e la pirateria*** (The Invasion of Fakes. Protection of Original Products on the Global Market against Infringement and Piracy). Professor Galli gave two papers at this convention on ***Marchi, forme, denominazioni di origine: la tutela contro il parassitismo commerciale*** (Trade Marks, Product Shapes and Appellations of Origin. Protection Against Parasitical Exploitation) and on ***Strategie per reagire alle contraffazioni che interessano pi  Paesi europei*** (Strategies for Dealing with Infringement Affecting a Number of European States).

If you would like to participate in future Conventions or receive further information on the above Convention, including the abstracts of the papers presented (in Italian only), contact us at GALLI.PR@IPLAWGALLI.IT.

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