

IPR JUDICIAL WORKSHOP

US & Italian experience

Italian specialized sections for industrial and intellectual property rights - Gabriella Muscolo, judge sitting in the specialized section of the Rome Tribunal

Outline

1. IPR special system and IPR specialized judges-history: from the Luxemburg Agreement to Law 273/2003
2. the guidelines set out in Law 273/2002 and law decree 168/2003
 - a) areas of competence of the specialized sections - community patent and Community Patent Court - unfair competition and industrial property - specific competence and mixed jurisdiction-
 - b) specialized sections and judiciary-first instance and appellate courts sections - single and collegiate specialized judges - specialized judges and specific training
3. industrial and intellectual property litigation - the absence of procedural rules in Law 168/2003 – quick and efficient definition of relevant judicial policy – the body of procedural rules on corporate law litigation in law decree 5/2003 - towards a special trial process applying to IP litigation?

4 technical and trans-national character of IP disputes - highly professional and skilled judges dealing with IP matters - uniformity of the decisions-towards an International Academy for IP judges?

ITALIAN PATENT SYSTEM.

Summary: 1.History. 2.Italian peculiarity. 3.National patents.Utility models. 4.Italian Court system. 5.Patent litigation. 6.Appeals. 7.Preliminary measures. 8.Employees inventions. 9.Cross borders decisions. Torpedoes. 10.Is Italy a patent friendly country? 11. An outline on italian trademark law and copyright law.

1. History.

i. Italy has been the first country to enact a patent law. This was done even before the word “patent”, or the nation “Italy”, existed.

It was Sybaris, a city-state in the south of Italy (which part was called *Magna Graecia*, since it was a settlement of Greek expatriates), that around the years 625-620 B.C. granted an exclusive right for one year to inventors of new culinary recipes. A special commission examined the recipe, evaluating novelty and usefulness (namely, a special tasteful result, with an evaluation that Judge Story would have approved). The purpose of the law was (with a statement that the American founding fathers – and Jefferson especially- would have approved) to advance the progress of science and useful culinary art, by granting for limited times exclusive rights to the inventor.

Sybaris was then destroyed by Croton (another city-state), and its patent system faded away.

ii. Two thousand years after the Republic of Venice enacted a patent law, in order to promote both the development of new technologies, and the importation of foreign arts (*privilegium de arte introducenda*).

Much unfairly to Sybaris, the law of Venice contends against the English Statute of Monopoly for the privilege of being recognized as the first patent law.

iii. Before the unification of Italy (that occurred in the decade 1859-1870), the state of Piedmont enacted a patent law, as a tool to strengthen its economy in view of the wars that led to the annexation of the other Italian regions. This law was based on the French law of 1844.

iv. The law of Piedmont was extended to Lombardy in 1859, and then to the rest of Italy. It remained unchanged since 1942. It provided a simple registration system, with no examination.

v. In 1934 the Fascist government, also in view of preparing Italy to territorial expansion, issued a draft of law, based on the German example, with an examination system.

vi. The law did not come into force, being Italy busy with other (less profitable) activity, and in 1942 a law was enacted, in the French style (simple registration), but with a strong German influence. This law remained in force till 1978.

vii. In 1978 Italy ratified the European Patent Convention (EPC), so that European Patents are in force (when nationalized) in Italy. Simultaneously, Italy modified its patent law, to make it in line with the EPC.

viii. In 1996 some minor modification were introduced to comply with TRIPS.

ix. The result is that the Italian system is practically identical to the other European systems. This should dispense the present writer from the task of giving a long explanation.

Also in Italy there are (as in other European countries) two set of patents, namely European and national.

National patents are granted without examination, and even without a novelty search. The Italian system is a pure registration one. This leads to some consequences in the practical implementation of the system.

2. Italian peculiarity.

The absence of a patent examination has led to a sort of separation of the purely legal profession and the activity of patent experts. Therefore, lawyers (*avvocati*) are normally not technically trained, and patent experts (*consulenti brevettuali*) not legally. Therefore, legal cases are dealt with by a team of lawyer(s) and patent expert(s).

