

LIGUE INTERNATIONALE DU DROIT DE LA CONCURRENCE
INTERNATIONAL LEAGUE OF COMPETITION LAW
Paris Congress, 7-9 November 2019

Italy

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Question B:

Should there be legal restrictions on the ability of persons who claim, without sufficient justification, to hold IP rights that have been infringed to bring, or threaten to bring, legal proceedings based on such claims against their competitors or others?

Scope of legal protection

1.1 Overview on the main IP rights

Intellectual property rights are regulated in Italy by the Industrial Property Code (Legislative Decree No. 30/2005 “IP Code”) and by the Copyright Law (Law no. 633/1941 “ICL”), which incorporate the major legislative elements from the European and international legislation. A few residual provisions on IP are governed by the Italian Civil Code.

Moreover Italy, as member of the European Union, is affected by the Community legislation and by its directives, which have been enacted in the IP field. Italy is also party to a number of international treaties regarding IP, aimed at setting common rules and harmonizing the legislation on IP.

The IP Code incorporates all provisions regarding industrial property rights, including trademarks, unregistered trademarks, domain names, geographical indications, designation of origins, designs, patents, utility models, semiconductor topographies, database, trade secrets, plant varieties and supplementary protection certificates. The Italian Civil Code regulates other distinctive signs, such as trade name, insignia, company name, domain name and contains further clauses regarding unregistered trademarks. The Copyright Law regulates the protection of copyright and related rights. Art. 2598 of the Civil Code also provides for a specific regulation regarding unfair competition,

which protects against slavish imitation, passing off, disparagement, boycotting, employee raiding and misleading advertising.

The use of Italian IP rights is always subject to articles 101 and 102 of the Treaty for the Functioning of the European Union (TFEU), regulating in particular anticompetitive agreements and abuse of market power.

1.2 Recent developments

Legislative Decrees no. 15 and no. 18/2019 recently amended the Industrial Property Code, implementing EU Directive no. 2015/2436, and introducing some new provisions regarding trademark infringement, the abolition of the requirement of graphic representation of the mark, the regulation of certification marks as well as the administrative procedure of revocation and invalidity. The decrees also bring national legislation in line with the regulation on the unitary patent protection and with the provisions of the Agreement on a Unified Patent Court.

2. The main infringing acts of IP rights

2.1 Trademarks and other distinctive signs infringement

Art. 20 of the IP Code regulates trademark infringement, granting to the owner of the registered trade mark the right to make exclusive use of the trademark and the right to prevent all third parties not having consent from using any identical or similar sign in relation to identical or similar goods, if there exists a likelihood of confusion on the part of the public, that can also consist of a likelihood of association between the two signs. It also prevents, in case the registered trade mark has a reputation, any third parties from using any sign that is identical with, or similar to, the registered trade mark in relation to goods or services, even not similar, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark. In the above mentioned cases, the owner of the trade mark shall in particular prohibit third parties from: affixing the sign to the goods, to the packaging or to the packaging materials thereof; offering the goods, putting them on the market or stocking them for those purposes, or offering or supplying services thereunder; importing or exporting the goods under the sign; using the sign on business papers and in advertising.

The recent reform, harmonizing the IP Code with EU Directive no. 2436/2015, implemented Art. 20, also preventing acts that are preparatory to the infringement (such as affixing a sign that is identical with, or similar to, the registered trade mark on packaging, labels, tags, security or authenticity features or devices, or any other means to which the mark may be affixed). The reform has also extended the possibility to prevent all third parties from

bringing infringing goods into the Member State where the trade mark is registered, even if the goods are not being released for free circulation, where such goods come from third countries and bear a trade mark that is identical with the trade mark registered in respect of such goods. However, the entitlement of the trade mark proprietor shall lapse if, during the proceedings to determine whether the registered trade mark has been infringed, evidence is provided by the declarant or the holder of the goods that the proprietor of the registered trade mark is not entitled to prohibit the placing of the goods on the market in the country of final destination.

Art. 22 of the IP Code makes provisions for the so-called theory of unity of distinctive signs, preventing the adoption as a trade name, insignia, company name or domain name of a site used in economic activity or another distinctive sign, a sign that is identical with or similar to another trade mark, where due to the identity or similarity between the business activities of the owners of those signs and the goods or services for which the mark is adopted, there exists a likelihood of confusion on the part of the public, that can also consist of a likelihood of association between the two signs.

2.2 Geographical indication infringement

As provided by Art. 30 of the IP Code, the use of geographical indications and designations of origin is prohibited when it is likely to mislead the public and causes undue exploitation of the reputation of the protected designation, by indicating or suggesting that a product comes from a place other than its place of origin, or that it has typical qualities of the products coming from the designated area indicated in the geographical indication.

