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## Q245

### Taking unfair advantage of trademarks: parasitism and free riding

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## I. Current law and practice

1) Do the laws of your jurisdiction provide for protection against:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines (see paragraphs 26) and 27) above); and/or

yes

Please comment:

Yes, the following articles of the Italian Intellectual Property Code (IPC) provide for protection against taking unfair advantage of trademarks:

- art. 20 par. 1 c): "The rights of the owner of the registered trademark consist in the authority to make exclusive use of the trademark. The owner has the right to prevent third parties from using for trade purposes without its consent: (...) c) any sign which is identical or similar to the registered trademark in relation to goods or services which are not similar, where the registered trademark has a reputation in the Country and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark".

- art. 20 par. 1 a): "The rights of the owner of the registered trademark consist in the authority to make exclusive use of the trademark. The owner has the right to prevent third parties from using for trade purposes without its consent: (...) a) any sign which is identical to the trademark for goods or services which are identical to those for which the trademark is registered".

This provision of law provides for protection even if there is no likelihood of confusion, when the use

of any sign (identical to the trademark for products or services identical to those for which the trademark is registered) affects or is liable to affect the functions of the (earlier) trademark. Therefore it provides for protection against parasitism and free riding as well.

Both these provisions correspond also to Article 9 EC Regulation No. 207/2009 on the Community Trademark.

- art. 8 par. 3: "If well known, the following may be used or registered as trademarks by the person holding the right, or with his consent or by the persons set forth in paragraph 1: names of persons, signs used in the fields of art, literature, science, politics and sports, the designations and abbreviations of events and of entities and associations without economic purposes as well as the characteristic emblems of the same".

According to this provision, there is protection against the use or registration as trademarks of a renowned sign in the non commercial field on grounds of unfair advantage or detriment.

- art. 12 par. 1 c): "Signs shall not be registered as trademarks if as at the date of filing of the application any of the following applies: (...) c) they are identical to a trademark already registered by others in the Country or having effect in the Country following an application filed on an earlier date or having effect from an earlier date based on the right of priority or on a valid claim of seniority for identical goods or services";

This provision regards novelty of trademarks and reflects the provision of art. 20 par. 1 a).

- art. 12 par. 1 e): "Signs shall not be registered as trademarks if as at the date of filing of the application any of the following applies: (...) e) they are identical or similar to a trademark already registered by others in the Country or having effect in the Country following an application filed on an earlier date or having effect from an earlier date based on the right of priority or on a valid claim of seniority for goods or services, even if not similar, when the earlier trademark has a reputation in the Community, in case of a Community trademark, or in the Country, and where the use of the later mark without due cause would take unfair advantage of or be detrimental to the distinctive character or the reputation of the earlier trademark".

This provision regards novelty of trademarks and reflects the provision of art. 20 par. 1 c).

- art. 12 par. 1 f): "Signs shall not be registered as trademarks if as at the date of filing of the application any of the following applies: (...) f) they are identical or similar to a trademark already well known according to Article 6-bis of the Paris Convention for goods or services, even if not similar, when the prerequisites set forth under letter e) hold".

b) use that you consider similar but outside the scope of the definition in these Working Guidelines?

yes

Please comment:

- art. 12 par. 1 f): "Signs shall not be registered as trademarks if as at the date of filing of the application any of the following applies: (...) f) they are identical or similar to a trademark already well known according to Article 6-bis of the Paris Convention for goods or services, even if not similar, when the prerequisites set forth under letter e) hold".

This provision regards novelty of trademarks and extends the provision of art. 20 par. 1 c) also to unregistered well known trademarks.

Furthermore art. 30 extends the protection against parasitical exploitation to indications of origins, which are protected not only against the cases in which the consumer may make a mistake about the geographical origin of the products, but also in cases in which their reputation is unfairly

exploited.

In addition to the above-mentioned provisions of law, the Italian civil code provides for protection against parasitism as well with article 2598 of the Italian Civil Code, i.e. the rule against acts of unfair competition.

For the questions below, if b. applies either separately or in addition to a., please make that clear in any relevant answer.

2) What is this protection called, and is this a definition developed in case law or found in a statutory provision? If such protection is characterised as a form of protection against dilution, please state this and provide any explanation as to the basis for such characterisation.