There are about 600 registered patent experts. The attorneys doing essentially or substantially I.P. activity are a few dozen. Most of them speak English.

Judges also are not technically trained.

The separation of the activities has also frequently led to an imperfect communication between patent experts-lawyers-judges. The traditional pattern of an Italian patent litigation was to entrust the patent expert with the technical problem, leaving the legal ones (mainly, matters of procedure) to the lawyers. Thus there has been in Italy a flourishing (perhaps excessive) of fine procedural discussions.

Also judges usually entrust the technical questions (namely, validity and infringement) to a court appointed expert (or exceptionally a team of 2 or 3).

An Italian patent litigation takes the pattern described hereunder.

Another Italian peculiarity has been (and to some extent still is) that, since there is no exchange of views between the patent examiner and the applicant, the claims of an Italian (national) patent are frequently imperfect. Italian practice has been very tolerant with such imperfections. Up to few years ago, the court experts were willing to look at the real invention beyond the meaning of the words, and the judges followed. This led to a practice where the protection was granted to the general inventive idea (or, since the Italian system was influenced by the German one, to the *Allgemeinerfindungsgedanke*, as professors say, to put it in a more sophisticated manner).

This trend, of course, is not justified any more, after the implementation of the Strasbourg convention (on the unification of certain elements of the patent system), and the EPC. But nevertheless still some court expert and some court are willing to try to

escape from the literal interpretation, and look at what the patentee really intended to protect. Even more, some decision gives relevance to the objective contribution to the art, whether or not the patentee intended to protect it. This trend is fading away rapidly.

What remains, anyway, is a rather generous interpretation of the scope of the patent, especially for national patents. It is felt that the lack of dialogue between examiner and applicant should not result in a punishment for the applicant, that should be entitled to a good protection, as if the patents were examined.

Another peculiarity of the Italian system is that a patent application, when published or properly notified to the alleged infringer, has the same value and effect of a granted patent. Therefore, the applicant does not need to wait for the grant of the patent to enforce his or her right.

3. National patents. Utility models.

Even if the majority of patent rights derives from nationalization of European patents, there is still a number of national patents (from 5 to 10 thousand yearly).

Italian patents are granted with no examination or search. Even if the bureaucratic task of the office is not heavy, there has been traditionally a heavy backlog. A re-organization of the office is under way, but as of now already the time from application to grant is shrinking dramatically.

While amending the claim of a pending application is rather simple, there is not a recognized procedure for (validly) amending the claims of a granted patent. The law is not clear, and the practice uncertain. Clearly, it is possible to restrict the claims, but it is not clear how to modify to make them more precise. The free approach of the German system is not admitted, nor perhaps the strict English system. The law does not allow, in principle, to change the claim of a patent when it is litigated.

In addition to (normal) patents, the law foresees the protection of utility models. These are I.P. rights for contributions of a lower value (how much lower, it is a matter never clarified), for 10 years.

An invalid patent (for lack of inventive step) can be converted into a valid utility model, under certain conditions. In particular, when in a litigation a patentee may fear that the patent may be considered invalid, the patentee may ask and obtain that the title be converted into a utility model. But the patent has to be written in a manner not incompatible with the protection with this lower title, and the request for conversion has to be timely formulated.

Contrary to the German experience, it is not possible to branch-off a utility model from a patent application. It is possible, however, to convert a patent application into an application for a utility model, so renouncing to the patent protection.

4. Italian Courts system.

Traditionally, Italian courts were not specialized. A case could be brought before any court, provided there was venue. As a result, until about 1998 some 160 courts could have jurisdiction, which number aroused to about 600 after 1998. In the words of a legal writer, Italy was the country with the largest number of specialized courts.

Since July last the system has been radically changed following the enactment of Law Decree on 27 June 2003 (n. 168). Only twelve courts have jurisdiction over I.P. matters (patents, trademarks, utility models, design, instances of unfair competition affecting the protection of industrial and intellectual property). These are first instance and appellate courts (*Tribunali* and *Corti di Appello*, respectively) based in Turin, Milan, Venice, Trieste, Bologna, Florence, Genoa, Rome, Bari, Naples, Catania, Palermo.