2.3 Design infringement

Design protection confers the owner the exclusive right to use the design and to prohibit use of third parties, preventing any third party from manufacturing, offering, placing on the market, importing, exporting or using a product in which the design is incorporated. The exclusive rights conferred through the registration of a design extend to any design that does not make a different overall impression on the informed user (Art. 41 of the IP Code).

2.4 Patent and utility model infringement

According to Art. 66 of the IP Code, if the object of the patent is a product, the patent owner has the right to forbid third parties from producing, using, placing on the market, selling or importing for such purposes, the product at issue, other than with the holder's consent. If the object of the patent is a process, the patent owner has the right to forbid third parties from applying such process, as

well as from using, placing on the market, selling or importing for such purposes the product directly obtained by the process at issue. The patent also grants the owner the right to prevent third parties from supplying or offering to supply any means that relate to an indispensable part of such invention and are necessary for its implementation, should the third party be aware of the suitability and destination of such means to implement the invention or is able to acknowledge it with ordinary diligence.

Italian Courts assess patent infringement not only on a literal basis, but also under the doctrine of equivalents.

The provisions regarding patents also apply, by analogy, to utility models.

2.5 Trade secrets infringement

Art. 99 of the IP Code provides that the legitimate owner of business information and technical-industrial expertise, including commercial expertise, has the right to prevent third parties from obtaining, disclosing or using confidential information unlawfully. Trade secrets are also protected by the provisions on unfair competition.

2.6 Plant varieties infringement

According to Art. 107 of the IP Code, the breeder has the exclusive right to produce, reproduce, market, import, export and undertake multiplication of the propagation material or multiplication material of the protected variety.

2.7 Copyright infringement

Copyright grants the author the exclusive right of economic exploitation of the creative work, as well as the moral rights in the work.

Economic rights are the rights to make economic use of the work and include, among others, the rights of publication, reproduction, transcription, public performance, broadcasting, making available or otherwise communicating to the public, distribution, elaboration, translation, rental and loan. Therefore, a right holder has the right to prevent third parties from using the work or any other work which is derived from it. Case law holds that infringement occurs when the essential elements of the original work are reproduced, in whole or in part, in the copy. Case law also considers that copyright infringement exists when the previous work can be identified in the new work.

3. Entitlement to bring actions for infringement

An action for infringement can be brought, first of all, by the owner of the IP right or by the author and by his/her successors.

In the field of copyright, according to Art. 167 ICL, the party who legitimately possesses such rights and the party able to act on behalf of the right owner, may also take legal action for the protection of economic rights. Such provision should be interpreted in connection with Art. 165 ICL, which establishes that the author of the work, even after the assignment of its economic rights, is entitled to intervene in the proceedings started by the assignee in order to protect the rights.

Concerning generic IP rights, in addition to the right holder themselves, usually an exclusive licensee may bring an action for infringement, even in the absence of an express contractual provision conferring such powers. The case law is clear in considering that the exclusive licensee holds an interest that is independent from that of the owner, who has put the licensee in a position to legitimately act in court even in the absence of a specific authorization, unless the license agreement provides otherwise. The exclusive licensee may also intervene in proceedings already filed by the owner, and file autonomous and independent claims.

On the other hand, the majority position of the case-law holds that a non-exclusive licensee is not entitled to bring infringement proceedings, rather it can only file a claim for unfair competition. The holder of a non-exclusive license may, in any case, file an action for infringement with the IP right proprietor's consent: such consent shall be set forth in the license agreement or can be provided later in the agreement, and is an issue of fact.

The recent reform, harmonizing the IP Code to EU Directive no. 2436/2015, provided, but only with regards to trade mark licenses, that the licensee, without prejudice to the provisions of the licensing contract, may bring proceedings for infringement of a trade mark only if its proprietor consents thereto. However, the holder of an exclusive license may bring such proceedings if the proprietor of the trade mark, after formal notice, does not itself file infringement proceedings within an appropriate period. In any case, a licensee shall, for the purpose of obtaining compensation for damages suffered, be entitled to intervene in infringement proceedings brought by the proprietor of the trade mark.

4. Main restrictions on obtaining or exercising IP rights under IP laws

4.1 Restrictions on obtaining the right

4.1.1. The non-registered trademark

Italian law offers protection to the proprietor of non-registered trademarks, also in case of use with a mere local significance, in line with Art. 14 par. 3 of the EU Directive no. 2015/2436. More specifically, Art. 12 of the IP Code, concerning the lack of novelty, prevents the registration of a mark that is

identical or similar to a sign already known as a trademark, put on the market or provided by others for goods or services that are identical or similar, if due to the identity or similarity between the marks and the identity or similarity between the goods or services there exists a likelihood of confusion among the public, that can also consist of a likelihood of association of the two signs. In order to prevent the registration of the subsequent mark, such provisions require that the previous sign have a general reputation, which can be acquired in Italy through the promotion of the trademark. On the other hand, the second and last part of the provision provides protection to the previous user of a non-registered trademark, which use “*does not lead to a reputation or leads to a purely local reputation*”. In the latter case, the previous use does not cause the lack of novelty of the subsequent trademark, but the previous user may continue to use the trademark, also for advertising purposes, within the limits of local circulation, despite the registration of the subsequent trademark itself. As such, the above mentioned provision represents a restriction on obtaining and on exercising IP rights in respect of trademarks.

