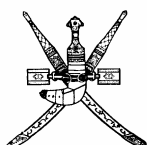


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WORLD INTELLECTUAL
PROPERTY ORGANIZATION

**WIPO SUB-REGIONAL MEETING ON THE ENFORCEMENT
OF INTELLECTUAL PROPERTY RIGHTS FOR PROSECUTORS OF
THE GULF COOPERATION COUNCIL (GCC) COUNTRIES**

organized by
the World Intellectual Property Organization (WIPO)

in cooperation with
the Ministry of Commerce and Industry
and
the Public Prosecution

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THE ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS IN EUROPE:
ADMINISTRATION AND JUDICIARY

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1. The Legal System of Industrial Property in Europe

The industrial property is an overall of legal titles which assure a company the monopoly to use products or elaboration process, aspects of those products, distinctive signs that serve to differentiate them.

Those titles confer *exclusive rights*, each of them incorporated in one document (called *patent* or *registration*) issued by a public Agency after an exam of legal requirements fulfilment.

The requirements necessary for inventions are *novelty and originality*, in case of trade marks it is the *distinctive capacity* of the sign and for designs, it is an *individual character* of the product in relation to overall impression it produces for the public.

Patent and registration have a *constitutive effect* because they confer the right to exclude others from making or using the same goods or signs protected with such legal instruments within the territory of the State which has granted such titles.

The object of a patent consists in *invention* which is the *solution* of a technical problem and is characterised by *originality, novelty, nonobviousness, industriality* and can consider a *product* as well as a *process*.

The patent allows an inventor to exclude others from making, using or selling a claimed invention during the patent's term which runs for 20 years from the filing date.

The patent object can also be constituted by (*industrial*) *model of utility* – known only in some of European countries – and concerns solutions that attribute machines, their parts, instruments or tools a particular *efficiency or utility* in order to their use (so called *small invention*).

Object of registration is a *trade mark* which lasts ten years and may be renewed.

The trademark identifies a manufacturer's or trader's product or service and distinguishes it from other products and services.

Trademark owners have right to prevent others from using the same or confusingly similar mark but cannot prevent others from making or selling the same good (obviously not yet patented) under a non confusing mark.

An object of registration is also the *model and ornamental design* which lasts five years (renewed till a maximum of 25 years) and protects a particular aspect conferred to the product or to its components by *form, structure, colours and outlines* (so called *esthetical ornament*).

These are the principal industrial titles of an European company.

The difficulty concerning their efficient protection results not from substantial legal acts, now similar in almost all European countries, but from different procedural rules which characterise common law and civil law systems on the administrative as well as judiciary level.

Harmonisation is quite difficult and the absence of one common action can favour the infringer.

In order to harmonise the procedures, the *Agreement on trade-related aspects on intellectual property rights* (TRIPs) stipulated in Marrakech on April 15, 1994, has introduced an important encouragement to proceed with amendment of numerous national legislations.

The new *enforcement EU directive*, actually discussed over in the European Parliament, has as a scope to improve and to integrate TRIPs rules, but a real response to the infringement should consist in a global approach to respect IPRs through :

- Coordination and information at the national and international level ;
- Training and education (Lord Langdale said in 1842 “ ...a man is not to sell his own goods under the pretence that they are the goods of another man; he cannot be permitted to practice such a deception...he cannot be allowed to use names and signs by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person....”);
- Court actions and deterrent sanctions.

The industrial law matter is characterised by a strong evolution in *international* sense.

Almost all European legislations are harmonised, that is to say, they have transposed *European Community Directives* (legal acts which bind only as to their result, that is to say they oblige Member States to issue domestic provisions modelled upon them), they have inserted into proper internal laws *European Community Regulations* (which are *self executing* acts, that is to say real and proper laws immediately binding all EU citizens) and have ratified *International Conventions* concerning various IP sectors.

European Union is, in fact, a politically-economical structure superposed to each Member State that has joined the Treaty of Rome on 1957 and – by the means of its legislative and executive boards (Council, Parliament, Commission) and judicial (Tribunal of First instance and Court of Justice) – EU tends to introduce uniform rules of trading in order to implement effective strategies against infringement, counterfeiting, piracy and also to assure a fair competition between Member States preventing abuses in the IPRs management.

In the area of intellectual propriety and antitrust, in general, the litigation is reserved to national judges who are also European judges though they apply their national rules as well as those of EU Treaty, the latter always prevailing on incompatible national ones (so called “*primacy of community law*”).

The multitude of national legislations concerning patent grant procedure has been firstly simplified by *Paris Union Convention* on 1883, which – in order to prevent filings being effectuated in each country where the protection is required with the simultaneous risk that during the procedure period the invention (which must remain secret) could be revealed before patent grant - has established a principle of “first file” according to which the patent application in one country of the Union confers priority for any subsequent application in each other country.