At least six judges who received specific training in a panel composition of three judges who have jurisdiction over decision matters, sit in appropriate benches of these courts to deal with specific matters (*sezioni specializzate*). . They sit at and in the offices of the civil courts taking into consideration the constitutional rule, which prohibits the appointment of specialized courts (Article 102, second paragraph of the Italian Constitution).

Judges sitting in *sezioni specializzate* can also have mixed jurisdiction, provided that it does not result in delays in the procedure leading to the final decision of cases in the field of industrial and intellectual property. Since the expiry of the Luxembourg Convention, and the establishment of Community trade marks under the EC Regulation n. 40/94 and the Community industrial designs and utility models under the EC Regulation n. 6/2002, specialized judges should now deal with litigation matters. These courts should also deal with the newly established monopoly rights of the Community, together with the national titles and act also as Community trade marks courts and Community industrial design and utility models courts, but not anymore as Community patent courts since the system, provided for by the Luxembourg Convention, has been superseded by a new Community jurisdiction introduced with the modification of the Nice Treaty (2001), even if it is likely to suppose that more room will be given to judges sitting in such benches to deal with the distribution of litigation on the future Community Patent.

Today there are many reasons to suggest the concentration of cases in the field of industrial and intellectual property in *sezioni specializzate*: the first one regards the qualification of the judges, given that the extremely technical character of the matters covered requires disputes to be dealt with by highly professional and skilled judges; the second reason regards the need to guarantee, as much as possible, the certainty of the law and the uniformity of the decisions.

Procedural rules are those being applied in civil proceedings. Plaintiffs may chose between the court where the defendant, or one of the defendants, resides. If the defendant does not reside in Italy, plaintiff may go to Rome. In addition, the court where the unlawful event occurs or may occur is also competent. This allows a certain degree of forum shopping.

However, the application of a different set of rules to matters concerning corporations (Legislative Decree n. 5/2003), is now being debated. These rules are similar to the English procedural system before the introduction of the Woolf reform on civil procedure. The programme announced in Law n. 273/2002 recently adopted in Italy is one which is designed to streamline lengthy trial proceedings and, to this effect, it is expressly provided that specific provisions will be laid down to ensure a more rapid and efficient definition of the relevant judicial.

As a consequence of this overhaul of the law it is the writers' opinion that whatever criticism may be expressed in this paper may be unjustified in few years.

5. Patent litigation

A typical patent litigation takes usually this format.

Phase 1: before the expert opinion.

i. The patentee and/or the licensee (exclusive or, according to few decisions, non-exclusive) sues (with a written brief called *atto di citazione*) one or more of the persons involved in the infringement (in case of a product patent, the manufacturer or importer or distributor –at every level- of the infringing product; in case of a process patent, the person who uses the process or deals with the direct product of the process). The possibility to sue manufacturer a distributors in the same litigation offers a great possibility of forum shopping when the product is widely sold.

Also a person who is accused or may be accused of infringement may sue the patentee (and/or the licensee) for having the patent declared invalid and/or non-infringed. The patentee may be sued at his or her real or elected domicile.

The plaintiff chooses the date of the first hearing, giving the defendant at least 60 days.

ii. The defendant may counterclaim (typically alleging invalidity of the patent, or, in case of action initiated by the accused infringer, alleging infringement) 20 days before the date of the first hearing. The writ of the defendant is called *comparsa di risposta*, the counterclaim is called *domanda riconvenzionale*.

iii. At the first hearing, the judges checks the formal regularity of the acts.

iv. Then in one or more hearings (so called hearing 180-183-184) the parties better specify their requests, and the type of evidence they want to be admitted. In 90 (if not 99) cases out of 100, the typical evidence is the appointment of one or (rarely) more court experts.

v. This first phase of the litigation takes 6 months-one year.

Phase 2: expert opinion.

