

INTELLECTUAL PROPERTY

A TOOL FOR ECONOMIC
GROWTH IN THE THIRD MILLENNIUM

AN OVERVIEW OF ITALIAN IP LAW



LICENSING EXECUTIVES SOCIETY ITALIA



MINISTERO DELLO SVILUPPO ECONOMICO
DIPARTIMENTO PER L'IMPRESA E L'INTERNAZIONALIZZAZIONE
DIREZIONE GENERALE PER LA LOTTA ALLA CONTRAFFAZIONE
UFFICIO ITALIANO
BREVETTI E MARCHI

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When the IP Day initiative was introduced during the LES USA-Canada Conference in San Francisco in October 2009, I immediately realized that it would have been an extremely important event, and that LES Italy should contribute with enthusiasm.

The IP Day is an international event held simultaneously in all countries where LES is active, and includes participation by international entities of crucial importance, such as WIPO and EPO.

Such an important event deserved our attention and our best efforts. This publication was thus conceived, and Roberto Dini, who first promoted it, had in my opinion a great idea.

Therefore, the Board of LES Italy has joined the efforts and the know-how of some of its members to work on this book, and I am confident that this publication represents an important tool for LES to impact and be even more successful among the licensing professionals in Italy.

A handwritten signature in black ink that reads "Mario Traverso". The signature is written in a cursive style with a large initial "M" and a long horizontal line extending to the right.

Mario Traverso

President LES Italy

LES Italy thanks Mark Horsburgh and the LESI Patent & Technology Licensing Committee for their support in the translation of the text.

Since its founding, the Directorate General for Combating Counterfeiting – Italian Patent and Trademark Office has adopted an effective action plan to combat the phenomenon of counterfeiting and a strategy to protect and promote Intellectual Property.

The Directorate's aim is to create an Intellectual Property system that truly represents the driving force of the Italian economy and which also recognizes the competitive edge offered by patents, trademarks, designs and copyrights.

To support this mission, numerous communication campaigns have been undertaken, including the booklet "Intellectual Property – A Tool for Economic Growth in the Third Millennium", sponsored by LES Italy for IP Day 2010, with the approval of the Directorate General for Counterfeiting – Italian Patent and Trademark Office.

Written by leading experts in the IP field, this publication aims to raise awareness among enterprises and citizens of the value of Intellectual Property rights in relation to creative works and the importance of innovation in support of economic and cultural development.

The book analyses in a straightforward yet complete way all the concepts relating to the strategies for the protection of Intellectual Property and all the instruments available to compete effectively in national and international markets.

The aim is to raise awareness on the important role that Intellectual Property assets have on the current economic environment. By means of legal protection, Intellectual Property rights have evolved into a key competitive advantage for companies that know how to evaluate, use and manage them effectively. They not only constitute a distinguishing feature to protect the market, but also represent a valuable source of financing for companies. Revenue from royalties for the use of a specific trademark or patent (e.g. in the activity of franchising or technology licensing) can indeed be reinvested, generating an "inventive loop" in which these intangible assets acquire a real economic value.



Loredana Gulino

Director General, Directorate General for Combating Counterfeiting
Italian Patent and Trademark Office

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THE HISTORY OF INTELLECTUAL PROPERTY

Industrial and Intellectual Property

Having ideas is very gratifying, but often the mere satisfaction derived from having created something new and original is not sufficient, and therefore the need arises to draw greater benefit – both moral and financial – from this creativity.

In the absence of an assured return as a result of an innovation, there may be a tendency to keep ideas secret for fear of possible unfair misappropriation by third parties.

Industrial and Intellectual Property (IP) was created as a solution to these problems and it involves a number of legal and administrative instruments aimed at protecting and rewarding the achievements of human creativity and ingenuity.

The concept of Intellectual Property applies, in particular, to the protection of literary, visual and musical arts and more recently to software (**copyrights**), while Industrial Property concerns the innovation under a technological (**patents and utility models**) and distinctive (**trademarks and designs**) aspect.



These instruments provide property owners with a **moral and financial right that grants them the exclusive privilege to exploit their creations and the opportunity to protect against any potential copying by unauthorized parties.**

Whereas the rights to Industrial Property are acquired through a process of registering the asset, copyright is an “untitled” right, which automatically exists upon creation of a work. Indeed, there is no obligation to follow an administrative procedure for acquiring the title to copyright. Registration does however strengthen and further defines the right pertaining to the author.

■ A brief history

One of the first official forms of protection for ingenious works is represented by the Patent Statute, decreed in 1474 by the Most Serene Republic of Venice. It describes, in a remarkable way, the fundamental principles governing Intellectual Property rights.

VENETIAN LAW

“There are in this city, and because of its grandeur and virtue there come to us from other places, men of great genius, apt to invent and discover a variety of ingenious devices. And if it were provided that the works and devices discovered by such persons could not be imitated by others who may see them, stealing away the inventor’s honor, such men would exercise their genius and invent and make devices of no small utility and benefit to our commonwealth. Therefore, it is decreed by the authority of this Council that any person in this city who invents any novel and ingenious device, not made previously in our dominion, as soon as it is reduced to perfection, so that it can be used and exercised, shall give notice to the office of our Provisioners. It being forbidden to all others in our land to make any other device which imitates and resembles the invention, without the consent and license of the author, for up to ten years.”

Enacted by the Most Serene Republic of Venice on 19 March 1474, the law represents one of the earliest official forms of protection for creative and ingenious works. Created to safeguard inventors, a source

Then, followed the Statute of Monopolies, enacted in England in 1623, and the Patent Act, passed by the U. S. Congress in 1790.



In the nineteenth century, many other States began to draw up specific national laws to protect Intellectual Property, including Italy, which through King Vittorio Emanuele II issued in 1885 the first law on “Rights for industrial discoveries or inventions”.

With the Industrial Revolution and the increase in the volume of trade, the need arose to reconcile the various local laws. Hence, two important international treaties were signed: the Paris Convention for the Protection of Industrial Property (1883) and the Berne Convention for Literary and Artistic Works (1886).



THE U. S. CONGRESS RECOGNIZED MEUCCI AS THE INVENTOR OF THE TELEPHONE

Antonio Meucci was amongst the greatest Italian inventors, celebrated chiefly for his telephone invention. Around the year 1854, he built the first telephone prototype (the “teletrofono”) and commissioned his artist friend Nestor Corradi to draw a sketch that could represent one of the proofs of paternity of the invention.

Unfortunately, due to his serious financial difficulties, Meucci failed to find enough money to patent his invention. He was forced to file a “caveat”, a one year renewable notice of an impending patent at the cost of 10 dollars per year, which he only managed to maintain until 1873. For the definitive patent he was asked to pay about 200 dollars, but Meucci was unable to put together more than 20.



These two treaties established the **principle of reciprocity** and the **right of priority**.

The signatory States agreed to grant to citizens of other countries the same Intellectual Property rights granted to their own citizens (principle of reciprocity).

The right of priority states that the protection of an invention and its ownership take effect from the first filing of the patent or trademark application made by the inventor in any of the countries adhering to the Convention. It allows the owner to file a subsequent application in another country for the same invention and benefit, through this subsequent application, from the filing date of the first application. This avoids the potential problem of an invention being granted to different inventors, depending on who first filed the entitlement in any of the participating States.

To patent the telephone was instead Alexander Graham Bell in 1876, to whom Meucci in a confidential manner had turned to and disclosed his invention.

For over a century, except in Italy, Bell has been credited with inventing the telephone. Only in 2002, the U. S. Congress finally recognized Meucci as the inventor of the telephone, stating that if he had enough money to file a patent, Bell would have been unable to file his.

Whereas if Meucci had been able to pay the \$10 fee to maintain the caveat after 1874, no patent could have been issued to Bell

Now, therefore, be it

Resolved, That it is the sense of the House of Representatives that the life and achievements of Antonio Meucci should be recognized, and his work in the invention of the telephone should be acknowledged.

■ The Italian Code of Industrial Property

The Italian Code of Industrial Property was introduced with the Legislative Decree no. 30 of 10 February 2005.

It represents a consolidated law, which gathers all the regulations pertaining to Industrial Property assets. Its purpose is not only to simplify and update the previous law, but also to reconcile national regulations with community laws and international conventions.