Another facility has been introduced by *Patent Cooperation Treaty of Washington* that has created on June 19 ,1970 the *PCT patent*.

According to that procedure, a patent application transmitted to a *Bureau International* has the same effects as a national application filed to national Patent Office of each signatory country. Therefore the only one filing has an effect of filing the same application to the patent authority of each single country.

The PCT system prevents plurality of filings, but not of national patent related procedures. For this reason, the PCT patent is often defined as a “*bundle of national applications*”.

The *Munich Convention* of October 5, 1973, which inspired the patent reform of all European Union Member States , has introduced a real and proper *unified delivery system*.

The European patent is granted by the *European Patent Office(EPO)* in Munich(Germany)after a “*preliminary novelty examination*” effectuated by examination divisions and founded on the “*European search report*”, that is to say, a report concerning the *state of art* existing already on the day of patent application and prepared by a competent division from Hague(Holland).

The *grant procedure* can be followed by administrative contentious stage of the *appeal procedure* and *opposition procedure*.

The opposition procedure regards European patent already granted (in effect, it is defined as “belated opposition”) and can be proposed by any third person (generally the future counterfeiter) who intends to obtain its revocation .

Decisions issued by opposition and examination divisions can be challenged before EPO administrative jurisdiction, that is to say the Boards of Appeal.

Investigations and decisions issued by EPO bodies are not “*binding*” for national Courts nor capable of “suspending” of infringement internal proceedings, where the validity of the title is discussed, but they often constitute a privileged point of reference for the judge: the European patent is in fact considered a “strong” patent.

Its unitary nature, however, exhausts in the stage of the granting, in the sense that the patent, then, splits in the Community territory in a plurality of national patents that are as many as the designed countries (it is defined as a “*bundle*” of national patents) and it remains subject to the grounds of invalidity and of infringement provided by the law system of each country (and of the corresponding jurisdictions) so that in some countries it can be maintained and in other countries it can expire.

In order to avoid this problem the *Community Patent* is going to be introduced .
It shall be established by the year 2010 at the latest .

The Community Patent, unlike the European patent, is destined to remain “globally unitary” in all the countries of the European Union and subject to a common substantive and procedural law on the validity and infringement .

The legal system provided for by the EC Regulation on Community Patent (Proposal of August 1,2000) has introduced a new structure based on the creation of a “Community title” submitted – in the litigation stage concerning both , validity and infringement – to the “unique jurisdiction” of a Community Intellectual Property Court.

The procedural framework planned by the Commission on the community patent jurisdiction (August 8, 2002 and December 23, 2003) provides for a “*Central Chamber*” of first instance consisting of a judicial panel of legal and technical members, attached to the Court of first

instance of the European Communities (acting as a Court of Appeal against the decisions of the Chamber) and operating also by means of one or more “*regional chambers*” established by the Member States.

This “*decentralised basis*” should thus reconcile the need for uniform application of Community law with other equally important factors such as rapidity, cost efficiency, proximity of the Court to users and, above all, optimum use of all existing infrastructure.

Besides - for the urgent matters (issue of provisional measures and enforcement) - this structure will realise a strict relationship with the State territory concerning the infringement.

The judges of the future Community Patent Court should be assisted in their work throughout the handling of the case by technical experts and for that purpose use of “*assistant rapporteurs*” shall be made.

Such *assistant rapporteurs*, specialized in different technical fields, should actively participate in the preparation of the hearing and the deliberation of the case .

They would not have right to vote on the decision to take but their input would be important in helping the judges to focus from the beginning of proceedings on the essential technical questions involved.

Their role would not be to make use of experts entirely superfluous but to enable the Court as a whole to understand the technical aspects of the case quickly and accurately which is relevant for an efficient handling of a case and for a legally sound decision.

In patent litigation, questions of technology play an important role so that technical expertise may be requested not only on the side of the Community Patent Court contributed by *assistant rapporteurs* but also on the side of the parties.

This is the reason of the great importance assigned by the new system also to the role of the *European Patent attorneys* having the right of audience (but not of defense yet) before the future Community Patent Court.

Also *trade marks* have seen an analogous *international* evolution.

The *Madrid Arrangement* of 1891 has introduced the so called *international registration*. A trade mark is protected in signatory countries by the “one filing” to the International IP Bureau at WIPO in Geneva(Switzerland).

International trade mark implies national registration of the sign in the country of origin and one international registration application containing indication of countries in which protection is requested.

International trade mark is similar to European patent because it constitutes a *bundle of national trade marks* which respect national legislation rules regarding the validity and infringement.