Italian national patents are granted without any preliminary novelty examination, and patent litigation is usually handled by an only legally trained judge. This is a sign that expert investigation plays a key role.

The court appoints one or more expert legal consultants (*consulente tecnico d' ufficio*) to act as assistants to the judge, and normally puts the following questions:

- a) the presence of patentability requirements of the invention;
- 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 the latter has been ascertained. The parties appoint their own expert (s).

The court will also hold a special hearing with the court expert and the private experts of the parties to discuss previously delivered technical briefs and statements of the private expert. The court appointed expert (s) and the expert (s) appointed by the parties establish their schedule, which consists normally of exchanges or 3 or 4 sets of briefs.

Then the court expert deposits his / her written report to the court; however the judge is not bound by the conclusions of the expert, even if he usually base his decision on the expert report.

This procedure is, in reality, a trial within the trial. Normally, it lasts 6 months-one year. The fees for the court expert are borne by the losing party.

Phase 3: discussion and decision.

- i. The dissatisfied party tries to convince the judge that the court expert report is bad, for technical or legal reasons.
- ii. If the judge is so convinced, the court expert may be recalled for clarifications, or another expert(s) may be appointed. In this last case, phase 2 starts again. It has to be said, in any event, that judges tend to follow the opinion of their court appointed experts.
- ii. At the end, the judge fixes the hearing for the final fixation of the questions to be decided (*udienza di precisazione conclusioni*).
- iv. The parties file their final written briefs in 60 days, and rebuttal in 20 days (*comparse conclusionali e memorie di replica*).
- v. The case may be discussed orally in the following 60 days,
- vi. and it is then decided (normally) in the following 60 days.

The decision (*sentenza*).

The decision may contain

- a cease and desist order,
- a partial or total revocation of the patent,

a condemnation to damages (normally the court issue a decision of the existence of damages –*decisione sull' an-*, leaving the calculation to a subsequent phase or litigation –*decisione sul quantum-*). When the proceeding on the damages get on the way and the judge is not requested to issue a decision of equitable liquidation with the granting of an all inclusive sum, the court expert can also be called in to give his opinion on the issue of the *quantum* to be awarded.

The usual way of determining damages in Italy is the calculation of lost benefit or the infringer's profits, whereas the principle of reasonable license fee is seldom applied.

- an order to publish the decision on newspapers and/or magazines,
- a condemnation to legal expenses (normally evaluated in a partial amount, e.g. 20,000 to 40,000 Euro),
- monetary penalties (to be paid to the patentee) for non compliance (or not timely compliance) with the decision.

- **6. Appeals.**

A first instance decision is executory, unless the executory force is suspended, either by the first instance judge or the judge of the appeal.

Appeal may be raised against a first instance decision in 30 days after notification of the decision (the period from Aug. 1 to Sept. 15 counts as 1 day), said notification being done at the request of the winning party. If the decision is not so notified, after one year and 45 days.

The appeal is *de novo*, without deference. But the court of appeal may be reluctant to renew the evidence, and most frequently accepts the court expert opinion rendered before.

Against the appeal decision, a second appeal is possible, in 60 days (or one year and 45 days, as above), before the Supreme Court (*Corte di Cassazione*) in Rome, but only for questions of law.

7. Preliminary measures.

The notorious slowness of Italian litigation has made it imperative to resort to urgency measures. These are the *descrizione, sequestro, inibitoria*.

The "descrizione" is a procedure identical to the French and Belgian "saisie-description". On an application by the patentee or licensee, the (President of the) Court authorizes the patentee to carry on an inspection on the infringer's product or at the infringer's premises or factory. Said inspection is made by a court officer, assisted by an expert (normally, a patent expert) and a photographer. The patentee, his or her attorneys and patent expert may assist.

The expert draws a report of what he sees, and the report is filed with the court. It may constitute a piece of evidence, frequently the most important.

A "sequestro" is an order authorizing the patentee (always through a court officer, expert and police, if necessary) to collect infringing products and to put them out of stream.