This codified directory did not include the law on copyright, which still has as reference Decree no. 633 of 1941 and subsequent numerous amendments.



WORLD INTELLECTUAL PROPERTY ORGANIZATION



The World Intellectual Property Organization (WIPO) is a dedicated United Nations' organization. Founded in 1967 with headquarters in Geneva, it aims to develop an international policy for the protection and exploitation of Intellectual Property that rewards creativity, stimulates innovation and contributes to economic development.

Among the services offered by WIPO is the possibility of making an international registration, which, through the presentation of a single application, allows claimants to obtain protection for their patents, trademarks and designs in more countries.

Since the year 2000, WIPO has set April 26 as the world Intellectual Property Day (IP Day). Its main objective is to encourage the protection of human creativity, as well as the respect of Intellectual Property rights by increasing the awareness on the impact that patents, trademarks, copyrights, designs and utility models have on the economic, technological and social progress.

For each Industrial Property title, the Code governs on entitlement matters, the requisites for obtaining it and the exceptions to the same, the effects of protection, its duration, the rights and the burdens associated to it, the limitations to such rights, the grounds for annulment and nullity.

An Implementing Regulation text has recently been published to implement and enforce the application of the Code of Industrial Property.

■ The inventor's reward and continuous innovative progress

In the past, being acknowledged as the patent holder ensured such a competitive advantage that it often made the fortune of the inventor. This remains the case if you consider the financial fortunes made upon an original idea by Chester Carlson, inventor of xerography (the process of making copies on plain paper), or by Edwin Land, inventor of instant photography (Polaroid).



Antonio Meucci, inventor of the first telephone prototype, was less fortunate. Due to serious financial problems, he could not raise enough money to patent his invention, which was registered a few years later by Alexander Graham Bell and upon which he created a business empire.

Meucci's case is a clear demonstration that, unfortunately, the attainment of a competitive advantage provided by patents has a cost. In order to reduce the cost for protecting creativity, transnational authorities granting extensive international protection were created.



INTERNATIONAL PROTECTION OF PATENTS AND TRADEMARKS: EPO AND OHIM

The European Patent Office (EPO) located in Munich is entrusted with the task of standardizing for the member States (currently 40) the procedure to obtain a European patent.

The agency responsible for registering trademarks and designs is the Office of Harmonization for the Internal Market (OHIM) which allows applicants to obtain international protection throughout the European Union, which covers 27 countries.

The main organizations which protect and promote Intellectual Property are:

WIPO – World Intellectual Property Organization

www.wipo.int

EPO – European Patent Office

www.epo.org

OHMI – Office of Harmonization for the Internal Market

www.oami.europa.eu

EAPO – Eurasian Patent Organization

www.eapo.org

ARIPO – African Regional Intellectual Property Organization

www.aripo.org

OAPI – African Intellectual Property Organization

www.oapi.wipo.net

■ Intellectual Property as a tool for economic growth

Over the past 40 years, intangible assets and Intellectual Property have become increasingly important, both economically and strategically. If in the 70s they accounted for about 20% of the company's worth, today this ratio is reversed.

According to recent estimates, intangible assets – such as trademarks, patents, copyrights, but also management reputation, employee know-how, client and supplier portfolios – account for 80% of the market value of a company. Warehouses and industrial machinery only for the remaining 20%.

Intangible assets have therefore become the real engine of the modern economy, especially in the industrialized world. They should consequently be protected and maximized in their value since they constitute a key factor in a company's financial and economic success. Not only are they a competitive advantage, but intangible assets can also be a possible source of funding for companies.

The revenue derived from royalties for the use of a particular brand or patent may in fact be reinvested in a company, creating the so-called “inventive loop”. This is the case with franchising (agreement by which a company grants to another the right, upon payment of a fee, to use a proven and successful business formula – e.g. Mc Donald's), merchandising (the practice of using a brand or logo of a widely known product to sell another) and technology licensing (assignment of a right by its holder to another party so that he may use it to gain financial benefits).

Intangible assets are often subject to misappropriation by those who want to compete unfairly, creating a business whose profit is primarily based upon the illegal use of others' ideas. Let's take for instance the entire market of counterfeit products of famous luxury brands sold on street corners or on beaches.



The counterfeit phenomenon causes considerable damage to the economy in terms of loss of income for IP right holders, loss of tax revenue for the State and reduced company investments due to the lack of profits. In addition, counterfeit goods can represent a health hazard.

In recognition of the growing need to protect Intellectual Property, the Italian Patent and Trademark Office was re-organized to become the **“Directorate General for Combating Counterfeiting – Italian Patent and Trademark Office”**. Some special units have been established to



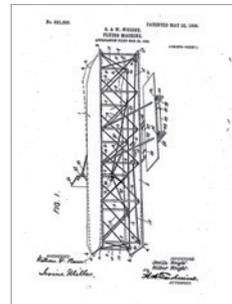
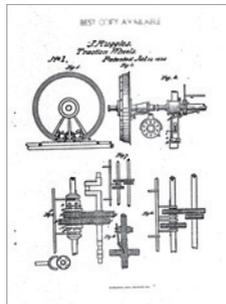
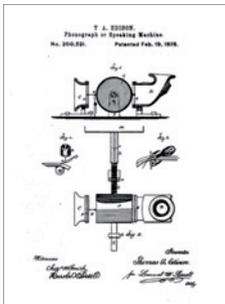
INTELLECTUAL PROPERTY: A TOOL TO SUPPORT INNOVATION

Research and development activities are becoming increasingly sophisticated and expensive; hence, it has become extremely important to exploit Intellectual Property rights to support business growth. The revenue derived from royalties for the use of a particular patent, trademark or design may in fact be reinvested in the enterprise, thus creating an “inventive loop” that can partly, if not entirely, finance new innovations. This is a very effective system for ensuring that a company has a continuous flow of capital to support its growth. It is worth noting that this business model can be equally applied to small or large industries; to public and private ones alike.

PATENTS TO PROTECT YOUR IDEAS

■ What is a patent?

The term “patent” refers to an **Intellectual Property right** granted to an applicant, which gives an exclusive right to **produce, use, import/export, sell** a certain product or **carry out** a certain process in a specific territory (e.g. a single country); in another context, this term refers to a **document**, that **states** the existence of the right and explains its **extent**.



The institution of patent protection (that has become important since the nineteenth century) was established with the aim of promoting progress. On one side granting a “prize” (the right) for a limited period of time (at most 20 years) consisting in the competitive advantage of exploiting an invention with a monopoly; and on the other side requesting the applicant to provide the patent application with a technical description (the document) allowing third parties to understand the invention in every detail after its publication (18 months after filing).

Since patent documents, once published, are collected in data bases accessible to the public, the patent system results in a series of important advantages, such as:

1. the circulation of technical know-how that would otherwise remain, for the most part, a secret;
2. the production of a new invention, encouraging competitors to look for alternative solutions;
3. the return on investments for research and development.



The duration of patents relating to a drug or phytosanitary, i.e. products which cannot reach the market without first being granted an administrative registration, may be extended beyond the 20 year limit (for a maximum of 5 years), by filing a “supplementary protection certificate”, in order to recover the time required for registration.

For the patent right to remain in force for the entire due time, certain requirements need to be met, such as the actual exploitation of the patented invention and, in most countries, the payment of a progressively increasing annual tax up to the term of the monopoly. If these requirements are not met, the right may cease before full term.

■ The requirements of a patent

Not all inventions may be patented: only those which represent a **NEW** and **INVENTIVE solution to a technical problem**, i.e. those meeting the requirements of **novelty**, **inventive step** and **industrial applicability**.



To be **novel** at the time of filing, the invention must not have been made accessible to the public, for example by the sale or offer for sale, the presentation at an exhibition or the publication in a magazine, not even by the inventor himself/herself. Therefore, the invention must be kept secret up to the date of filing of the patent



application. Meanwhile, the inventor may have recourse to confidentiality agreements with consultants and suppliers.