4.1.2. Restrictions on obtaining a patent

Art. 45 of the IP Code provides that the following cannot be considered as inventions: discoveries, scientific theories and mathematical methods; plans, principles and methods for intellectual activity, games or commercial activity and computer software; presentations of information.

Art. 45 also excludes the patentability of the following, as such: methods for surgical or therapeutic treatment of the human or animal body and methods for diagnosis applied to the human or animal body; plant varieties or animal species and essentially biological processes for the production of animals or plants, including new plant varieties with respect to which the invention consists exclusively of the genetic modification of other plant varieties, even if that modification is the result of a genetic engineering process; plant varieties listed in the national register of biodiversity of agricultural or food interest and the varieties from which products with protected designation of origin and protected geographical indication derive. Said provision does not apply to microbiological processes and products obtained through such processes, or to the products, and in particular to substances or compositions, for the use of one of the specified methods. In particular, the exclusion from patentability of software responds to an internationally-shared legislative policy that has determined that software should be protected through copyright. However, the provision excludes the patentability of software “as such” (in line with Art. 52, par. 2 EPC), which has been interpreted as allowing the patentability of software, provided that it has an externally appreciable technical effect.

4.1.3. The disclosure of the patent

In line with Art. 54 EPC, Art. 46 of the IP Code regulates the requisite of novelty in connection with applications for patent registration, establishing that an invention is considered new if it does not form part of the state of the art. The “state of art” comprises everything made available to the public, in Italy or abroad, by means of a written or oral description, by use, or in any other way, before the date of filing of the patent application; the content of national or European patent applications designating Italy, filed before the date of filing of the patent application, which were published on or after that date. However, with regards to any substance or composition already comprised in the state of the art, patentability is not excluded for use in a different method, provided that its use for that new method is not part of the state of the art.

To this end, Art. 47 of the IP Code (in accordance with the provisions of Art. 55 EPC), provides that a disclosure of the invention shall not be taken into consideration if it occurred no later than six months before the filing of the patent application and if it was due to an evident abuse or to the fact that the invention was presented at an official, or officially recognised, international exhibition.

4.1.4. The disclosure of the design

Art. 32 of the IP Code regulates the requisite of the novelty in connection with design registrations, providing that a design is new if no identical design has been divulged before the date of filing of the application for registration or, if priority is claimed, prior to the date of priority. Designs are considered identical even when their features differ only in minor details.

Art. 34 further explains the meaning of divulgation, establishing that the design is considered as disclosed when it has been made available to the public consequent to its registration or otherwise, or if it has been displayed, placed on the market or otherwise divulged, unless where those events could not reasonably have become known in the normal course of business to the circles specialized in the sector concerned, before the date of filing of the application for registration, or if priority is claimed, before the date of the priority. A design is not considered as divulged when it has been disclosed to a third party under an explicit or implicit undertaking of confidentiality. In any case, a design being made available to the public during the twelve-month period preceding the date of filing or the date of priority, shall not be deemed as disclosed.

4.2 Restrictions on asserting the right

4.2.1. Limitation of the effects of a trade mark

The recent reform, harmonizing the IP Code to EU Directive no. 2436/2015, implemented Art. 21 of the IP Code, broadening the provisions regarding authorized use of a party's trade mark.

In particular Art. 21 provides that the owner of a registered mark is not entitled to prevent third parties from using, in the course of trade: a) the name or address of the third party, where that third party is a natural person; b) signs or indications that are not distinctive or which concern the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services; c) the trade mark for the purpose of identifying or referring to goods or services as those of the proprietor of that trade mark, in particular, where the use of the trade mark is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts.

4.2.2. Revocation of a trade mark for non-use

The maintenance of the exclusive right on a registered trade mark is subject to its actual use. The purpose of this provision is first of all practical, given the large number of registered trademarks and the conflicts that may arise between them, which means that only the trademarks that are actually used must be kept alive. In line with Art. 16 and 17 of the EU Directive no. 2436/2015, Art. 24 of the IP Code regulates the revocation of a registered trade mark for non-use, providing that a trade mark must be actually used by the holder or with the holder's consent, for the goods and services in respect of which it is registered, within five years from registration, and such use must not be discontinued for a continuous period of five years, unless such non-use is justified by a legitimate reason. Moreover, except for the case of rights on the trademark acquired by third parties through filing or use, revocation shall not be claimed if between the expiration of the five-year period of non-use and the filing of the application or claim for revocation, the actual use of the mark has been started or resumed. However, if the holder makes preparations for the commencement or resumption of the use of the trademark only after learning that a revocation claim is about to be filed, which began at the earliest on expiry of the continuous five-year period of non-use, such commencement or resumption is not taken into consideration if not made at least three months before the filing of the revocation claim.