A "inibitoria" is a cease and desist order.

To obtain a *descrizione* is not difficult, *sequestro* most difficult, *inibitoria* very rare.

These orders may be granted *ex parte* or *inter partes*.

When the matter is complex, the court may appoint an expert, asking an opinion on infringement (exceptionally also on validity), even orally and in a short period. For European patents, due to the pre-grant examination on the requirement of patentability, court experts are rarely appointed in proceedings for interim injunctions in respect of these strong patents. In the framework of the summary nature of the interim proceedings, also the private expert report or assertions or certifications coming from third parties such as "*pro veritate*" opinions and "*affidavits*" are able to play a significant role.

Descrizione, sequestro and inibitoria must be timely followed by an action on the merit, otherwise they lose legal value. The idea of transforming these preliminary measures into final ones does not seem, to the Italians, in harmony with TRIPS.

8. *Employees' inventions.*

Italy has a regulation of employee's invention similar to the German one (the famous - perhaps infamous- Goehring-Speer law, enacted to allow Hitler to win the war. It did not work).

If the invention is made in fulfillment of the inventor's duties, and a compensation is foreseen in the employment agreement, the invention belongs to the employer, and no compensation is due to the employee.

If the invention is made in fulfillment of the inventor's duties, but no compensation is foreseen in the agreement, the invention belongs to the employer, but an equitable compensation is due to the inventor. An arbitration panel may decide on the amount (normally said amount being 1/3 of a reasonable royalty).

If the invention is not made in the fulfillment of the inventor's duties, but it pertains to the activity of the employer (so that it can be said that the knowledge accumulated in the workplace was essential or relevant for making the invention), the employer has a first refusal right.

All other inventions are free.

For university professors or researchers the rule is that their invention belongs to them (the so called professor's privilege, that Italy copied from the German experience at the same time when Germany is considering to abandon it).

(The present writer perhaps shows too clearly that he does not appreciate the present system of employees' inventions, which seems to hinder research).

9. *Cross border decisions. Torpedoes.*

The Brussels convention (now regulation 44/2001, but with Denmark the old Brussels convention is still in force) establishes a system whereby a decision of a foreign EU judge becomes automatically a decision of a national judge. The same rule is applicable to other European, non EU countries, on the basis of the parallel Lugano convention.

A corollary of the rule is that when an action is pending before a European judge, all the other European judges (under certain conditions) must decline jurisdiction.

The application of this principle to patent litigation has been slow, but now is mounting. Therefore, apart from questions of validity (that have to be dealt with by the court where the patent is registered), questions of infringement may be decided by a European judge with cross border effect.

Few Italian decisions are reported with cross border effect.

The Italian jurisdiction has been used, however, for the mirror situation. Since an action for declaration of infringement has the same nature of an action for infringement, and since the pendency of an action for infringement deprives all the other European judges of the jurisdiction, it follows that an action for declaration of non-infringement deprives all the judges not seized of the jurisdiction.

In application of this principle, actions were instituted in Italy for cross-border declarations of non-infringement. And since Italy was (or is?) a slow moving jurisdiction, the pendency of those actions precluded the enforcement in Europe of I.P. rights. Hence the appellation *Torpedo*.

Some Italian judges have tried to react against this maneuver, affirming that a cross-border action is not possible. This is a gross misunderstanding, and an improper application of the Brussels convention. The proper way to react against a *Torpedo* is to make the Italian jurisprudence performing: the new reform goes in this direction.

In any event the effect of the *Torpedo* is not affected by the opinion of Italian judges, since it consists of the fact that a foreign judge loses jurisdiction. An Italian judge cannot vest the German judge with the jurisdiction which is lost on the basis of the Brussels convention.

10. Is Italy a patent friendly country?

Italy could be considered a patent friendly jurisdiction.

About 600 patent cases are litigated every year with action on the merit. The number of preliminary measures is unknown.

The majority of these cases are decided for the patentee, if the patent is a fraction of a European one, or has been granted in examination countries. In fact, being the court expert normally a patent agent, the attitude towards patents is generally favorable.