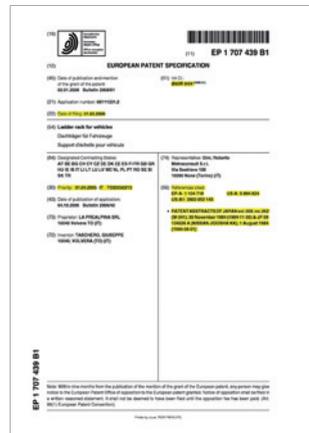
To be **inventive** at the time of filing, the invention must not be obvious on the basis of the combination of previous knowledge (the state of the art) for a person technically skilled in the specific field. It is clear that, while the requirement for novelty is objective, the requirement of an inventive step may be strongly subjective.

To be **industrially applicable** the invention must solve a technical problem at an industrial level (in the broadest sense and also including agricultural activity).

■ The structure of a patent document

The first part of the patent document provides a brief summary of the invention, the second part is intended to identify and disclose at least one embodiment of the invention (the “description”) possibly with the aid of drawings and experimental data set out in graphs and tables attached or integrated in the description; and the third and last part of a patent application refers to the inventive features for which the exclusive legal protection is sought (the “claims”).

The claims, which can be interpreted in light of the description, therefore identify the invention to be protected and define the scope of exclusive protection requested, so as to allow third parties to understand which activities fall within the scope of patent protection and are therefore illegal, and which are not.



■ The different kinds of patent

Innovations with a technical contribution may relate to new products, processes or methods to manufacture new or known products, or new uses of known products. The latter kind represents a form of patenting that partially overlaps with process patents, the main differences being in the formal features. Often this is used to overcome the unallowable patentability of therapeutic and diagnostic methods (this does not apply in the USA).

All of these inventions may be protected in Italy by two kinds of patent: invention patents and utility model patents.

The second type of patent differs from the first by its shorter duration of 10 years (configured in a 5 year period plus an additional 5 year period subject to the payment of a tax) and in that only new products and not processes or uses may be patented thereby. Utility model patents are traditionally used to protect inventions having a possibly limited inventive step, such as improvements to existing products. Invention patents are the most frequently used form of patenting, and in most countries, the only one available.



The filing in Italy of a patent application may take place through a chamber of commerce of a provincial capital, and consists in the preparation of a series of forms, a technical description and the payment of taxes. Nowadays filing may be carried out entirely on-line.

■ Patenting abroad

As mentioned above, patent protection is territorially limited. For example, an Italian patent will only provide protection (i.e. apply an exclusive right) in Italian territory. Therefore, in order to gain protection outside national borders, corresponding patent applications (i.e. having the same content) must be filed in all countries where protection is sought, for instance because they are potentially important markets or due to the presence of important competitors. This operation is also known as “extension”.

Filing abroad, or extension, must be carried out within certain terms. The first term, known as convention date (or “priority”), is set 12 months after the first filing of the application. If the application is extended within this term, the date of filing abroad is dated back to that of the first national filing for the purpose of evaluating novelty. Therefore, the invention may be made public immediately after the first filing without losing the possibility to file corresponding applications in other countries later. Similarly, the filing in another country “cancels” applications of the same invention which were filed by third parties in the meantime in that country. The final term to extend the application is 18 months after filing: within this term, the application is made public, therefore the requirement for novelty prevents valid filing in all countries which were still not protected. This avoids anyone, even the inventor, from filing the patent application in these countries.

■ Patent examination

In most countries patent applications are granted only after undergoing a substantive examination including a prior art search directed to retrieve previous patents (or other documents) relating to the solution of the same or similar technical problem and a technical analysis, in which the requirements of novelty, inventive step and sufficiency of disclosure are evaluated.



This technical analysis takes place by a cross-examination of the applicant or his/her patent attorney, and terminates with the granting of the patent (which may be limited to take into account the objections of the examiner), or with the rejection of the application. In Italy, a prior art search has only recently been introduced, for the patent applications only (i.e. NOT for the Utility Model applications).

■ The European patent and the PCT



The expression “European patent” indicates a common filing and granting procedure ruled by the European Patent Convention (EPC), which was established to simplify the extension of patent applications. The EPC currently covers more than 35 countries, which also includes non-EU countries. Only one filing and one examination is required to cover all of these countries (or only some, which are selected by the applicant). However, at the end, this procedure does not grant a European patent, i.e. a single patent which is valid in all requested countries, but instead a bundle of identical national patents. In other words, this procedure has the same flexibility as single national filings and provides exactly the same result, but simplifies filing and granting by far. Especially, it avoids a situation where the same application will receive different results in

FROM BIOTECH TO BUSINESS



A problem in the health sector is the diagnosis of primary and secondary HCMV (human Cytomegalovirus) infections, which is the primary cause of Down’s syndrome. Some Italian researchers discovered that partial sequences of specific viral proteins are highly immunogenic and filed Italian patent applications directed to cover these partial sequences and their use in a diagnostic kit.



They discovered later that by assembling these sequences with other sequences not covered by a patent in a single fusion protein by means of a modified p-ROS vector and a bridge sequence, a construct is obtained allowing to mimic the behaviour of the whole virus. This construct provides a tool for a highly specific diagnosis.

An Italian patent application was filed and thereafter an agreement was signed with a multinational Company for the joint development of a commercial application. An improved

different countries. Another advantage is that, once granted, the European patent may be opposed before the same European patent office, within a term of 9 months from granting, by any third party that is capable of providing documents, which were not found during the examination, that render the patent invalid. This consists in the **opposition** procedure, in which both the Opponent and the patent proprietor are litigant parties and are heard by specific judging divisions of the European patent office. The final outcome may either be the maintenance of the patent as such or with some limitations, or the revocation of it.



The term PCT indicates an international convention (*Patent Cooperation Treaty*) that involves a common filing and prior art search stage, with the issuance of a final non-binding opinion on patentability. At this point,

version of the fusion protein in CSK was produced within the priority term, by using a modified p-TB201 vector, having high specificity for IgGs and IgMs in an ELISA test, thus providing a tool to distinguish the primary infection from the secondary infection. The Italian patent application was then extended as a PCT, with the addition of the improvement.

Later, an improved Western Blot kit was developed combining viral and fusion proteins with control bands for CKS. The lay-out and other features of the kit were patented in a separate application. The Italian researchers' intention was to establish a company producing the Western Blot, to be used as a control tool for possible false positives of the ELISA test. Unfortunately, the project could not be developed in due time because of Italian bureaucracy and the kit was licensed out to a company in the Far East.

This example shows how and in which terms patents can be used to transfer a scientific discovery to actual business opportunities and confirms that unfortunately bureaucracy and innovation often don't get along together.

the common procedure ends and the applicant must choose in which countries to file the patent application. This procedure has a twofold advantage: first, it covers with a limited cost (similar to that of a European patent application filing) most countries in the world; second, it allows to postpone any decision on the filing of the patent application in the various countries of interest (as well as the expenses involved) up to 30 months (31 in some countries) from the date of filing of the first application.

The applicant is not initially forced to file a national application and then extend it abroad, but instead he/she may decide to directly file a PCT or EP application. If residing in Italy, according to the law, the applicant must file this first application in Rome. The Italian trademark and patent office will then forward the application to the other international authorities concerned.

Rinaldo Plebani

Studio Torta

TRADEMARKS TO PROTECT YOUR IDENTITY

■ What is a trademark?

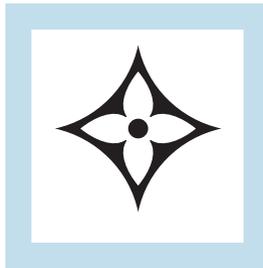
A trademark includes any name, word, symbol, design or any combination of these elements that distinguish the products and services of a company from those of other companies.

Trademarks can also be made up of **sounds** (sound trademark), **shapes** (three-dimensional trademark), **colours** (colour trademark), or **fragrances** (olfactory trademarks).

THREE-DIMENSIONAL
TRADEMARK



FIGURATIVE
TRADEMARK



SOUND
TRADEMARK



The rights arising from trademark registration essentially include the exclusive right to use it, i.e. the right to forbid third parties, unless duly authorized, using identical or similar marks to the registered trademark for identical or similar products or services that may create a risk of confusion/association.

The rights concerning a trademark registration are carried out, exceptions apart, within the product area in which the trademark was adopted and used. For its registration, this area has to be identified by a list of products and services, represented by the definitions of the Nice International Classification of goods and services.