4.2.3. Preclusion of a declaration of invalidity due to acquiescence

The rationale behind the institute of acquiescence is identifiable in the need to protect the trust of the proprietor of the later mark who has registered in good faith and to avoid deceptive conduct on the part of the proprietor of the first mark who could deliberately let a long period of time pass before taking action to have the later mark declared invalid for the sole purpose of taking unfair advantage of the goodwill acquired by the sign in the meantime. Indeed Art. 28 of the IP Code provides that the owner of an earlier trademark, and also the owner of an unregistered mark with general reputation, who acquiesced, for a period of five consecutive years, in the use of a later registered trademark, identical or similar, while being aware of such use, may not claim the declaration of invalidity of the later trademark nor oppose the use of such mark for products or services for which it has been used, unless registration of the later trademark was applied for in bad faith. The holder of the later trademark may not oppose the use of the earlier trademark or the continuation of the previous use.

4.2.4 The limitations on patent rights

Art. 68 of the IP Code concerns the limitations on patent rights, including the provision regarding dependent patents. More specifically, it provides that the exclusive right granted by a patent does not extend to the following: to acts carried out privately and for non-commercial purposes, or as experimentation; to studies and trials aimed at obtaining a marketing authorization for a drug, including in foreign countries, and to the consequent practical fulfilments thereof; to the extemporaneous preparation of unit doses of drugs in pharmacies on prescription, and to the drugs thus prepared, provided that industrially realized active principles are not used. Art. 68, paragraph 2, also prevents the holder of an industrial invention patent, the implementation of which requires the use of inventions protected by prior patents that are still in force, from implementing and using it without the consent of the patent holder(s). Art. 68, par. 3 also acknowledges the right of anyone making use of an invention, within its business activities, during the twelve months prior the date of filing of the patent application or to the priority date, to continue making use of the same within the limits of the previous use.

With regards to the effects deriving from the patent, Art. 53 establishes that, while the exclusive rights are conferred through the grant of the patent, a patent produces effects only from the date on which the application together with the description and drawing are rendered available to the public. However, Art. 53.4 offers an exception to this provision, providing that the effects of a patent for industrial invention vis-à-vis the persons to whom the application together

with the description and the drawings have been served by the applicant, start from the date of service.

4.2.5 The limitations on plant varietal breeder's rights

The breeder's right shall not extend to: actions carried out in the private sphere, for non-commercial purposes; actions carried out for experimentation or for the purpose of creating other varieties. Whoever, in view of certification, intends to perform the multiplication of material originating from varieties subject to a patent for new plant varieties, is obliged to notify the owner of the right in advance.

4.2.6. The limitations on design rights

Art. 42 of the IP Code concerns the limitations on design rights, providing that the exclusive right granted by a design does not extend to the following: acts carried out privately and for non-commercial purposes; acts carried out for experimental purposes; reproductions necessary for making quotes or for didactic purposes, provided that such acts are compatible with professional principles, do not unduly prejudice the normal exploitation of the design or model, and mention is made of the source.

4.2.7. Exclusive rights on components of a complex product

Art. 241 of the IP Code, in line with EU Directive 98/71/EC on legal protection of designs and models, regulates the repair clause. The provision lays down that the exclusive design rights on the components of a complex product cannot be enforced to prevent the manufacture and sale of the components themselves for the purpose of repairing a complex product, in order to restore its original look. The rationale of the repair clause is to avoid a monopoly of the producers of the complex product over the components intended to restore the appearance with which the complex product was originally placed on the market, on one hand, by rewarding the stylistic study and research activities of the right holder and, on the other, by preventing an undue monopolization of the secondary repair market by the right holder.