The creation of the first EC industrial property title – awaiting the entrance into force of EC patent – has been effectuated with *Community trade mark* introduced by EC Regulation 40/94 of December 20,1993.

The principal characteristics of the community trade mark consists in its *unity* for the whole European Union in the sense that its validity and efficiency is the same in *whole territory of European Community* and obeys exclusively dispositions of EC Regulation.

The management of Community trade mark is entrusted to the Office for the Harmonisation in the Internal Market (OHIM), a European Community Agency located in Alicante (Spain). The procedure goes through an administrative contentious stage under the jurisdictional control of the Luxembourg Court of First instance (and the Court of Justice).

There is no procedure of opposition allowed after the grant of community trade mark (unlike for the European patent) but the opposition can be made in course of granting procedure (after publication of the application) by third persons claiming their rights in regard of that trade mark.

Community designs constitute the second important community title introduced by EC Regulation 6/2002 of December 12, 2001 and are also managed by OHIM according to the same procedures as in case of community trade mark.

The judicial structure related to the *trademarks, models and designs litigation* is based on an “*interaction of competences*” between national Courts (having, in infringement cases, the power to revoke the community title by means of counterclaim nullity actions with effect *erga omnes* and for the whole EU territory) and the Community Court, acting as a “*centralised jurisdiction*” to control decisions on the validity and ensure uniformity of implementation.

The EC Regulation 40/94 and 6/2002 have provided for the institution of national specialized Courts acting as (regional) *Tribunals of the Community Trademarks Models and Designs* and charged with the management of counterfeiting litigation including the revocation of these legal titles.

As a general rule in most of European countries-including Italy-IPR litigation assumes the form of an *ordinary civil proceeding* involving both the validity of the legal title (patent, trademark, model, design) and its infringement.

Only in few countries (Germany for example) is there in patent litigation a strict separation between infringement cases heard in the normal civil Court and nullity actions brought before the Federal Patent Court.

IPR are almost enforced through the civil Courts, although their violation is a “punishable offence” (crime).

The counterfeiting and infringement actions constitute – in Italy – *unfair competition crimes* related to protection of public good faith against fraud, can be assimilated with the *crime of*

receiving stolen goods and can as well constitute *crime of economy order disturbing* penalised with *prohibition of running a commercial activity*.

National patents and trademarks are issued by the Italian Patents and Trademarks Office (UIBM), an administrative body in Rome depending on the Ministry for Productive Activities (currently an independent Agency), which carries out a formal check on the patent application and rejects it only when a lack of novelty is evident “*prima facie*”.

Its resolutions may be appealed before a special Commission which issues binding decisions only for the Office without involving any bar from taking future legal actions before the Courts in infringement cases.

In Italy no “*preliminary examination*” on the invention as compared with the state of the art is carried out by the Office, so that the effective control of validity is left to the litigation stage before the ordinary judiciary authority.

The same situation occurs for trademarks, although the system, which provides for remarks and oppositions before the registration (in accordance with the system derived from the CTM Regulation) appears to confer to the Italian Patent & Trademark Office an higher level of autonomy, in its evaluation task.

In Italy the judicial bodies (165 district Courts and 29 Courts of Appeal) are generally composed of “ordinary (career) judges” who are competent to deal with both civil and criminal cases.

In the commercial and civil trials “juries” are not used (unlike in USA).

The Italian judge has only “legal knowledge”, so that he is normally obliged to appoint an expert on the Bench (“Master”) to acquire the technical knowledge he needs to settle the case.

In some European countries the judge involved into technological arguments is himself a technical judge so as the direct participation of experts called upon to form the Courts and having the right to vote is a frequent occurrence.

Composed panels of legal and technical judges-for example- form the Board of Appeal of the European Patent Office (EPO).

Indeed the complexity of the patent matter requires high technical standards which are impossible to find only in the judicial background

The Italian Constitution sometimes allows the participation of *laymen* in justice Courts as occurs in the juvenile law , in agriculture and public water sectors but this system has not been followed in IP area .

With the law-decree n°.168/2003 come into force on July 13,2003 Italian legislator set up “*specialized IP chambers*” attached to civil Courts (of first and second instance) confined to 12 districts with a significant economic profile (*Milan, Turin, Genoa Trieste, Venice, Bologna, Florence, Rome, Naples, Bari, Catania, Palermo*) formed by judges with high level experience and with exclusive jurisdiction in the area of industrial and intellectual property law (*trademarks, patents, models and designs, plant varieties, copyrights*) and *unfair competition* interfering with IP exclusive rights .