The amount of damages is not very high, but is mounting. Chances in urgency matters are good (they have been evaluated by some writers to be in the order of 50%).

Scope of the claims is determined quite generously. However, Markush claims are interpreted strictly: they cover the embodiment corresponding to the "technical contribution", namely the invention specifically made for the application specifically indicated (so called Cimetidine jurisprudence).

The consequences of losing the case for the patentee are normally not severe.

Italy is a country where a patentee should try.

11. An outline on Italian trademark law and copyright law.

Italian Trademark Law results from a law of 1942 (law decree 21 June 1942, n. 409), lastly modified in 1992 (law decree 4 December 1992, n. 480) to adapt it to the European directive 89/104 CEE. This system of adaptation is not without defects. In fact it maintains a national character to a legislation that should be totally harmonized, instead. For patents, national divergences are admissible since the only element of harmonization of national laws is represented by the Strasbourg convention on the unification of some elements of the protection of inventions. In addition, the European Patent Convention does not contemplate the institution of a judicial court of final resort. Therefore the Member States have a duty to interpret the EPC in a manner that may create uniformity, but no superior authority exists to verify that this generic goal is achieved. For trademarks, a divergence of interpretation and application is in principle excluded. National laws have been issued for the implementation of the European directive, so that the duty of the legislators (and the scope of their power to enact the laws) was to establish national systems in full compliance with the Directive. It follows that any national divergence represents both a violation of the Treaty of Rome-Amsterdam, and a violation of the national legislative process of enactment of the various national trademark laws.

The European Court of Justice (ECJ) has stated repeatedly that the interpretation of the principles of the national laws is the responsibility of the ECJ itself, since national laws have to fully comply with the European Directive, and since it is the ECJ itself that has the sole responsibility of interpreting the Directive. Therefore the ECJ has issued decisions that are binding for the national Courts in the interpretation of national laws. See for instance the jurisprudence on European exhaustion, on confusion/association, on validity of descriptive signs, etc..

Since the Directive only regulates fundamental aspects of trademark law, one could think that there is still room for national peculiarities for aspects not regulated by the Directive. This conclusion is wrong. The Attorney General at the ECJ has stated clearly that the Directive and the Regulation have to be interpreted in their totality, as a single body of law, and that the Courts have to take them as a unity. And since the Regulation provides for a full discipline of Trademarks, a national interpretation diverging from the Directive and the Regulation is in principle excluded.

Therefore there is no room for national divergences in the interpretation and application of the trademark laws (either for the national and for the Community trademark). Those would not amount to divergences, but to legal errors.

The Italian Courts seem willing to follow the position of the ECJ. Some resistance has been opposed to the reduction of the risk of association into the risk of confusion, since

some courts would have preferred conferring a protection to trademark also beyond the risk of confusion.

It is the writers' opinion that what could have been esteemed the "battle-horse" of the Italian jurisprudence, namely the distinction between strong and weak trademarks, should be substituted by a more refined classification, perhaps on the lines of the American jurisprudence of the Abercrombie case, instituting a hierarchy of signs (generic – descriptive - suggestive - fanciful), relevant for establishing validity and scope of protection. It is also the writers' opinion that, in the vein of the (Baby Dry – Eurocool – and others) decisions of the ECJ, the validity of trademarks should be admitted more broadly. And that (as underlined by that Attorney General at the ECJ) the decision of the OHIM of Alicante should be considered highly authoritative. This also in consideration of the fact that the Community Trademark Regulation contains a full system of remedies, of jurisdictional nature, having the ECJ as final authority.

It can be added that for national trademark the law does not foresee a system with examination, but a simple registration. A procedure of opposition is foreseen, but not yet in force, for bureaucratic reasons.

Italian copyright system result from a law of 1941 (law decree 22 april 1941, n. 633), and others more recent laws (f. i. Law 18 august 2000, n. 2048 on software piracy).

In case of copyright infringement, the Court and litigation system, also for preliminary measures, is quite similar to the patent and trademark ones.

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