4.3 Compulsory licensing provisions

The economic rights related to the invention can be freely transferred by the owner. However, the law provides for cases in which the transfer of rights to the invention is beyond the holder's control and is required by law, such as in the following cases:

- Obligation to implement: Art. 69 lays down that an industrial invention must be implemented within the territory of the State. After three years from the date of issuance of the patent, or four years from the date of filing the application, should the patent holder or his successor in title, either directly or through one or more licensees, not have implemented the patented invention, or have implemented it in serious disproportion with the Country's needs, a compulsory license may be granted for the non-exclusive use of such invention to any interested third party requesting such license.
- Dependent patent: Art. 71 establishes that a compulsory license may be granted if the invention protected by the patent cannot be used without harm to the rights of a patent granted based on a previous application. In that case, the license may be granted to the owner of the later patent to the extent necessary to exploit the invention, provided that the latter represents, compared with the object of the prior patent, a material technical progress having a substantial economic value.
- License deriving from the conversion of the invalid patent: Art. 76.4 provides that, should the conversion involve an extension of the original duration of the invalid patent, the licensees and those who, in view of the forthcoming expiration of the patent, have carried out significant investments for making use of the object of the patent, shall have the right to obtain a royalty-free, non-exclusive, compulsory license for the extended period.
- Expropriation: Art. 141 establishes that, except for the rights on trademarks, industrial property rights, even if patent or registration is still pending, can be expropriated by the State for the interest of the Country's military defence or for other reason of public use.

4.4 Exhaustion of IP rights

According to Art. 4 of the IP Code, the exclusive rights granted to the holder of an industrial property right expire once the products protected by an IP right have been placed on the market by the holder or with its consent in the Italian territory, in the territory of a Member State of the European Union or in the European Economic Area. The exhaustion of rights therefore operates only in the event that the trademark owner has consented to the marketing of the goods in the abovementioned territories. However, such limitation on the IP holder's rights does not apply to trademarks when legitimate reasons exist for the holder to oppose further marketing of the goods, in particular when the condition of the goods has been modified or altered after being placed on the market.

4.5. Main remedies under IP law: unjustified claims

First of all, the subject against which unjustified claims are raised, whoever it is (an alleged primary infringer, a manufacturer, an importer or a retailer), after

having receiving a warning letter or other communications, has legal standing to bring an action against the IP owner asking the court to make a determination of non-infringement.

The recipient of unjustified claims may also bring an action against the IP owner requesting a declaration of nullity of the patent or design that has been enforced. On the contrary, an action aimed at obtaining a declaration of nullity of a trademark due to the existence of earlier rights may be exercised only by the owner of the earlier rights and by its successor in title or by the entitled person (Art. 122 IP Code). Generally, the main remedies for a party that receives an unjustified claim are available under competition laws.

5. Main restrictions on exercising IP rights under competition laws and main remedies under competition laws towards unjustified claims

The acts of unfair competition are divided by Art. 2598 of the Civil Code into three classes. While the first hypothesis defines the acts of confusion, the second class includes the denigration of the competitor's products and business and the third class covers all the remaining unspecified actions that violate the principles of professional integrity and are capable of damaging another commercial entity. Abuse of dominant position is regulated in Italy by article 3 of Law No. 287/1990, which is consistent with article 102 of the Treaty on the Functioning of the European Union (TFEU), providing a prohibition of any abusive conduct by an undertaking that holds a dominant position within the domestic market or in a substantial part of it. The main authority that supervises competition is the Italian Competition Authority (ICA), an independent body that intervenes when businesses act to restrict competition or in cases of abuse of market power. The ICA relies on the traditional notion of dominance applied at the European level and therefore acts in accordance with European Law and case law. In order to evaluate the dominant position of a company, the ICA usually carries out a comprehensive analysis of different elements, such as market share, the structure of the market, existence of barriers to entry, characteristics of the product, level of production and countervailing buying power of customers.

According to Italian case law, the sending of unjustified warning letters directly to the competitor may represent an act of unfair competition according to Art. 2598 no. 3 of the Italian Civil Code, being an act that is contrary to the standards of professional integrity and capable of damaging the business of a competitor. In any case, the bad faith of the sender is an issue of fact that must be proved¹. On the other hand, a warning letter sent to a competitor shall constitute an abuse of right only if the sender is aware that its claims are totally

¹ See Supreme Court, 26 November 1997 no. 11859; Court of Milan, 4 March 2003; Court of Turin, 11 February 2011.

ungrounded². Italian case law has also held that an unjustified warning letter sent by a multinational corporation to a small enterprise that has a threatening tone, or which is sent shortly before an important trade fair, may represent an act of unfair competition according to Art. 2598 no. 3 of the Italian Civil Code³. With regards to unjustified warning letters sent to customers, the IP Specialized Court of Milan recently held that the sending of warning letters addressed to the clients of a party who is allegedly counterfeiting a patent, when such a claim appears to be groundless due to the lack of novelty of the patent, which the plaintiff was aware of, represents an act of unfair competition according to Art. 2598 no. 2 and 3 of the Italian Civil Code. Consequently, a party that has been summoned without justification is entitled to obtain compensation for the damage to its reputation⁴. In particular, Italian case law has considered as unfair the sending of warning letters to customers: based on a patent that was not granted⁵ or was expired⁶; based on a patent application, for which the applicant was aware of the non-patentability of the subject matter⁷; based on a trademark that had been assigned to the party against which the claims were made⁸. The case law has also held that the threat of legal proceedings against customers of the competitor represents an act of unfair competition, being aimed at producing the same results that could be obtained by the issuing of judicial orders⁹. On the contrary, Italian case law holds that the sending of warning letters to customers justified by the need to adequately react to the misconduct of others and provided that the IP right is valid, does not represent an act of unfair competition¹⁰. The Court of Milan also held, however, that the sending of a communication to the organizer of a fair that cautions against the admission to the exhibition of a competitor that is allegedly infringing a patent, which was later found to not be infringed, constituted an act of unfair competition for disparagement¹¹.