But the members of these specialized Courts - selected judges with expertise in the IP area –continue to have only a “legal knowledge” and will thus be obliged to appoint an (external) expert to acquire the “technical knowledge” which is crucial for them if they are to properly assess the evidence and facts of the case.

Obviously I refer in principality to the cases involving technical subjects like the patent cases because the technical approach is not requested in infringement proceedings concerning the whole set of intellectual property rights (for example trademarks and copyrights)

The Italian IP Courts are destined to assume a broad significance ,since the concentration of judicial capacity regarding the enforcement of IP disputes to a few specialised national Courts will improve the IP expertise of judges giving court users with an adequate response in matters of substantial complexity and international relevance.

I would like –in this regard-to remind you that to achieve certain consistency in the enforcement of IP legislation and a permanent basis of coordinated informations a *judicial network* has been created for the purpose of gathering, comparing and circulating knowledge relating to judicial decisions .

The *Journal of Italian Intellectual Property Law (Case law of Italian IP Courts)*, is the result from of the cooperation of Italian IP judges and will serve this important objective .

I sincerely hope that a network of this kind would be created by all IP judges to find common strategies against infringement and counterfeiting.

2. Procedural Rules in Infringement Litigation

In Italy the proceeding before the IP Courts is regulated by the general principles of law:

- the burden of the evidence¹,
- the specificity of the pre-trial means for the taking of evidence²,
- the power of party prosecution in civil cases³,
- the due process of law (“*audi alteram partem*”)⁴.

¹This principle is worded in the Italian civil code and is repeated in Italian Patent Act adjusted to the TRIPs Agreement (Trade Related Aspects of Intellectual Property Rights) “*The burden to prove the nullity or the lapse of a patent lies with the party challenging it and the burden to prove the infringement lies with the patentee*”.

²The rules of the pre-trial investigation are listed in the Italian code of civil procedure .

The means of proof are:

- parties and witness examination
- circumstantial evidence
- expert evidence(experiments)
- documentary evidence
- discovery (exhibition orders)
- request of informations to the national Administration

³The principle is expressed by these sentences:

- the judge can never issue decisions going beyond the parties’ claims .
- the judge shall base his decision only on the evidence submitted by the parties .

⁴The judge can issue his judgment only towards the party duly summoned to Court except for urgency cases (mainly occurring in the “interim proceeding”) .

The actions related to the IP disputes can be divided into:

- a) actions against infringement (*enforcement action*) usually initiated by the plaintiff –patentee or trademark owner ;
- b) actions against the patent or the trademark (*defensive action*) introduced by the defendant-infringer in advance or –more frequently-in form of counter claims .

The “penalty system” is connected to the enforcement actions .

There are two main proceedings where these actions can start:

- summary (or abbreviated)proceeding ;
- proceeding on the merits.

3. Summary Proceeding and Provisional Measures

The procedure in the summary(pre-trial) proceeding is extremely simple ,namely informal, without implementation of legal rules of evidence and addressed to granting provisional measures in urgent cases of infringement before the proceeding on the merits .

In Italy urgent relief requests prevail because the enforcement of IP rights is characterised by the interest in obtaining precautionary measures .

Also the owners of pending applications are entitled to those measures exactly like owners of granted patents or trademarks .

The summary procedure realises a speedy justice and this is the reason why most IP lawsuits require preliminary measures.

Currently the ordinary action is always required , because the interim(preliminary) relief loses its effect if -in a period not exceeding 30 days -the case on merits does not begin.

However the new Italian IPRs Code is going to modify this system making the proceeding on the merits “*optional*” in order to “*stabilize*” the provisional measure obtained in the pre-trial stage.

The granting of preliminary measures requires two fundamental conditions :

-“*fumus boni iuris*” implies-on the balance of probabilities - the existence of infringement and the “apparent” patent validity contested by the infringer by means of claim or defense of nullity.

“*Fumus*” is particularly appreciated with regard to the European patent which is a “strong” patent characterized by a preliminary novelty research and by a system of control during the litigation stage based on rules corresponding to the Italian norms on the issue of novelty .

-“*periculum in mora*”(urgency) needs the demonstration that the delay incurred in ordinary litigation will generate an “irretrievable loss”.

The Court orders sometimes may be obtained without notice to the adverse party but -in this case- the relief issued “*ex parte*” will have to be confirmed (or withdrawn) within a short time in a subsequent hearing communicated to the other party for its own appearance to Court.

All these orders can be challenged by an interior appeal before the same Court sitting in an amplified panel not including the judge who granted the original order but this appeal does not suspend the execution of the decision.

When the judge bases his jurisdiction on the Brussels Convention of September 27,1968 (updated in 2001 by the Community Regulation called “Brussels one”⁵) the effects of the order may be extended to other countries where the European patent was infringed .