In particular cases, the law provides a kind of broad protection (also embracing non-similar products/services) for reputed brands. In specific cases, it is considered that the protected brand is so famous that use should be prevented of the same or confusingly similar marks, even when relating to fairly remote activities (so-called ultra product protection), because such use may cause a risk of association whereby those using it gain an unfair advantage in the market in which the previous brand was already highly reputable.



Cartier Dior

In civil-law countries, exclusive rights are usually obtained through registration, which is an important step towards protecting exclusiveness, especially for probationary purposes. Registration ensures a demonstrable right simply on presentation of the corresponding certificate. In the case of so-called de facto trademarks (i.e. those marks which are used in the market but not registered), it is necessary to prove their existence through plentiful and appropriate documentation.

■ How to choose a brand

The creation and development of new brands is a complex process: it requires the interaction of many different professionals: communication and legal experts specialized in Industrial Property. It is a process that depends on many factors related to the needs of the company and of the product, as well as to the trend of the market and to **legal issues**.



When choosing a brand it is important to identify the chosen designation correctly: it will affect the **validity** of the brand and the **intensity of its protection**.

From a legal point of view it is advisable to avoid filing and adopting trademarks too similar to the generic designations or to the features of the products that the trademarks will claim, because they would be difficult to defend. In legal terms these trademarks are defined “**weak**”: in the comparison between them, even the smallest differences could be enough to avoid the risk of confusion with a competitor’s mark. For example, there was found to be no risk of confusion between the brand BERGAMON and the brand BERGASOL; or between the brand AMPLIFON and the brand UDIFON.



A “weak” trademark protection will be lower compared to a “strong” trademark, which doesn’t have any connections with the generic designation and with the features of the products and services that they refer to. Strong trademarks enjoy broader protection with a much deeper analysis of the elements that could create confusion. For example the BONNJ trademark has been considered a counterfeit of the BUONDI’ trademark.

These evaluations must be made **before filing a trademark** to avoid the risk of adopting a weak one that is less easy to defend in relation to competitors’ trademarks.

■ **Validity requirements**

In the process regarding the identification of the trademark to be filed, it is important to consider the validity requirements prescribed by the Law. In fact, only the following trademarks will be able to be filed:

- a. **New.** New are those signs freely available and appropriable which are not the object of any exclusive rights by third parties. Once identified the countries of commercial interest, it is advisable to make prior researches among same or similar trademarks and among filed or registered ones of similar products to the ones that we intend mark with our brand.
- b. **Distinctive.** The distinctive ability is essential for the registration of a trademark. The trademarks are registrable as long as they distinguish the products and services of a company from other companies. So, if a mark has a generic meaning concerning products and services or if it consists in descriptive words that could be helpful in describing the type, the quality, the quantity, the aim, the value and the geographical origin of these products and services, it won't be considered distinctive and so it won't be able to be registered. In case the mark should have acquired distinctiveness before the filing of its request of registration as a result of its intensive and prolonged use in time, it can be registered under the so-call "secondary meaning".
- c. **Lawful, not against public order or morality.** Against the moral are those trademarks which **could offend the common modesty**. Furthermore the Law excludes from the registration the distinctive signs of the international organizations, for example the Red Cross and the flags.
- d. **True, not misleading,** unlikely to confuse the public regarding the geographical origin, nature or quality of the products and services.

A FAMOUS MISLEADING TRADEMARK: COTTONELLE

A famous example of a trademark considered to be misleading is COTTONELLE. The High Court of Appeal with sentence no. 3276 dated 09 April 1996 declared the invalidity of the COTTONELLE trademark because of deceptiveness: the message expressed by the brand was considered to confuse consumers by making them wrongly believe that the product might contain cotton (which was in fact absent).



■ Where and when filing a trademark

Once identified the designation according to the validity requirements, there has to be an **appropriate filing strategy**.

The first step is to identify the **main commercial countries** where the Applicant intends to obtain protection. Timeliness in filing the trademark means that a claim is made as soon as possible to the exclusive rights for the trademark that will also prevent anticipation by competitors.

The following are the possible ways:

National trademark

In order to file an Italian trademark it is necessary to submit a specific application to the **Patent and Trademark Italian Office (UIBM)**, usually through the local Chamber of Commerce. Nowadays it is possible to file trademarks online. The application shows the **data of the Applicant** (individuals or corporation), the data of the Agent that acts on behalf of the Applicant, the trademark **designation**, its **description**, the classes and the related products and services for which the protection is required.



A trademark lasts ten years from the filing of its application and before its expiry date (or within the grace period, six months later), it could be renewed for other ten years.

The trademark will be published in the Official Journal and, the case may be, it can be objected by third parties, owners of identical/similar trademarks. In Italy the **opposition procedure has just entered into force**, under the Implementing Regulation of the Industrial Property Code (CPI) of March 9, 2010.

For detailed information on the trademark filing in Italy, you can visit the UIBM website <http://uibm.gov.it>

Community trademark

At European level Applicants may benefit from the Community Trademark institution that allows designation to all the 27 EU Member States, with one application submitted to the Office of Harmonization for the Internal Market (OHIM).

The main benefits of this protection are the **unitariness of the procedure**, the **attractiveness** regarding the **filing costs** (much lower than those required for the protection of individual national filings in all the Member States) and the circumstance that the **use of the trademark even in only one country of the European Union, as long as significant**, is enough and appropriate to avoid its invalidity on account of non-use throughout the European Union.



■ COMMUNITY TRADEMARK MEMBER STATES

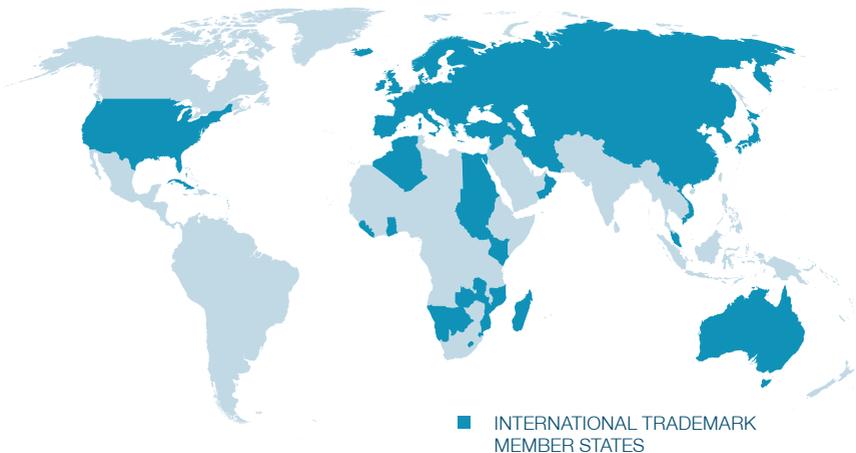
For detailed information on the community trademark, you can visit the UAMI website <http://oami.europea.eu>

International trademark according to the Madrid Agreement and Protocol

Based on a trademark registration request in the country of origin, the Applicant will be able to proceed to an international registration, designating one or more European and non-European countries, in conformity with two Treaties – usually referred to as the Madrid Agreement and Protocol.

The international procedure makes it possible to file through the World Intellectual Property Organization (WIPO) a **single request designating different countries**. In each country the trademark request will be checked by the respective Trademark Offices and, at the end of this examination, the trademark will be granted or refused.

Further details on the International trademark are available on the WIPO website: <http://wipo.int>



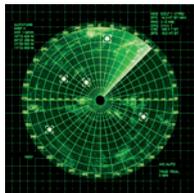
National foreign trademark

If Applicants wish to obtain trademark protection in countries which have not joined the above mentioned International Treaties, it is possible to file national trademarks country-by-country, in each foreign country interested in.

■ Post-filing trademark protection: monitoring and legal actions

Once a trademark has been filed, it is recommended to monitor third parties' registrations/filings/uses, in order to protect it from counterfeiting phenomena, increasingly more frequent.

First of all it is advisable to activate a **surveillance service**, inserting the “monitored” trademark in a specific computer directory, highlighting those requests that could represent a risk for the mentioned mark. The consultancies provide to select what has been shown by the system and transmit to the trademark owner a watch notice, suggesting the possible actions to be taken: usually the administrative opposition, in those countries where it is possible.



In the Countries in which the opposition is not active, trademark owners should take legal actions against the counterfeit trademarks.