According to my professional experience, competition law policy makers in Italy have a good understanding of IP rights. I also believe that the law, the Courts and regulatory bodies in our jurisdiction strike the right balance between safeguarding the rights of the IP holders and maintaining free competition. To illustrate this balancing of interests, I would point to the Pfizer case, which is the most famous example of patent abuse in Italy. On 12

² See Court of Appeal of Milan, 4 July 2012.

³ See Court of Bologna, 25 October 2011.

⁴ See Court of Milan: 19 March 2012, 17 July 2006, 3 May 2004; Court of Appeal of Milan, 9 October 2001.

⁵ Court of Milan, 30 October 1972.

⁶ Court of Milan, 26 September 1977.

⁷ Court of Appeal of Milan, 24 May 1994.

⁸ Court of Rome, 10 June 1996.

⁹ Court of Turin, 22 March 1995.

¹⁰ Court of Milan, 12 August 2005.

¹¹ Court of Milan, 19 July 2013.

February 2014, the Italian Council of State rendered a decision that overturned the judgement of the Regional Administrative Court in Lazio and upheld a decision rendered by the ICA on 11 January 2012 regarding Ratiopharm and Pfizer. The ICA found that Pfizer had abused a dominant position in breach of Article 102 TFEU by realizing a complex strategy that was intended to establish barriers to entry on the market for generic drug manufacturers for the sale and marketing of latanoprost-based drugs for the treatment of glaucoma. More specifically, the ICA decided that Pfizer's behavior resulted in an abuse of its dominant position, by adopting a complex strategy to prevent competition from generic medicines, including the following conduct: i) an illegitimate extension of the patent duration through the request for a divisional patent (now revoked by the European Patent Office) and then for a supplementary protection certificate only in Italy (where patent protection from the parent patent's SPC was shorter than in the rest of the EU Member States); ii) patent-related law suits before civil and administrative courts; iii) actions aimed at preventing the national regulatory body from granting generic companies marketing authorizations and the reimbursement price; iv) the provision of misleading information in order to get a marketing authorization for its own generic product; v) an application for the extension of the pediatric patent. According to the investigation, such behavior had the effect of illegitimately extending Pfizer's intellectual property protection in Italy, causing a 7-month delay in the entry onto the Italian market of its generic equivalent. In the appeal proceedings the Italian Council of State upheld the ICA's decision, finding that, although the conduct and actions of Pfizer, if taken individually, constitute the exercise of a right that is abstractly granted by law, these actions gave rise to complex and intricate conduct that the ICA has rightly described as an abuse of a right and, therefore, anticompetitive. In particular, the Council specified that the notion of "abuse of a right" should be regarded as "*the altered use of the formal elements of the right, for the purposes of achieving objectives other than those specified by the legislature*". Indeed, there is a large body of case law in Italy on patent abuse and sham litigation, especially regarding situations where a patent is found to be invalid in the course of the proceedings. As said above, Italian case law holds that sending a warning letter to a competitor seeking to enforce IP rights that are subsequently declared invalid is considered as an act of unfair competition. On the contrary, in a case regarding an essential patent, the Court of Turin found the patent to be void for lack of inventive step, although did not find the assertion of the patent to be an act of unfair competition or an abuse of a dominant position by the holders. Indeed, the court found that the patent holders were exercising their IP rights in good faith, because the patent: (1) was close to its expiry date without being challenged as invalid; and (2) had been licensed to other companies that deemed it valid and paid the relevant royalties.

In a decision dated 15 June 2005, upheld on appeal, the ICA ruled that the exercise of intellectual property rights does not exclude the possibility of an abuse of a dominant position by excluding companies that comply with the competition rules. Abuse of a dominant position occurs in the case of refusal to grant a licence to produce a product covered by a patent or a supplementary protection certificate if the refusal is unjustified, if it concerns a non-duplicable resource for an efficient business, and if the resource is essential for competition and therefore the refusal is likely to exclude competition. I believe that the misuse of patent rights and sham litigation should be sanctioned not only as an abuse of dominant position, but also as an act of unfair competition, being acts contrary to professional integrity, that are capable of damaging the business of the competitor and distorting competition.