The “cross border injunction” is a legal construction of the Dutch case law and its admissibility is nominally provided for by Community trademarks,models and designs by

⁵ EC Reg.44/2001 of December 22,2000

the EC Regulations when the judge bases its jurisdiction on the defendant's *forum* so that the effects of his orders may be extended to all the countries of the infringement .

The preliminary (and temporary) IPR relieves are granted by the single IP judge from the specialized Court (only the decisions on the merits are issued by a panel of three judges)and they are of three kinds :

- The (preliminary) «seizure» is an order authorising the plaintiff to search and seize all those goods violating the law and all those means used for their production . This measure is needed in order to collect the evidence of the infringement by blocking the product and its further circulation.
- The «(prohibitory)injunction », is a provisional ordering to abstain from producing and / or commercialising the subject-matter of the patent or the goods so marked .

The measure is strengthened by “penalties” (monetary fines)in case of non-compliance or delay (like the French “*astreinte*” or the German “*Zwangsgeld*”)and its violation constitutes a criminal offence(“*contempt of Court*”).

In this way the Italian law maker has fulfilled the rule of the TRIPs Agreement providing for “expeditious remedies to prevent infringement and remedies which constitute a deterrent to further infringements”.

- The “description”order(evidence collection) is an order authorising the plaintiff (assisted by the bailiff, possibly by a Court appointed expert and usually with a photographer)to inspect and describe the products or processes infringing the law. Such a measure (like the French “*saisie contrefaçon*”) is useful to represent the evidence of the alleged infringement by “depicting” the product and / or the means of its production.
The preservation of evidence is guaranteed in U.K. by a similar “search order” called “*Anton Piller*” .

Also the Proposal of EC Regulation on the Community patent provides for an analogous system of “provisional measures ” granted by the (future)Community Patent Court :

- order to stop infringement(prohibitory injunction);
- seizure of infringing goods and /or machinery with which they are manufactured
- any other order reinforced by legal sanctions to guarantee the observance of such measures.

Besides, *border measures* introduced by TRIPs Agreement and by EC Regulations have conferred Customs Authorities large power of action permitting them to temporarily retain goods suspected of IPRs violation as well as to maintain the block of goods in order to allow the owner of the right introduce a legal action against the counterfeiter.

4. The Proceeding on the Merit

The procedure on the merits (trial)normally starts with the filing and notification of the *writ of summons* asking the defendant to appear at a given hearing before the Court.

The writ of summons contain all the facts ,legal argument and evidence to utilize on during trial and –finally-a precise claim which delimits the subject-matter of the dispute(litigation).

Italian IP cases (expecially patent cases)are founded on documentary evidence and generally the Courts entrust the interpretation of documents to an expert because of the difficulty of understanding matter which presupposes technical knowledge normally lacking in the judge.

The infringer sued for damages by the IPRs owner usually defends himself pleading :

- firstly,the nullity of the patent or trademark (to abolish the monopoly and its exclusive rights restoring the public property);
- secondly(and in any case) ,the non-interference of his discovery or his sign with the scope of protection of the other’s invention or with the core of other’s trademark (to enable a peaceful coexistence).

So the *judicial finding* of infringement implies :

- the validity of the patent or trademark
- the existence of interference concerning the extent of their protection

The Court involved in patent litigation –for example- must answer to the following questions:

A) the presence of the patentability requirements of the invention (the so-called “double feature” of “novelty” or “absence of pre-disclosure” of the invention and “non-obviousness” or “inventive step”)which are prerequisites of validity provided for by all the European national laws harmonized with the Munich Convention on the European patent.

B) the existence of interference concerning the scope of patent protection ,which means direct imitation “or “infringement by equivalence”.

C)the amount of damages for which the patentee claims compensation against the alleged infringer once the liability of such latter has been ascertained.

So the Court appointed expert in Italy plays a key role not only for the technical evaluation of infringement but also for the assesment of the damages claimed in compensation against the infringer and -in both cases- has the duty to supply an exhaustive answer to vital questions for the settlement of the IP dispute .

The expert is defined by the Italian code of civil procedure the “assistant” of the Judge and his appointment is one of the few examples in the civil proceeding in which the Italian judge exerts his “inquisitorial power” as this choice does not depend on the parties’ claims.

The expert’s opinion is not a proper means of evidence but rather a means to evaluate and interpret the evidence that has already been taken in the proceeding.

In fact the expert can not have “exploration duties” leading him to exceed the limit of the burden of the evidence which is exclusive right of the parties.

However – in presence of cases of particular technical difficulty (especially if the matter is extraordinarily complex as genetic engineering) – his role has been widened from “a deducing expert” having only the duty to evaluate the documentary facts that have already been acquired during the proceeding to “an actively investigating expert” called himself to identify the facts that it was not possible to prove with the ordinary means of evidence.

