Italy

Examining enforcement strategies

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Enforcement programmes can be extremely expensive. In order to allocate available resources effectively, it is imperative to prioritise infringement targets, since taking action against all infringement is near impossible.

The way in which trademark owners prioritise targets will vary depending on a number of factors, such as business strategy, market positioning and industry.

After prioritising, the next issue to consider is what type of legal action is suitable for a given target. Although, generally speaking, the forms of legal action available are substantially similar across the globe, every country has its peculiarities, and the actual application of the law varies dramatically from jurisdiction to jurisdiction. Therefore, a company should decide on its legal actions on a country-by-country basis.

In 2009 the estimated turnover from counterfeit manufacturing in Italy was €7.1 billion – 60% of which was from fashion products – resulting in up to 17,000 job losses and at least €1.5 billion in lost tax revenue. Between 2008 and 2010 more than 175 million counterfeit articles were seized in Italy; Italian Customs seizes 40% of all counterfeits stopped at EU external borders.

In theory, existing Italian legislation affords adequate protection to trademark owners and provides for satisfactory criminal penalties in IP enforcement. However, the main problem is the grossly inadequate application of existing laws. Judicial proceedings often reveal many serious flaws, which are likely to thwart the expectations of all parties involved. In addition, courts have often imposed lax sentences based on a clear misunderstanding of fundamental legal issues. This attitude significantly underestimates and inadequately tackles Italy's counterfeiting problem. The fight against counterfeiting should be a twofold endeavour:

- challenging public indifference in order to promote social awareness; and
- preventing end consumers from supporting the growing supply of counterfeit goods.

Civil enforcement

Among the most significant drawbacks that have traditionally plagued IP litigation in Italy are the length of proceedings (three to four years to reach a first instance decision; sometimes more than 10 years to go through all three levels of jurisdiction) and the fact that at the end of proceedings, the damages awarded by the courts are low, making the 'business' of infringing IP rights profitable and relatively risk free.

In addition, as intellectual property is somewhat of a niche field requiring a high degree of specialisation, in the past many Italian courts have failed to hear enough cases to acquire the necessary expertise to ensure fair – and thus predictable – rulings.

In response to this problem, reform of the civil judicial system in 2003 attributed exclusive jurisdiction with respect to all industrial, IP and related unfair competition matters to specialised sections of 12 Italian courts, which also act as Community trademark and designs courts.

The situation has already significantly improved and is likely to continue to do so in years to come. Moreover, following this reform, the judges of the specialised sections have begun to share their knowledge and experience with each other much more than they had done previously, which increases the level of harmonisation of decisions throughout the country.

No significant progress has been made with respect to the length of the litigation process.

In light of recent changes to the civil procedure rules, the other traditional drawback of the Italian system – the lack of adequate awards for damages – no longer exists. As a result of the implementation of the EU IP Rights Enforcement Directive (2004/48/EC), the Italian legal system now provides effective tools for rights holders to acquire information on the nature and extent of infringements and to access the infringers' financial and commercial records, which are essential for an adequate damages award. In particular, Italian courts can now request information on the origin and distribution networks of infringing goods, from either the infringer or parties found in possession of the goods. This information may comprise the names and addresses of the manufacturers, distributors, suppliers and other previous holders of the goods, wholesalers and retailers. Most importantly, the quantities manufactured and the price applied to infringing goods can be the object of information requests and, if not complied with, can lead to criminal penalties. Furthermore, the courts may now order the disclosure of accounting books and financial records revealing the extent of the infringement.

Thanks to this new set of provisions offering effective discovery instruments, as well the implementation of the directive, damages can now be awarded taking into consideration the infringer's profits or the royalties that the infringer would have had to pay had it requested authorisation to use the infringed IP rights. Decisions in IP cases now often deliver awards for damages that are much more substantial than in the past, making it a little more bearable for rights holders to wait so long to obtain a judgment.

As bad as the problem has been, the length of civil proceedings has not reflected negatively in the IP field, where the main concern for the rights holder remains to halt infringement as quickly as possible. In fact, the Italian system has always offered a wide range of interim measures that are effective and quick to implement – sometimes in a matter of weeks or even days.

The interim protective measures that can be obtained, save for damages, are equivalent to the remedies and measures that can be achieved at the end of a full litigation:

- restraining orders (usually accompanied by a penalty to secure compliance with the order);
- seizure of the goods;
- recall of the goods from the marketplace;
- disclosure of the infringer's accounting books; and
- publication of the interlocutory decision in the media.

Where there is a risk that the infringer could remove or destroy evidence of its wrongdoing, or where a delay in issuing the interlocutory decision could cause irreparable harm to the rights holder, these measures – especially descriptions, seizures and restraining orders – can be granted *ex parte*, in which case they are carried out before the defendant is aware of the action and then confirmed or revoked on review of the defendant's arguments.