IP and antitrust law systems play a complementary role in ensuring the correct functioning of the market; indeed in different ways, both contribute to maximizing consumer welfare. While our IP system contains several provisions directed at stimulating competition and favoring the circulation of innovative information, such as the duty to describe and disclose the invention in the database of the patent office, the grant of a mandatory patent licence when the patent is unexploited, other compulsory license provisions and the principle of exhaustion. Sometimes, however, the IP holders use their rights to restrict rivalries in the market, thus violating competition principles and reducing consumer welfare. The ICA and the national Courts have played an important role in the mitigation of such anticompetitive behavior.

6. Restrictions and remedies under other branches of law

Among the criminal offences aimed at protecting free competition, Art. 513-*bis* of the Italian Criminal Code sanctions the crime of illegal competition. The crime consists of competitive conduct carried out with violence or threats such as to distort the market and inhibit competitive dynamics, obtaining illegitimate positions of advantage and thus preventing free competition. Italian case law¹² has held that, as to Art. 513-*bis*, any violent or intimidating behavior that is capable of preventing the competitor from self-determining in the exercise of its activity constitutes an act of unfair competition. The Italian Supreme Court¹³ also recently held that the crime provided for by Article 513 *bis* only sanctions the typically competitive unfair conducts (such as boycotting, employee raiding, refusal to contract, etc.) carried out by acts of coercion that inhibit the usual entrepreneurial dynamics, but not also the intimidating

¹² Italian Supreme Court, 21 April 2010, no. 27681; Italian Supreme Court 22 October 2008, no. 44169.

¹³ Italian Supreme Court, 8 November 2016, no. 49365.

conducts aimed at impeding the free competition of others, carried out outside the competitive activity.

Moreover, the Consumer Code protects the consumer against misleading commercial communications. Professional conduct aimed at the promotion, sale, supply of products that could mislead consumers about important information by driving them away from a different and conscious choice that they would have adopted in the absence of that information, can cause damage to competitors even if it is not capable of misleading the consumers. This happens whenever the consumers are able to neutralize the deception inherent in the message or when it relates to circumstances that have a significant impact on the characteristics or conditions of the offer for the purpose of a conscious choice. The discipline of unfair commercial practices is regulated both within the code of self-regulation of commercial communication and in the Consumer Code (Legislative Decree No. 206/2005). The goal of the Code is to protect not only the final consumer who may be induced to take decisions that he or she would not have taken in the absence of misleading advertising, but also those subjects who cannot be defined as consumers in the performance of their commercial activity but are equally likely to be victims of unfair activity. The desire to protect all those involved in the various levels of the production chain therefore emerges. Article 21 provides that the commercial practice that, taking into account all the characteristics and circumstances of the case, lead or is likely to lead the consumer to taking a commercial decision that he or she could not otherwise have taken and which involves any marketing activity of the product that causes confusion with the products, trademarks, company names and other competitor's distinctive signs, shall be regarded as misleading. The main purpose of the rule is to help the consumer obtain what they want or, at least, to ensure that they are able to perceive exactly the characteristics of the goods offered in order to understand whether it satisfy the needs that led them to search for that product.

Article 96 of the code of civil procedure also regulates a particular form of procedural liability that can be raised against the unsuccessful party who has acted or resisted in Court with bad faith or gross negligence, which can then be ordered to pay accessory damages as a result of its procedural behaviors. The case law considers that the party seeking compensation has the burden to show the concrete and actual existence of damage resulting from the procedural behaviors of the other party, consisting of the damage they suffered for having been forced to oppose the unjustified initiatives of the opponent and the inconveniences caused as a result of these initiatives, the existence of which damages can be inferred from common experience¹⁴.

¹⁴ Italian Supreme Court, No. 6796/2003.

7. Current and future policy

Many factors show that Italian IP law and procedure operate in favor of competition, providing a “level playing field” between large claimants with significant market power and large or small defendants who do not have a significant market power. Indeed, the anticompetitive effects arising from standard essential patent disputes have led the Italian Courts to be very prudent in granting an injunction that protect SEPs.

In the Samsung case, according to the commitments accepted by the Commission, Samsung will not seek injunctions in Europe on the basis of its SEPs on smartphones and tablets against licensees who sign up to a specified licensing framework¹⁵. Several national courts have ruled on the above-mentioned issues and found different legal solutions: as a general remark, they usually reject preliminary injunctions when FRAND encumbered SEPs were involved, and courts typically have taken into consideration whether the parties were negotiating in good faith.