There is normally only one expert in civil cases chosen among those who are enrolled in a professional register which is kept at each Court under the supervision of the President of the Court who has the right to control the work of the experts and to inflict disciplinary measures.

The expert receives the question during the special hearing purposely held in the presence of the counsels of the parties who appoint their own experts.

So he will start his operations by gathering together observations made by experts from both the parties and set down in their technical briefs and will prepare, in accordance with the deadline granted to him (ranging on average from 6 months to one year), a written “report” with final conclusions.

In Italian legal system the solution suggested by the Court expert is never binding for the judge who remains the “expert of the experts”.

Besides the competence of the expert ceases where the merely legal evaluation of the material of the case starts, which falls within the duties exclusively reserved to the Judge.

The expert’s solution, however, represents –nearly always– an estimated “point of reference” in the formulation of the final decision and the Judge, when follows his opinion, usually quotes –as said– the most significant parts of his technical report.

Having concluded the preliminary inquiry with the examination of documents, witnesses and report of the technical experts, the judge receives the final briefs of the parties and will have to pronounce the final decision within thirty days.

In Italy the final IP decisions can be distinguished in two main categories:

a) Declaratory judgements, concerning:

- The declaration of the validity of patent or trademark ;
- The declaration of infringement;
- The nullity of the patent or trademark;
- The lapse of the patent or trademark;
- The declaration of the ineffectiveness of the interim measure granted ante causam or during the main proceeding, when it is ascertained the inexistence of the right.

b) (Judgement)for plaintiff or defendant, which contain a certain order, such as:

- Injunction;
- The payment of a penalty;
- The destroying or the removal of infringing product;
- The seizure and assignment of the infringing products and the other infringing means.

c) Judgements, which condemn to:

- Damages
- Publication of the sentence

Judgements(condemnations) for plaintiff or defendant, declaratory decision of the validity of a patent, judgements rejecting an invalidity claim, declaratory judgements of the infringing activity or declaring the ineffectiveness of an interim proceeding; they all have the “*subjective efficacy*” of a final judgement (res iudicata), and binds only the parties involved in the controversy.

Conclusive judgement, which declare the nullity (also partial) or the cancellation of a patent or trademark have, instead, an “absolute efficacy” (*erga omnes*), consequently cannot be contested by anyone, included third parties extraneous to the proceeding.

With reference to the European patent this principle is mitigated.

The European patent -as mentioned before- remains subject to the grounds of invalidity and infringement provided by the law system of each country (and of the corresponding jurisdictions), so that, in some countries it can be maintained and in other countries it can expire.

5. Legal Sanctions and Deterrent Measures

The deterrent measures, provided by the Italian law, operate to protect either Italian legal titles (especially patents, included the Italian portion of the European patent, trademarks, utility models, designs, ornamental models and copyright) or community titles (Community trademarks, Community designs and models) whenever, according to the rules of jurisdiction, the National IP Court has the competent to pass judgement on that infringement case .

Civil sanctions have been unified by the new IPR Code (hereinafter referred to, also, as "Code"), which will be, likely, enacted within next summer.

The Code has reorganised all the previous laws concerning IP, with the exception of copyright.

Moreover, the Code has introduced a new hypothesis of "*piracy*": specifically, it constitutes piracy every infringement or usurpation executed wilfully, systematically and massively.

These illegal acts empower administrative authorities - acting in concert with the judicial authorities - to seize and to destroy, within three months, the counterfeited goods.

IP protection is, also, guaranteed, by means of criminal rules (although, penalties are, often, insufficient, compared with the significance of the violations) and, in accordance to the prescriptions contained in EC Regulations, specific measures executed by the custom authority, which allow the arrest of the infringing goods.

Civil deterrent measures are the following:

a) Injunction

A "final" injunction is the main content of a judgement for plaintiff, and it consist in an order addressed to the author of the violation, so that in the future, he will abstain from the use of the products and/or the sign infringed.

It never have been a decision where the infringement has been declared without the granting of the injunction to prosecute the contested activity, save for the cases where the latter activity has ceased or the legal title has expired or has not been renewed.

The present measure is a "lasting" remedy - and differs from "temporary" injunction, granted during the interim phase of the proceeding and effective, at least, untill the end of the main proceeding.

Its function is to prevent the prosecution of the unlawful conduct.

The evaluation referring to the granting of the injunction, takes no account of the amount of damages and of the infringer's state of mind (good faith or negligence or wilful deceit).

The "subjective" element, in fact, is only relevant for the computation of damages.