To keep a registered trademark valid it is necessary to use it within 3/5 years from its registration day (the different laws provide different terms, to be verified from time to time). To be considered valid, trademark use has to be **effective and continuous** or for relevant quantities of products.

The passage of time has to be monitored even as regards the loss of the distinctive characteristic (**vulgarization**). A trademark with a distinctive character at its registration date and even later on might possibly acquire a different meaning, becoming a word in common usage as a “generic denomination of the product and service”. At this time, the owner’s behaviour becomes fundamental. To avoid decline, the owner must ensure the complete distinction of the generic name of the trademark identifying products on the market. To obviate the decline caused by inactivity, the



owner of the trademark will have to monitor the use of the mark in dictionaries and Internet, as well as on the market, and if necessary take measures (legal action, warnings) in order to prevent the mark becoming a generic denomination. The owner also has to require the application of the ®, which highlights and indicates that it is a “registered trademark”.

ASPIRINA: VALID TRADEMARK IN ITALY

As regards vulgarization, the sentence of the Court of Milan of 24 June 2005 regarding the case Bayer AG and Bayer S. p.A. against Elaborados Dieteticos SA and Artemide S. r.l. is very important. In this case the Court states that in Italy, unlike other markets, the term ASPIRINA has not lost its distinctiveness.

Thanks to the complete legal protection sought by Bayer, the Court clarified that although the proliferation of similar or competitive products, the term ASPIRINA, in daily business, still represents a specific product associated with a specific company.



As we have briefly seen, the life of a trademark has to be guided carefully from its onset, with strategic decisions at the time of filing and, if necessary, proper legal action in order to protect its validity and strengthen its protection, against counterfeiting.

Marilena Garis

Metroconsult
Roberto Dini & Partners

DESIGN TO PROTECT YOUR CREATIVITY

■ What is the purpose of design and what can be protected?



Design is the projected and conscious expression of choices aimed at characterising the perceptible form of products which have technical/practical functions.

The purpose is to make a product more aesthetically attractive to the consumer, assuming issues of function and performance to be equal.

The role of a designer, therefore, is to combine “function” and “form” with the aim of making the functional requirements of a product consistent with pleasing aesthetic options. Companies relying on designers for the realization and/or promotion of their products consider their input into such products to be a very effective marketing instrument allowing them to highlight the diversity of attractive products in their range to the final consumer.

EC regulations have reflected the importance of these concepts since 1998 (directive 98/71) which Italy subsequently ratified in 2001.

Today, any visual product of a bi-dimensional (design) or three-dimensional (model) nature can be protected by designs registration, both at a national and EC level.

■ Designs registration

National registration (which can be made by the local UPICA units of the Chambers of Commerce cooperating with the Italian Office for Patents and Trademarks www.uibm.gov.it) provides an exclusive right, renewable every 5 years, for a maximum duration of 25 years.

EC registration, which has the same duration, provides for territorial coverage corresponding to all countries in the European Union. The application for registration can be made directly via the EC Office for the Harmonization of the Internal Market (OHIM), with head offices in Alicante (Spain) www.oami.eu.

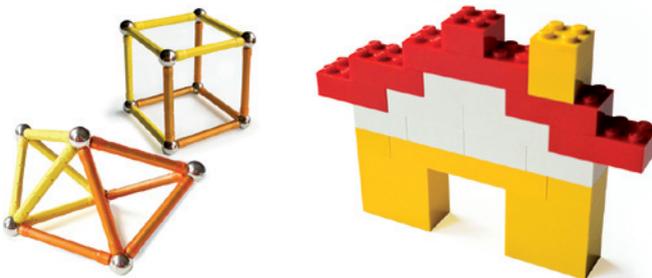
It is important to note that the maximum term of protection provided for designs is longer than that provided for industrial inventions. This may be considered indicative of the importance of design protection in the commercialisation process.

The focus of registration of design can be on the visual features of the whole product or of one of its part resulting from, in particular, the characteristics of the lines, contours, colours, shape, superficial structure and/or from the materials of the product itself and/or of its ornamentation.

It is important to understand that only the visual features of a product which can normally be viewed are eligible to be the object of registration of designs. For example, the shape of an engine inside a car or the battery of a mobile phone hidden by a protective cover, cannot be the subject of valid protection, since they are not visible during normal use of the product (car, mobile phone).

A design may include visual characteristics or components which possess functionality. Nevertheless, a design registration cannot be validly used to protect a shape which is essential for functionality, for example the design of a shape of a socket or of a USB connector.

If a design takes the form of a repeating unit of perhaps indefinite length then a design registration can be obtained for the repeating unit itself.



■ Requirements for a valid registration: the “grace period”

There are limitations as to what designs may achieve valid registration. In particular, design law requires that a design is both novel and shows an individual character.

To be new, a design cannot be identical to another design which has been previously made available to the public.

Unlike the situation with industrial inventions, there is no peremptory obligation to register one’s own design before any form of disclosure (participation in trade fairs, advertising campaigns, presentations to customers) under penalty of destroying the novelty of the design. This is because, only for design protection, the European Union provides for a so called “grace period”. The grace period provisions mean it is possible to file validly an application for design registration within 12 months from the date of the first public disclosure of the design. The consideration behind these provisions is that many design works originate with single designers who are typically not sophisticated in terms of intellectual property awareness when negotiating with third parties and generally commercially exploiting their design. It is, therefore, understandable that, prior to making an application for registration of the design, the individual designer often discloses the design to enable an assessment of the market interest therein.

Designers who take advantage of the grace period run the risk of a third party filing a design application for their design which can then lead to difficulty in demonstrating which party is rightfully entitled to the resulting registration in the absence of a demonstrable first date of creation/use which can be obtained through the registration process.

■ The EC system of “unregistered” design and unfair competition

Since, in some fields, products featuring design innovations are often destined to a short life cycle (for example, the textile market and clothing industry), the European Union has provided a means for protecting design works in the absence of a registration and after the “grace period” has expired. This instrument is called an “unregistered design” and protects,

throughout the European Union, a design which could have been registered (but which was not actually the subject of registration) from intentional copies. The duration of this protection is limited to three years. However, this does not mean that after three years the unregistered design can be freely copied but rather only that its defence from imitations will be dealt with by the provisions of unfair competition law and only in the countries where the original product bearing the design has been commercialized prior to copying.

CASE ILLY X1 – COURT OF MILAN 2009

In two recent decisions, the Specialised Section in Industrial and Intellectual Property of the Court of Milan decided that the reproduction of elements embodying the shape of the coffee machine FrancisFrancis! X1, designed by Luca Trazzi and produced and commercialized by the leading company in the field of high quality coffee, Illycaffé, was an act of unfair competition and slavish imitation which falls under art. 2598, No. 1 of the Italian Civil Code. The typical retro style, inspired by the concept of the Fiat 500, was considered to be “appreciable on the distinctive level” which is a concept taken into consideration when dealing with unfair competition. This means that, according to the Court of Milan, the contested products would remind the average consumer of the Illycaffé machine. The success of the FrancisFrancis! X1 machine can be traced to its post-modern character, particularly in the breaking of the classical stylistic elements of the coffee machine made by the designer. Starting from elements



of the world of vintage cars, the designer, Luca Trazzi, has achieved a totally new and unexpected aesthetic result, by translating a work which has been unanimously celebrated among the highest echelons of Italian design, i.e. the FIAT 500, to a new product which acquires a retro taste thanks, at least in part, to the reference made to that famous dashboard.

■ The individual character of design: the contextualization of the field

As mentioned above, novelty is not the only requirement for valid design registration. Often the most difficult requirement to pass is that of demonstrating the **individual character** which a design must possess. Having an individual character does not necessarily mean demonstrating an aesthetic value, but simply proving a sufficient “diversity” with regard to other designs in the same field.

The degree of diversity that a design must demonstrate depends on the degree of “crowding” in the field of reference. In particular, in very crowded fields (for example designing buttons or chairs) there is limited freedom to design and so it would not be easy to be very different from pre-existing designs. In this situation, a relatively modest level of diversity would be sufficient to justify the grant of a registration.