Despite being swift, the arguments and evidence introduced in injunctive proceedings are extensive and usually lead to thorough decisions which, in most cases, would still stand at the end of a full litigation. Interlocutory decisions are useful in accomplishing quick settlements and avoiding lengthy litigations on the merits as they provide the possibility of obtaining a description of the infringer's accounting books and financial records as an interlocutory measure, and therefore of the possibility of foreseeing the damages that could be recovered at the end of a full litigation with a good level of accuracy.

Criminal enforcement

The Criminal Code provides criminal penalties under:

- Articles 473 (with respect to trademarks, patents and designs) and 474 (with respect to trademarks), intended to protect public faith in business relations;
- Article 517 (with respect to trademarks), which penalises crimes against "the public economy, industry and commerce"; and
- Article 648 (with respect to trademarks), which defines the crime of handling infringing goods and punishes any party that "with the purpose of procuring a profit for oneself or for others, purchases,

> receives or conceals money or objects originating from any crime" with imprisonment from two to eight years and with a fine of between €516 and €10,329.

As a result of Bill 1441, approved in July 2009, the IP provisions of the Criminal Code were revised in full.

Criminal penalties under Articles 473 and 474 have been increased. New Article 474*bis* provides for the confiscation of the goods seized during the pre-trial investigation phase of criminal proceedings or of the goods which have been used to commit the crime or of their corresponding value.

Furthermore, in addition to Article 517, new criminal penalties are provided with respect to geographical indications or designations of origin under Article 517*quater*. In addition, the residual criminal penalty against the infringement of any industrial property rights is provided under Article 517*ter*.

Finally, Law 80 of May 14 2005 enacted an innovative administrative penalty against end consumers purchasing counterfeit goods. Under this law, the purchase or acceptance of an object that, due to its quality, conditions of sale or price, leads to the suspicion that IP laws have been infringed is punishable with a fine of between €100 and €7,000.

After an inconsistent period in which the applicability of Article 648 to counterfeiting remained uncertain, on June 7 2001 the Court of Cassation rendered an important ruling (Case 23427) settling any previous doubt over whether handling could be applied to counterfeit goods.

The above penalties seem sufficiently severe to deter infringers; consequently, the protection awarded to IP rights is generally satisfactory – at least on paper. The main problem is the grossly inadequate application of existing laws.

First, even though IP crimes involve *ex officio* proceedings, active participation by the IP owner is crucial if it wants the already overly burdened prosecutor's office to consider its complaint seriously, let alone obtain a conviction. In fact, without the IP owner taking the initiative, few cases would be prosecuted *ex officio*, given that the prosecutor ordinarily learns of the case only after the IP owner files a complaint.

Another crucial issue in IP enforcement is that courts often render lenient sentences, reflecting an attitude that grossly underestimates and inadequately tackles the counterfeiting problem. Consequently, many criminal prosecutions have resulted in undeserved acquittals, thus wasting the combined efforts provided by the injured parties, investigative squads and public prosecutors.

When trademarks are not used: opposition proceedings

A rights holder may also wish to take action against trademarks that are filed but not used. Until 2011 the only viable process by which to do so was to resort to litigation. Opposition procedures before the Patent and Trademark Office are now available in Italy and may be an effective tool to object infringing applications.

Trademarks subject to opposition are trademark applications filed as of May 1 2011, and Italian designations of international trademarks, irrespective of their registration (or subsequent designation) date, published in the *World Intellectual Property Organisation Gazette* as of July 2011.

Opposition can be based on:

- earlier trademark registrations or applications in force in Italy concerning trademarks that are identical to the trademark in the application to be opposed and covering identical goods or services, or identical or similar to the trademark in the application to be opposed and covering identical or similar goods or services when there exists a likelihood of confusion on the part of the public;
- image rights if the trademark in the application to be opposed consists of a portrait of a person;
- personal names if use of the trademark in the application to be opposed can be detrimental to the reputation, credit or dignity of the person entitled to the name; and
- well-known personal names, signs used in artistic, literary, scientific, political or sports fields, denominations and abbreviations of exhibitions or events and of non-profit bodies, as well as their emblems.

Additional grounds – such as reputation – may be invoked only in invalidity actions, which still take the form of litigation on the merits before judicial courts.

An opposition should be filed within three months from the publication of the trademark application and, according to the implementing regulations, decisions shall be rendered within 24 months commencing from the opposition date. Any decision may be appealed before a board of appeals within a non-extendable term of 60 days from the communication of the decision.

Conclusion

In view of the above, and considering that the costs of litigation in Italy are reasonable even for small enterprises which, if prevailing at the end of a full litigation, may recover at least a portion of the fees incurred, there is no doubt that the Italian judicial system affords adequate protection to IP rights holders, giving them all the necessary tools and instruments to enforce their rights effectively. iam

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