The injunction is usually accompanied by default penalties, which are monetary sanctions finalised to strengthen the judicial order, whether its execution is delayed or non-fulfilled.

Those coercive "indirect" measures have a quite strong "dissuasive function", in the light of the fact that the enforcement of the judge order, through the alternative remedies provided by the Italian legal system, also on a criminal level (failure to comply to a judge order), are not trouble-free to put into practice.

b. Removal and destroying

The sanction of the removal and destroying of the infringing material is, expressly, provided for with relation to trademarks.

It consists of the removal of words, draws, signs, in violation of other exclusive rights, attached on the products, and may, even, entail the elimination of the products or their packages.

This provision is also considered to be applicable in relation to inventions by means of the “*a contrario*” interpretation of the principle according to which the removal, destruction or prohibition of the use of the infringing products cannot be ordered to whoever makes personal use of them in good faith

The new IP Code –however –has extended, the present remedy, to every IP right, with the exception of copyright.

Just as for the injunction, the measure is “objective”, thus takes no account of the amount of damages and of the infringer’s state of mind.

With relation to inventions, in the light of the “disruptive” effects of this remedy, the linked claim is, usually, seen as an “*extreme ratio*”.

Sometimes its granting has been refused in the light of the following circumstances:

- The proximity of the expiring date of the patent;
- The existence of a partial infringement, even if involving a significant element;
- The infringing products where capable of being utilised for different employments;
- The relation to production machinery not directly linked to the manufacturing of the infringing product;
- The production means have such a relevant value that their elimination would cause a serious injury to the national economy.

Therefore the present legal institute has been utilised quite moderately by the judges, also, to prevent that, too wide destroying orders, would include objects extraneous to the infringing activity.

c. Assignment and seizure

The nature of this sanction is *compensatory (not punitive)* and it is, only, provided for with relation to the inventions and refers either to the infringing products and to the specific means

(and only them) used to produce the patented item and to implement the methods covered by the exclusive right.

It constitutes an "alternative" measure to the destroy order, and it has extended, like the latter remedy, to all IP rights, but copyright.

The assignment in property is a separate measure from the compensatory judgement, in fact has a *precautionary function*.

The present remedy cannot be granted neither when during the pending of the controversy, the exclusive right is expired, nor when it is disproportionate to the result: e.g. whether the order regards all the plants of the production cycle or the counterfeited part is insignificant with respect to the whole machinery/ies.

Italian law does not provide, to the infringing party, for any form of compensation for the assignment :anyway, the counterfeiter could not economically exploit the infringing goods.

The sole exception is the case where - following the request by the author of the violation - the judge rules a restraint order on the infringing goods, through a seizure, effective till the expiring date of the patent; at this point, counterfeiter ownership, will be restored. Moreover, it has to be point out that once the latter term is expired, the patent owner can, nevertheless, claim the assignment, so that the commodities will be transferred to him at a price fixed by the parties or established by the judge, with the counsel of an expert.

The ratio of the provision is to avoid the counterfeited goods destroying, when the proprietor is guaranteed from any further violation, through the measure of the seizure.

Moreover, the present norm is aimed to prevent any "unjustified enrichment"

d. Publication of the decision

The remedy in question can be granted, also in unfair competition cases, and it is aimed to disclose to the public that the "*violation has been restored*".

The publication of the judgement has two functions: "*compensatory*" with reference to infringing situations, already occurred and "*precautionary*" regarding to the cases that are likely to happen in the future.

6. The Calculation of Damages

In the remedy of compensation for damages - unlike those discussed above-negligence or malice need to be proved.

The majority of Italian jurisprudence holds that good faith is excluded whenever there exists a registered legal title, since, in these situations, there is an “onus”, upon all economic entities, to be informed about the existence of third parties' exclusive rights, and consequently there is a “*presumption of awareness*”.

The rule adopted for the Community patent in the Proposal on August 2000 is quite different.

The Proposal lays down that the “new” Community title shall be granted and published in only one of the EPO's working languages (English, French, German) whilst the “claims” shall be translated into the other two languages and it provides for a “*presumption of non infringement*” in favour of whoever is domiciled in a country whose language is different from that in which the patent has been granted, thus supposing –until it can be proved otherwise– that the patent has not been deliberately infringed.

Since the liability for damages will be relevant only in relation to the period following the date on which corresponding translation has been notified

Failure to deposit the translation would thus restrict the recognized protection of the Community patent at least to the extent to which it is not possible to demonstrate the bad faith of the infringer since he is able to understand the language.

The chain of causation (“casual link”) between the *unlawful conduct* and economic prejudices on the victim of the violation's property is, normally, inferred by clues.

At times, the damage is held “*in re ipsa*” because the infringement, automatically, provokes a loss of customers, so favouring the counterfeiter.