ILLY, in several judiciary decisions dating from 2005 to today, has seen the recognition of its exclusive right on the design of its cups and of its ring handle, which has been considered as clearly distinguishing their products in the very crowded field of coffee cups:



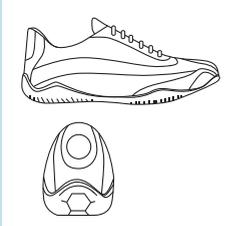
With a decision dated November 2007, CALLIGARIS has seen the recognition of its exclusive right on five specific models of chair, neatly demonstrating that the more crowded the field of design the greater the weight which is given to relatively small variations.



Conversely, the required degree of diversity will be higher in less crowded fields.

It will be appreciated that, generally, the more the applied design provides distinctly creative solutions in the field of reference, the greater will be its force in terms of individuality and hence the better its chance of attaining registration.

CASE FILANTO: DECISION OF THE COURT OF NAPLES



In September 2006, the Court of Naples issued a precautionary warning to potential copiers by confirming the scope of protection afforded by a registration for a particular model of Filanto shoes extended to take in imitations which, even though they included additional highly visible ornamental elements (in particular, the name of wrestlers), were actually a reproduction of the individual characters of the protected model (the form of the vamp, sole etc.). This decision eliminated the previously held misunderstanding that the use of the names of the wrestlers on the shoes would have precluded the possibility of a risk of confusion and so avoided infringement. The Court explained that, in the field of design, the risk of confusion is not important: it is only important to establish that the distinguishing characteristics of the registered design are to be found in the final, allegedly infringing, product. Therefore, variations which are, in some peripheral manner, distinguishable from the registered design but are otherwise taken to be imitations (i.e. they may not be likely to cause consumer confusion in relation to the original product) must be considered illicit. The case was very recently confirmed in the first instance decision (June 2010).

■ Design and Copyright

Finally, it is important to point out that, in addition to designs protection, EC regulations offer the possibility of copyright protection. Such protection is of considerably longer duration than registration of designs (the lifetime of the author plus seventy years).

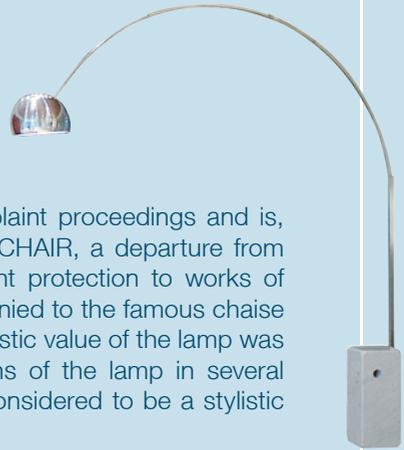
Nevertheless, not all design works have such protection available to them since Italian regulations, in a more restrictive manner than is seen in many other jurisdictions, imposes the necessity to prove the existence of an “artistic value” in a work of industrial design to qualify for copyright protection.

Up to this point in time only a few cases have resulted in this requirement being satisfied.

UP TO NOW, ONLY FEW CASES HAVE SEEN THE RECOGNITION OF SUCH REQUIREMENT.

In December 2006, the Court of Milan recognized, with a precautionary proviso, the rank of work of industrial design suitable for copyright protection for the ARCO lamp designed by Achille and Piergiacomo Castiglioni in 1962.

This decision was confirmed in the complaint proceedings and is, together with the parallel case PANTOM CHAIR, a departure from previous case law which denied copyright protection to works of great value (in fact such protection was denied to the famous chaise longue of Le Corbusier in the 90s). The artistic value of the lamp was recognised thanks to objective evaluations of the lamp in several different contexts and, therefore, it was considered to be a stylistic cultural symbol of the 60s.



Such additional protection seems to be reserved only for works whose qualities are recognised by subsequent generations and which, due to their longevity and success in the marketplace, are considered to be design “icons”, in addition to performing their intended industrial function.

Giovanni Casucci

Studio Legale Casucci

COPYRIGHT TO PROTECT YOUR CREATIVE WORKS

■ What is a copyright?

Copyright protects **intellectual works** which have **creative character**. Particular works covered by copyright protection comprise:



1. **literary**, dramatic, scientific, educational, religious **works**, whether in written or oral form;
2. **musical works and compositions**, with or without words, **dramatic-musical works** and **musical variations** constituting original works;
3. **choreographic and pantomimic works**, the acting form of which has been fixed in a written or in an equivalent form;
4. **works of sculpture, paintings, drawings, engravings and other similar forms of figurative arts, including scenic art**;
5. **drawings and works of architecture**;
6. **cinematographic works**, whether in silent or sound form; amongst others, an interesting example is the case of **remakes** and **sequels**, which are becoming increasingly frequent. Nowadays, for assigning these rights, it is advisable to expressly mention them in the object of the assignment contract;



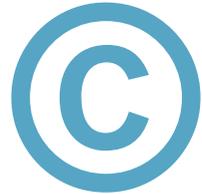
7. **works of photography** and other works expressed with a method similar to photography (for example, photographs obtained through digital technology);
8. **computer programs** (so called **software**), however expressed, provided that they are original works resulting from an intellectual effort of the author. The ideas and the principles underlying every element of the program, including those underlying its interfaces are excluded from copyright protection. The term program includes the preliminary material (flow charts, etc) for coding of the program;
9. **databases**, which for choice or disposition of the material constitute an author's intellectual creation, intended as collection of works, data or other independent elements systematically or methodically collected and individually accessible through electronic or other means. The protection of databases does not extend to their object;
10. **works of industrial design**, which present creative character and artistic value.

Beside **original works**, copyright also protects **elaboration with creative character** of the **original works**, such as: a) translations into another language; b) transformation from one to another literary or artistic form; c) modifications and additions constituting a substantial recasting of the original work; d) adaptations, e) reductions; f) abridgements; g) variations which do not constitute an original work.

■ A right arising from a creative effort

Copyright shall be acquired by the author with the creation of a work resulting from an intellectual effort, without the obligation to perform any administrative formality.

It is customary for the author or his assignee to inform the public of the existence, the ownership and the date of beginning of copyright, by indicating beside the work the symbol ©, accompanied with the personal details of the owner and the date of beginning of the copyright.



The paternity of a work is attributed to the author even if, instead of his own name, he has used a pseudonym, a professional name, initials or a customary sign which are well known as being equivalent to the true name.

Furthermore, as an exception to the general rule according to which the capacity of performing legal acts is acquired at the age of eighteen, the author may, from age sixteen, perform all the legal acts relating to the works created by him.

Where a work is created by the indistinguishable and inseparable contribution of two or more persons, the copyright shall belong to all the co-authors, following the provisions which regulate goods owned in community.



In collective works (i.e. magazines, encyclopaedias, etc.), in which single contributions remain distinct and autonomous, the author is the person who directs and organizes the creation of the work itself, but ownership of copyright in the single contributions remain with the respective authors of the single contributions.

Conversely, rights in a work's elaboration with a creative character shall be owned by the author of such elaboration, but the author's consent will be needed for publishing the elaboration.

MUSICAL PLAGIARISM

In the judicial case launched by Albano Carrisi, the singer of the song “I cigni di Balaka”, which was affirmed to have been plagiarized by Michael Jackson’s song “Will you be there”, the Court of Appeal of Milan, with the ruling of 24th November 1999, held the following: 1) in the field of pop music melody is the element characterizing the work, both because it absorbs in itself, more than in other fields of music, the creative core and because it constitutes the principal element of individuation and recognition of a song, namely what the typical listener immediately perceives; 2) a pop music song which, for the simplicity of the melody, similar to numerous precedents, is missing



original character, cannot be protected by copyright; it is therefore to be excluded the configurability of plagiarism regarding the song in question; 3) in a judgement regarding plagiarism, concerning only the song’s melody, the non-originality of the latter is sufficient for determining the consequent impossibility to protect the work, being irrelevant the distinct character of originality of the harmony and/or of the rhythm, elements which, nevertheless, might imply a creative impulse in terms of elaboration of a original melody and are, therefore, ex se worthy of protection only if specifically deducted as plagiarized elements.

■ Moral rights and economic rights

The author has the exclusive right to publish his work, or alternatively, to keep it unpublished. The author is also the owner of two other kinds of rights in his works, namely: 1) moral and 2) economic rights.