This protection is characterised as a form of protection against both dilution and parasitical exploitation (Vanzetti-Galli, *La nuova legge marchi*; Sena, *Il diritto dei marchi* Galli, *The scope of trade mark protection and the "new" trade mark infringement*, in *ECTA Gazette*, 2005).

Dilution of the mark may comprise 1) blurring, or dilution of the distinctive character, by which the connection in consumers' minds between the plaintiff's mark and the plaintiff's goods or services is weakened; or 2) tarnishment, or dilution of the reputation, which means that the defendant's use is unsavory or unwholesome, or the mark is used in connection with products/services or in contexts which are inferior or inconsistent with the message linked to the original trademark.

It is worth pointing out that the concept of dilution defined in Italian legal literature and court precedents is broader than in other systems. In fact it includes not only blurring and tarnishment, but also parasitism/unfair advantage. In addition, in Italy, there is no need for there to be actual prejudice in order to ask for and obtain protection.

3) If such protection is available, what is the basis for the protection, e.g. trademark law (distinguishing between unregistered and registered trademarks where relevant), unfair competition, consumer protection law, common law? If multiple causes of action are available, is there an interaction between them, and if so, what?

Under an Italian point of view the main basis for the protection is trademark law. The relevant articles of the IPC are Article 8, 12 and 20 [see above].

There is also the possibility to apply the rules on unfair competition. In particular, parasitism and free riding can fall within the scope of unfair competition as misappropriation (pursuant to Article 2598.1 no. 2) of the Italian Civil Code).

However, in order to apply the rules on unfair competition both parties must be entrepreneurs (or at least engaged in nonprofessional economic activities) and competitors. In the eyes of Italian law, being a competitor means offering goods or services on the market that are aimed at satisfying the same or similar requirements; when two entrepreneurs target the same client base and one entrepreneur's commercial behavior is aimed at poaching the other entrepreneur's clients.

In terms of the interaction between trademark law and unfair competition protection they are in principle cumulative and may be claimed both at the same time. In certain cases Italian courts have ruled that if liability is ascertained from a trademark law perspective, the unfair competition is covered. Anyway, provided that all the requirements are met, interaction is possible between trademark law and unfair competition in so far as there is a commercial relationship between the claimant/plaintiff and the

defendant.

Instead parasitism does not usually come within the scope of consumer protection law.

- 4) What are the elements of any available cause of action, e.g. the requirement for the trademark to be registered, reputation in the trademark, establishment of a link or association with the trademark, bad faith, change in the economic behaviour of consumers, actual advantage, potential future advantage? How are they proven?

According to Italian case law and doctrine the significant element is the establishment of a link or association with the trademark in order to demonstrate that an advantage may be gained through the use/registration of a sign which is identical or similar to such trademark and that the use of the assumed infringing sign has been made in the course of trade, either in a distinctive way or not (see, for instance Court of Milan, decree 28 October 2005, order 14 November 2005, order 1 September 2006 and decision 16 January 2009, all regarding a name corresponding to a reputed trademark for luxury goods used in non distinctive way as a pseudonym of a pornographic actress on calendars, pornographic movies and advertisement of fashion products).

Although all the other elements listed in the question (i.e. the requirement for the trademark to be registered, reputation in the trademark, bad faith, change in the economic behavior of consumers, actual advantage, potential future advantage) can be all taken into consideration for the sake of the case as a whole, neither of them is singularly essential.

In terms of burden of proof, it is necessary to provide elements which demonstrate that upon seeing the second sign, the relevant consumers associate it with the first trademark thus an unfair advantage is gained.

This can be demonstrated by means of specific episodes, opinion polls and expert opinions. All the elements must be balanced and then they are judged by the prudent assessment of the court (according to the rule of *id quod plerumque accidit*, i.e. what generally happens).

- 5) Further to question 4):

- a) what degree of reputation, if any, in the trademark is required?

Legal literature notes that the notion of reputation includes not only famous or “de haute renommée” trademarks but also trademarks that are simply known, in limited territorial areas or in specific specialised sectors (inter alia, Vanzetti-Galli, *La nuova legge marchi*, 35-36; Sena, *Il diritto dei marchi*, 151-152). In any case, trademarks have to be known by a significant part of the public concerned by the products or services covered by that trademark (ECJ 14.09.1999, C-375/97).

- b) who bears the burden of proof regarding the requirements?