Regarding the damages assessment, the judge can give a summary evaluation, (*equitable*) therefore taking into account the “factual elements” inferred from the proceeding outcomes, and not every single circumstance.

The most Italian IP cases are concluded with the so-called "general condemnation" of the infringer to pay compensatory damages which are liquidated in a separate proceeding on the "quantum".

This claim restriction, only to the "an debatur", with a separate reservation assessment of the quantum, it is often contained in the first pleadings.

Whether the above-mentioned separation is claimed when the proceeding is already started, it has to be accepted by the counterpart, because it derogates from the principle, according to which, all claims must be stated in a sole proceedings' stage.

In any case, when the proceeding on the damages gets on the way and the judge is not requested to issue a decision of "*equitable liquidation*" according to the briefs and the allegations of the case, the trial is addressed to the analytical verification of the losses complained and their "causal link" with the behaviour of the infringer who has sold the product at his profit and to the detriment of the patentee or trademark owner.

The work of the Court is addressed to assessing the lost profits of the patentee or trademark owner as "compared" - if possible - to the increase of sales benefiting the infringer. In effect the balancing between "lost benefit" and "infringer's profit" remains an equitable method utilized by Italian judges.

The calculation of the damages is, commonly, made on the basis of the accounting records of both companies, with the assistance of a Court appointed expert.

The documentary evidence necessary to formulate an "accounting opinion"(records, invoices, consignment notes, balance sheets, etc.) will have to be previously filed to the Court.

The general means available to the investigating judge is the "order of exhibition" which enables him to collect - upon the request of one party - probative elements that are in the possession of the other party against which they have to be used.

The adjustment of the Italian Patent Act in accordance with the TRIPs Agreement has also introduced into the legal system the analogous remedy of "discovery": both institutions (order of exhibition and discovery), however, are not subject to any sanction in case of failed compliance.

Although art. 43 of the TRIPs Agreement provided the possibility for the Member States to adopt a system of penalties in case of refusal (that might even imply the "presumption of well-founded claim") the Italian legislator did not use that coercive power to make this "cooperation" effective .

Consequently the failed compliance with the judge's order can imply only the consequence deriving from the code of civil procedure allowing the Court to "deduce items of evidence from the behaviour of the parties during the proceeding".

Once the order of the judge has been executed, the expert will be in a position to carry out the accounting operations and elaboration of data which are necessary in the assessment of economic impact resulting from the infringement.

Damage deriving from infringement is usually composed by the "*actual damage*" and the "*loss of profits*".

a. The actual damage includes:

- the expenses made in order to gather the proofs of the infringement, included the legal fees and the technical expert fees (such as, expert reports, "affidavit", "market poll"etc.);
- the expenses related to civil action in, parallel, criminal proceeding;
- the costs regarding the publication of notices and/or warnings.

b. The loss of profits is based on:

- I°) decrease of patent or trademark owner's turnover, joint with a loss of profit;
- II°) "diverting" or profit gained by the infringer;
- III°) "fair royalty" the counterfeiter should have paid, if he would have signed a license agreement.

The *decrease* of the volume of business caused by the infringing activity (*lost benefits*), represents a very significant element regarding to the assessment of the "quantum", i.e. the sum which passes from the patent or trademark owner profit.

The estimate of the damage can also be inferred by the *increase* of the *infringer's profit* - especially when the infringing product is sold for a lower price, compared with the good covered by the exclusive right.

This "dual " solution (as an alternative criteria and not as an accumulative action) has been included both in the New Italian IPR Code, and in the last draft of the Proposal (on February 2004) for a *European Directive on measures and procedures to ensure the enforcement of intellectual property rights* .

The EC Directive -in truth - also includes in the compensatory damages' category the moral damage suffered by the victim and , alternatively, a "lump sum" on the basis of elements such as the amount of royalties or fees which would have been due if the infringer had requested authorization to use the intellectual property right.

It has been dropped the proposal to assess the damage, basing the evaluation on the "*double royalty*", considering the punitive nature of the provision.

In continental legal systems the "*treble damage action*"(USA) is unknown, neither are provided pre-fixed penalties to pay to the IP right owner, according to the model typical of Anglo-Saxon legal systems, like "statutory damages" and "punitive damages".

However the rule of the "equivalent of license fee "or "reasonable royalty" is seldom used in Italian legal system and it is adopted mainly in copyright disputes.



C O R T E D ' A P P E L L O D I M I L A N O
IL CONSIGLIERE

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Qualification: Judge of the High Court

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Procedural law on intellectual property enforcement (patents and trademarks) –
2001

Antitrust procedure rules and legal protection of free competition - 1998

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