1. **Moral rights:** in addition to the **right to keep the work unpublished** as mentioned above, the author has, in any case: a) **the right of authorship of the work;** b) **the right to the integrity of the work,** that is the right to object to any distortion, mutilation or any other modification and the right to object to any other action in relation to the work itself,



which would be prejudicial to his honor or reputation; c) **the right to withdraw the work from the market**, whether there are material reasons and except the obligation to indemnify those who purchased the right to reproduce, to diffuse, to perform, to represent and to distribute the work itself.

2. **Economic rights:** they are separated into several rights (publication, reproduction, execution, etc.) and consist of the exclusive utilization and economic exploitation of the work.



While the **moral rights** are **inalienable**, **economic rights** can be **transferred** by the author. Furthermore, while moral rights have an unlimited duration, economic rights last, as a general rule, during all the author's life and 70 years after his death. After this period, the work is available to the public, that is to say in the public domain, and it may be used freely without authorizations or payments.



Because the **transmission of the right of use** should be provided **in writing**, it is advisable that the transmission is recorded in a document (even in the form of a simple private deed).

There are several contractual types for authorized use of copyright.

The most common are the contract of publication for printed works and license agreements for software.

Copyright confers on the author, or on the assignee of the copyright, a **legal monopoly** over the commercialization of the work, with some **exceptions and limitations**.

Example exclusions include, even if they are realized with different modalities, private broadcasts, private copies, photocopying and loans granted by libraries. In the literary field another form of limitation of the legal monopoly is the right to quote. This exclusion is specific to literary works and does not apply, for example, to musical works.

Copyright law provides for the authors of works of figurative arts, such as pictures, collages, paintings, drawings, engravings, printings, lithographs, sculptures, tapestries, ceramics, works in glass and photos, and original hand sketches, the right to a payment of a percentage of the price of any sale after the first assignment of the works by the author.



INDUSTRIAL DESIGN

In the area of industrial design, to which the law relating to copyright can also be applied, the Court of Venice, with a decision dated 28 November 2003, held that Thun's "praiser angel", may be protected both under copyright law and under the law on industrial design, which can be applied in a cumulative way, because it has both creative character and artistic value.

■ Rights related to copyright (or neighbouring rights)

Besides copyright, which includes rights belonging to the author of an intellectual work of a creative character, protection is also provided to so-called rights related to the copyright (or **neighbouring rights**), which are (1) the rights of the person who is using a work covered by copyright in a particular way; or (2) the rights on the works which have a less intense creative character. Like the rights of use belonging to the authors of the intellectual works (so-called economic rights), **the neighbouring rights having an economic value may also be transferred.**

An example of neighbouring rights is the case of rights relating to letters, according to which letters, epistolary, family and personal memoranda and other works of the same nature, cannot be published, reproduced or in any way made available to the public, without the consent of the author and, in case of letters, of the addressee as well, if they have confidential character or are related to the intimacy of private life.



A second example of neighbouring rights are the rights related to portraits. It is widely known that a portrait cannot be displayed, reproduced or made available on the market without the consent of the person portrayed. This rule has some exceptions, namely that the person's consent is not necessary if the reproduction of the image is justified on the basis of the notoriety or of the public office covered, by police or justice necessities, by scientific, educational or cultural purposes or when the reproduction is linked to facts, events, ceremonies of public domain or open to the public. The portrait cannot be displayed or placed on the market if the display or commercialization imparts a prejudice to the honor, the reputation or the dignity of the person portrayed.

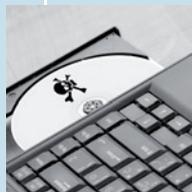


Copyright in a country which has ratified International Copyright Conventions is automatically recognized in all countries which are signatories to the Convention.

With the beginning and diffusion of the **Internet**, the rules protecting copyright have been integrated, with the purpose to offer protection to the works available on the web.

In general, copyright is protected by both **civil and criminal sanctions**.

FILE SHARING AND PRIVACY



In a case decided by the Court of Rome, with a decision dated 22 November 2007, the plaintiff Peppermint Jam Records GmbH, with regard to the protection of copyright on the Internet, highlighted the following circumstances: 1) Peppermint is a company working in the sector of music production and is the owner of the right to economic exploitation of several musical works; 2) a considerable part of these songs is offered and made available on the Internet through file sharing software, which allows users connected to the web to offer other users files which are on a personal computer (so called upload) and, at the same time, to acquire files from the personal computer of other users using the same file sharing software (so called download); 3) this file exchange system allows users to copy musical files protected by copyright without payment

■ Organizations for the protection of copyright

SIAE (Società Italiana Autori ed Editori, www.siae.it) is an entity for the protection of copyright; its institutional function is intermediation in the exercise of copyright of its associates.

Another body, with an international focus on the protection of copyright is **WIPO** (World Intellectual Property Organization, www.wipo.int).

Marco Venturello

Venturello e Saraceno, Attorneys at Law

of any fee, thereby causing significant damage to the owners of the respective rights; 4) an inquiry commissioned by Peppermint with the assistance of specific software developed by Logistep established that many people offering Peppermint's songs via the Internet accessed the Internet using the services offered by Wind Telecomunicazioni S.p.A.; 5) the specific software developed by Logistep allowed Peppermint to determine the internet protocol (IP) of users employing file sharing programs to offering musical works violating Peppermint copyright; 6) nevertheless, this IP code did not fully identify the authors of the infringements because overall information was owned by Wind. Peppermint requested the Court of Rome to order Wind to provide total disclosure of such user data. The Court rejected Peppermint's claim, stating that, even in European Community law, the protection of physical people, especially with regard to the personal data, prevails compared to the need to give evidence during a civil case seeking to declare copyright infringement.

INTELLECTUAL PROPERTY TO SUSTAIN INNOVATION AND HUMAN CREATIVENESS

■ What licensing is



The expression “licensing” describes the activity to grant (licensing out) or rather to obtain on “lease” (licensing in) an Industrial or Intellectual Property right (trademark, patent, know-how, copyright, etc.). In particular, a license contract is an agreement by which the owner of one of the above mentioned rights (“licensor”) **agrees** that the other contracting party (“licensee”) performs an **activity that, in the absence of a license, would represent a violation of his exclusive rights.**

In recent decades, licensing has undergone broad development worldwide, representing an opportunity of growth and flexibility for many licensors and owners of Industrial and Intellectual Property Rights. In Italy, however, the licensing instrument is still not widely known, especially by small and medium businesses.



First of all, it is appropriate to recall the reasons that may suggest the conclusion of a licensing agreement, which are of course different depending on the right (and area) the contract refers to.

■ Why should one obtain or grant a license



The *raison d'être* of licensing in is the desire to use someone else's Intellectual Property right, whether a trademark, a patent or know-how. The license offers the **licensee an alternative to ex novo accreditation of a trademark or to in-house development of a competing technology**: these activities, which may be long and costly and may lead to uncertain results, can be avoided by the licensor by paying a usually variable fee (royalty).



However, this is not all. Often the conclusion of a licensing agreement places the licensee in a condition to attribute a high added value to his products. The licensee who uses a trademark with a significant evocative value (like trademarks of famous stylists, logos of sport teams, symbols of associations or universities, etc.) attributes to his own products the values evoked by that trademark (good taste, success, entertainment, belonging to a group, etc.). The licensee of an innovative technology places his products into the "high" segment of the market. In both cases, this may imply a qualitative leap for the licensee's company.



Licenses offer owners the chance **to generate profits by leasing out IP rights**. If the owners of rights use them in their own companies activities, the granting of licenses to third parties - in addition to representing a further source of income - may be an instrument for safeguarding geographic areas or market sectors which, for production, financial or location reasons, owners are not in a condition to satisfy and which would then be occupied by competitors.



Nevertheless, the granting of licenses may also lead to notable indirect advantages. In the case of trademarks, if the licensing activity is well conducted, the diffusion of the licensees' products on the

market may generate increased notoriety and improved image of the trademark, and may contribute to promoting the owner's business and strengthening his rights on the trademark. In fact, legal protection tends to be larger and stronger the more the trademark is being used by the owner or with his consent.

With regard to patent or know-how licenses, experience has shown that collaboration with licensees often brings improvements and developments which above all enhance the licensor's technology. In conclusion, for many works protected by copyright licenses represent the principal, if not the only, instrument of circulation of the protected contents.