In the Italian chapter of the Samsung-Apple case, the Court of Milan¹⁶ denied the request for a preliminary injunction for alleged infringement of FRAND encumbered SEPs, considering that significant negotiations had already been carried out between the parties. Moreover, the Court did not find bad faith in the conduct of the parties, which was considered sufficient to exclude, in the preliminary decision, that the SEP holder had committed an abuse of dominance by seeking injunctive relief. The Court established that an injunction may be granted only against an unwilling licensee. The Samsung decision, in denying the preliminary injunction, also ruled on the balancing of interests between patent holders and consumers and market operators, with the latter prevailing.

The Pfizer decision, the major case law impeding the unfair practice of sending unjustified warning letters to competitors, and the obstacles for SEPs holders in preventing their exploitation, as in the Samsung-Apple case, shows that the system regulating intellectual property in Italy is still working towards free competition, being able to provide incentives to produce and commercialize inventions while, on the other hand, ensuring the correct functioning of the market by the punishment of the abuse of dominant position. Indeed, while there is undoubtedly still an internal dispute between the two fields, the distance seems to be getting shorter, and in some moments it seems to have found common ground.

According to my professional experience, Italy does not face a significant market problem with people making unjustified claims of IP infringement or

¹⁵ See European Commission, 29 April 2014, case AT.39939, Samsung – Enforcement of UMTS standard essential patents.

¹⁶ Court of Milan, 5 January 2012.

with bullying behavior by claimants or defendants, which are, by the way, severely punished with additional damage compensation in decisions on sham litigation.

In the industrial areas with a strong interdependence, having also drastic and sudden evolutions and increases, such as in the web and telephony sectors, the standards patents had an exponential increase with merely defensive purposes, causing inflation of industrial property rights. This leads to serious overall disharmonies and an exponential increase in conflicts¹⁷. In such contexts, forms of cooperation are an essential means of development and patent pools are perhaps the most appropriate of the forms of governance of industrial property rights. As some authors have pointed out, the establishment of "Patent pools" is certainly desirable in industrial contexts such as that of information technologies, where innovation is of an incremental and cumulative nature, where prior knowledge is used as a prerequisite for the creation of derivative and improving inventions and where improvements follow one another rapidly, with the result that each improvement quickly becomes obsolete. In this context, the establishment of "Patent pools" should not be subject to the restrictions set out in Article 101 TFEU. It would be important to ensure that the grantor has the right to access patents that are as useful as the contribution offered, to encourage - ex ante - the disclosure of information, to provide for penalties for the infringer, and to consider the conduct of the patent holder who has misled an SSO with regard to the commitments relating to the licensing conditions as an antitrust violation. It is necessary to imagine a well-kept system of confidentiality rules of the "Patent pool" towards external parties as well as the provision of adequate incentives for licensing or cooperation systems. Patent pools tend to be considered a pro-competitive factor even in situations that are less inclined to continuous change than the current ones. Patent pools are instead seen as anti-competitive when, on the contrary, they deny their nature, revealing themselves to be cartel or monopolistic tool. A possible form of governance could consist in a system of bands that progressively enhances, starting from the initial estimate value, the patents and the patentable ideas, arriving at a final value of the patent that remunerates and protects the original inventor, providing in return a pre-emption right on the purchase of the final patent or a part of the profits deriving from the licenses, with recognition of a percentage to the pool both in the case of sale and licensing. Patent Pools could also constitute a form of rebalancing the contractual forces of the weaker parties and a system for the development of new ideas. In addition, the evolutionary potential of the "Patent pools" system is also fully included in the discipline of dependent patents, since it can be configured as a sharing of patents that exceeds the limit of consent to the use

¹⁷ See Shapiro, *Navigating the Patent Thicket: Cross Licence, Patent Pool and Standard Setting in Innovation Policy and Economy*, Jaffe, 2001.

and the existence of two competing and conflicting patents, to configure a new relational model, where the final result is a combined patent whose added value is enriched by both parties. Lastly, on 29 November 2017, the European Commission drew up new strategies for the protection of intellectual property rights in their interaction with competition and as interdependent systems, highlighting that: *“In today’s fast-changing and interconnected world, widespread standards based on IP-protected technologies - known as standard essential patents (SEPs) - are necessary for interoperability, and in particular for an effective roll-out of the Internet of Things. A balanced, efficient and sustainable framework for SEPs is therefore essential to guarantee fair access to standardized technologies, whilst ensuring that patent-holders are rewarded for their investments in R&D and standardization activities and are thus incentivized to offer their best technologies for inclusion in standards”*. Finally, the Commission encourages SDOs and SPS holders to identify effective tools, such as the "Patent Pools", for licensing a large number of users in the context of IoT. The Commission also points out that, in a balanced and predictable context of SEP enforcement, on the grounds of the principles set out by the Court of Justice in the Huawei judgment, injunctive relief may be granted to potential infringers who are not prepared to obtain a FRAND licence, but that the proportionality of such relief must be carefully assessed on a case-by-case basis.