The plaintiff, the owner of the earlier trademark;

- c) must the use at issue cause confusion?

no

Please comment:

It is not necessary

d) can the protection be invoked in case of both similar and dissimilar goods/services?

yes

Please comment:

Yes, it can be invoked in both cases (art. 20 par. 1 c) states "even if not similar").

e) are there any other factors, even if not a separate requirement, that may be relevant, and if so, what are they?

In general terms there are no additional factors to be taken into account. Perhaps the general expansive trend in the market sector (e.g. co-branding) could be considered as relevant, but needs assessing on a case by case basis.

6) Are there any defences against and/or limitations to the protection?

yes

If so, what are they, and what are the elements of such defences/limitations?:

Both under the IPC and the EC Regulation No. 207/2009, the protection of the reputed trade mark is conditional to the fact that the third party uses it "*without due cause*", which is therefore a defence. However, according to the Italian scholars and case law this defence holds only when reasons for using the mark linked to Constitutional rights, like the freedom of expression, exist, in particular when there is a "necessity to use" the trademark for strictly descriptive purposes (see Court of Bologna, order 30 March 1998). Comparative advertising may be considered as well, provided that, however, the use of the trademark is neither detrimental nor aimed at exploiting the renown of the same. Likewise the use as an accompanying trademark may be relevant (i.e. when the trademark for the raw material accompanies the products in all its manufacturing stages and the consumer receives it with the end product);

Also in such cases the use must be fair, which means that the descriptive use of the trademark is needed, otherwise it cannot be held as fair (for example, the size of the trademark referred to must not be excessive and in general the trademark should not be given excessive relevance).

7) Who bears the burden of proof in relation to any defences and/or limitations? In this context, please also consider the relationship with the element of "unfairness". For example, is it a defence that the use is with "due cause" (see paragraph 31 of the introduction) above and footnote 2) of the introduction? If so, can such use ever be "unfair"? Or is this just a matter of a shifted burden of proof?

The burden of proving due cause and fairness lays with the party engaging in the due cause, provided that, however, in many cases fairness does not have to be demonstrated by one of the parties as it is demonstrated by the relevant circumstances of the case. The judge then assesses whether a party's behaviour was fair in the circumstances.

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8)	If a defence exists or only limited protection is available, what rights does that give the free rider? For example, may the free rider simply use the trademark or may the third party obtain a separate trademark registration in respect of the goods and/or services in respect of which the free rider is using the trademark?
	Generally speaking, the defence admitted by Italian case law do not entitle the free rider to obtain a separate trademark registration, apart from the case the registered trademark does not imply any "link" to the earlier trademark. In this case, however, the prerequisite for the earlier trademark be protected do not hold.

9)	Can the protection be invoked in:
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a)	court in civil proceedings;
	yes
	Please comment:
	Yes, in ordinary and interim proceedings.

b)	court in other proceedings;
	yes
	if so what other proceedings (e.g. criminal proceedings):
	Yes, at least for registered trademark, in criminal proceedings (art. 517ter Italian Criminal Code).

c)	opposition proceedings;
	yes
	Please comment:
	in opposition before OHIM only. At the moment it is possible to base the opposition before UIBM (Italian Trademark and Patent Office) on the grounds of double identity (of signs and of goods/services, art. 12 par. 1 c) IPC), likelihood of confusion (art. 12 par. 1 d) IPC) and rights provided by art. 8 IPC only.

d)	any other?
	yes
	if so what, proceedings?:
	Protection can be invoked in proceedings before the Competition Authority (AGCM) regarding misleading and comparative advertising and/or unfair commercial practices (Legislative Decree. 145/2007; AGCM Resolution 24955 - 5th June 2014).
	This applies in B2B relationships.

10)	If the protection can be invoked in multiple proceedings, are there different requirements for different proceedings? If so, please state the requirements.
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There are no different requirements for criminal and administrative proceedings. In criminal proceedings, the burden of proof does not lay with the plaintiff because once the complaint has been filed, the proceedings continue ex officio.

## II Policy considerations and proposals for improvements of the current law

11) Should there be protection against:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or

yes

Why?:

there should be.

b) use that is similar but outside the scope of the definition in these Working Guidelines?

yes

Why?:

Because, from an economic perspective, the trademark has acquired the general function of conveying a message, which includes complementary functions, such as quality, advertising and marketing functions, in addition to source and origin (among the Italian scholars see in particular Galli, *The scope of trade mark protection and the "new" trade mark infringement*, in *ECTA Gazette*, 2005). These economic functions of the trademark are worth being protected as well.