■ **Negotiation and drawing up of the contract**

The heterogeneity of the possible license subjects determines a wide variety of contents in the respective contracts. Therefore, this cannot be expressed in detail in just a few pages. However, it is possible to briefly summarise the main points that should be considered in the negotiation and drawing up of a licensing agreement.

Preamble

The preamble of the contract usually specifies the rights that are being granted with the license, the objects of the contracting parties, and the meanings of some expressions adopted in the contract itself.

It is appropriate to conduct a minimum of due diligence over the titles subject to license (whose data should be stated very accurately) and to make sure that the parties who are signing the contract are the actual owner of the licensed right and the party who will use it. In fact, it is not uncommon to encounter contracts wherein the contracting parties, although they belong to the group of companies or area of influence of the owner and of the licensee, do not actually coincide with the latter. And this often leads to real "messes" in the event of a dispute.

License delimitation

One of the most important clauses is certainly the one which limits the rights of use of the licensed item (invention, trademark, intellectual work, etc.): this is the clause that specifies the production where the licensed technology may be employed, the kind of products for which the trademark will be used by the licensee, the medium on which the work may be reproduced, etc.



Intellectual Property Rights consist of a set of exclusive rights or are in any case divisible (the same invention or the same trademark may be licensed to different users for different productions), and the extent of the license must be specified. Since the wording used might influence the extent of the right granted to the licensee, both contracting parties should pay

EXCLUSIVITY

The license may or may not be exclusive. In the case of an exclusive license, the licensee is the only party allowed to use the right associated with the license for specific products or within a specified territory.



The exclusive right is said to be absolute (exclusive license) when the owner must abstain from exploiting the right granted to the licensee; or relative (sole license) when, together with the licensee, the owner may exploit the right according to the license formalities.

A license is said to be non-exclusive when the owner reserves the right to grant a license over the same right to a plurality of licensees.

In the European Union, the exclusive territorial right only guarantees to the licensee that the owner will not grant any other licenses for the same territory, but it does not usually allow the licensee to object to the importation, within the territory for which he has obtained the exclusive right, of products commercialized by the owner or by other licensees in other territories within the common European market.

due attention to this clause and try to foresee the future evolution of the sector, which may render commercially important prerogatives which, at the moment of the conclusion of the contract, may appear to be marginal.

Very important are also the clauses regarding the exclusivity or non-exclusivity of the license, the territories for which the license is granted, the possibility or prohibition for the licensee to grant sub-licenses, etc.

■ **Compensations, statements and verifications**

The licensing agreement may be without compensation (the most famous case is the case of creative common). But in most cases the license is granted against a money consideration, price obviously being one of the main points of negotiation.

COMPENSATION

The compensation under the license may be established in a fixed amount (flat fee), payable in one or more instalments, or in a variable amount (running royalty).

Royalties are usually agreed upon as a turnover percentage, but they may also be adapted to the number of exploitations of the right by the licensee or to the number of products manufactured under the license.

The parties may also agree that the amount of royalty or the amount due for each exploitation shall increase or decrease under certain conditions (e.g. when the licensee's turnover exceeds a certain threshold) or shall be linked to a floating rate (e.g. based on the cost of a raw material).

In conclusion, it is often provided that the licensee shall pay a guaranteed amount on signing the agreement or on a specific date, from which the royalties accrued over time shall be deducted.



Besides indicating the formalities for calculating compensations and specifying the time limit for payment, the contract generally also includes the submission of periodical statements of account and the possibility on the part of the licensor to access, against prior notice and even by sending appointed persons bound to secrecy, the licensee's accounts to verify the accuracy of the calculations.

■ Warranties and protection of the right



Depending on the bargaining power of the parties, the warranties accorded by the owner of the right may be more or less broad, ranging from the case wherein the licensor also guarantees, in addition to the property and validity of his rights, that the exercise thereof will not interfere with any exclusive rights of third parties, to the case wherein such warranties are totally or partially excluded.

With regard to counterfeited goods, most contracts establish that the licensee must inform the owner about any infringements of the licensed right he becomes aware of, as well as various forms of collaboration between the parties aimed at impeding any such violations. It is opportune that the contracts specify whether the licensee is allowed to start a lawsuit against any violations and how the costs of the legal action and any compensations should be divided.

■ Duration, crisis and termination of the agreement

The duration of the license is generally agreed upon by the parties, who usually establish forms of automatic renewal of the contract (except withdrawal), possibly subordinated to the occurrence of certain conditions such as, for example, reaching a turnover target and, as a consequence, a royalty target. It is not infrequent that one party (or both parties) is (are) given the possibility, under specific circumstances, to withdraw from the contract on giving appropriate advance notice. When no terms have been

fixed by the parties, it is assumed that both of them may exercise this faculty.

Like most commercial contracts, licensing agreements also include clauses governing a possible “crisis” in the relationship, by establishing the right to withdraw from the contract in the event of particular breaches by the other party, fixing in advance the amounts due as a breach penalty, and appointing a competent Court for solving possible disputes or devolving them in advance to private arbitration.



Linked to the theme of agreement termination (due to natural expiration, withdrawal or cancellation), there is the possibility for the licensee to continue selling the existing stocks even after the contract has been terminated, on condition that such stocks are of the physiological type. The point whether this possibility naturally derives from a licensing agreement or not has been much discussed, and it is advisable that the parties expressly settle this aspect (by excluding this possibility or by agreeing upon reasonable compromises, such as setting a term for selling any stocks while stating the maximum number of pieces and establishing an optional right of purchase for the licensor).

■ Critical aspects dependent on the subject of the license

There are also a number of specific problems (and associated clauses) related to different types of right.

In the case of a **trademark**, besides choosing a reliable licensee, it is essential for the owner, in order to **protect the value of the sign** (and decrease the risk of responsibility for damage caused by the product), to establish forms of control over the quality of the goods to which the sign will be affixed, and to exercise them effectively, since lack of control may have serious legal consequences and even lead, in the worst case, to loss of rights to the sign.



Linked to the control issue is the determination of quality and procedural standards for the approval of new products, to which specific contractual terms are usually dedicated. Equally important and crucial are those clauses which regulate the graphic formalities for the reproduction of the sign and which ensure that distribution channels, advertising, presence on the Internet, etc. are coherent with the trademark image.



In technology licenses, close attention must be paid to **protect** any secret information through the establishment of **confidentiality obligations**, which the parties may disclose during the precontractual phase or in the performance of the agreement.

Furthermore, some clauses are usually dedicated to regulating the exchange of information about any developments of the technology covered by the license which may be attained by the owner or the licensee after the signing of the contract, and to establishing to whom the rights thereof will belong.

As far as **works protected by copyright** are concerned, the license must state which of the different exclusive faculties (of reproduction, communication to the public, representation, execution, etc.) of which the right is composed is being licensed; to what extent the licensee is authorized to modify, process or adapt the work; the medium on which he shall reproduce and distribute it; how authors shall be indicated, etc.

In conclusion, it should be underlined that, when the parties' market shares exceed certain thresholds, some clauses (such as, for example, those which impose to the licensee to sell only through certain distribution channels or those which provide for the sale of the rights on severable improvements developed by the licensee in favour of the owner of the licensed technology) may cause problems of compatibility with antitrust regulations.

This is a very sensitive area because violation of antitrust regulations may imply serious pecuniary sanctions and nullity of the contract or of some clauses thereof. Since much depends on how the clauses are formulated, it is opportune that the question be tackled by seeking professional advice.

It is apparent from the above survey that negotiating and drawing up a licensing agreement may be a complex task. In most cases, the intervention of a professional is undoubtedly opportune. In any case, we hope that these short notes may help entrepreneurs, managers and consultants to approach licensing and its opportunities with greater awareness.

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LES International (LESI) has more than 10,000 individual members divided into 32 national and regional societies.

LES Italy is the Italian group of the LESI. Its members include more than 300 representatives from major Italian companies, law firms, universities and research centers.

The association aims to encourage high professional standards among individuals engaged in the transfer and licensing of technology and Intellectual Property rights. It also assists its members in improving their skills and techniques through self education, studies and research, educational meetings, publications, and the exchange of ideas related to domestic and foreign licensing.

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