12) Is the basis for protection or the cause of action relevant?

yes

Why?:

the basis for protection is relevant, at least in the jurisdictions, like the Italian one, where an action based on trademark law may be brought also against non competing subjects, while an unfair completion action may be brought only when the parties are competitors.

13) Should it be possible to invoke the protection in all types of proceedings mentioned above under 9) above?

yes

Why?:

Yes, it should be possible to invoke the protection in opposition proceedings as well because the ratio is identical.

14) How can your current law as it applies to the taking of unfair advantage of trademarks and/or the interpretation thereof (in particular, in case law) be improved?

It is the opinion of the Italian Group of AIPPI that the main improvement of the current Italian trademark law would be extending the scope of protection against unfair competition beyond the competition relationship: i.e. to make it possible for business entities who are not competitors to take unfair competition action as well, when the infringing activity may be at least potentially detrimental to their

business..

### III Proposals for harmonisation

15) Is harmonisation in this area desirable?

yes

Please comment:

It is the opinion of the Italian Group of AIPPI that harmonisation is desirable also on this **specific issue**.

If yes, please respond to the following questions without regard to your national or regional laws. Even if no, please address the following questions to the extent you consider your national or regional laws could be improved.

16) If your answer to question 11) is no in respect of a. and/or b., is it your view that no such protection should be available anywhere?

17) Should there be harmonisation of the definition of:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or

yes

If so, please provide any definition you consider to be appropriate.:

It is our opinion that the definition should be "any use" that may cause a parasitic exploitation of the mark, provided that, from an economic perspective, trademarks have acquired the general function of conveying a message, which includes complementary functions, such as quality, advertising and marketing functions in addition to source and origin.

b) use that you consider similar but outside the scope of the definition in these Working Guidelines?

yes

If so, please provide any definition you consider to be appropriate.:

The definition should be open so as to contain all the cases that take place on the market, regardless the fact that the use of the mark be in distinctive or descriptive function.

This position is supported by prevailing Italian legal authors (see particularly the commentary to Article 20 of the Italian IPC in GALLI, GAMBINO, Codice ipertestuale commentato della proprietà industriale e intellettuale, Torino, 2011).

18) What should the basis for protection/cause(s) of action be?

It is the opinion of the Italian Group of AIPPI that the protection should be granted to

- registered marks;

- de facto trademarks;



- well-known signs;
- indications of origin.

19) What should the requirements for protection be? In your answer, please address at least the following, in addition to any other relevant factors: what level of reputation, if any, in the trademark should be required, and who should bear the burden of proof?

1. what level of reputation, if any, in the trademark should be required: The protection should be granted to any level of reputation, provided that there is a parasitical effect. In other words when an unfair advantage is possible, that means that there is a sufficient level of reputation;
2. who should bear the burden of proof? As a general rule, the burden of proof should be borne by the Plaintiff, but this will depend on all the relevant factors, on a case-by-case basis.

20) What defences against and/or limitations to the protection should be available? Please state the proposed requirements for any defence/limitation, and the effect of any defence/limitation.

The proposal of the European Commission in the matter of commercial trademarks calls for a re-writing to the relevant limitations of the trademark rights foreseen by Article 21 of the Italian IPC.

It is the opinion of the Italian Group of AIPPI that a general rule of “unfair use” and “due cause” would be advisable. A general rule (to be applied to single cases) would be absolutely preferable than a list of specific cases.

21) Who should bear the burden of proof in respect of any defences and/or limitations?

The burden of proof in respect of any defenses and/or limitation should be borne by the Defendant.

22) In what type(s) of proceedings should it be possible to invoke the protection?

The protection should be invoked in criminal/civil/advertisement proceedings as well.

#### Summary

The Italian law provides a wide protection against parasitical exploitation of trademarks (either registered and unregistered), famous signs and indications origin, deriving from both distinctive and non distinctive use of identical or similar signs, unless there is a due cause for this use. The rationale underlying this protection lays in the economic perspective whereby the distinctive signs have acquired the general function of conveying a message on the market, which includes complementary functions, such as quality, advertising and marketing functions, in addition to source and origin. These economic functions of the trademark are worth being protected as well, through the provision of general rules on “unfair use” and “due cause”, which are absolutely preferable than a list of specific cases.

Please comment on any additional issues concerning the taking advantage of trademarks in the sense of parasitism and free riding you consider relevant to this Working Question.

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