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Protecting fashion products under European IP law

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«Due cose riempiono l'animo di ammirazione e venerazione sempre nuova e crescente, quanto più spesso e più a lungo la riflessione si occupa di esse: il cielo stellato sopra di me, e la legge morale dentro di me.»

(Epitaffio di I. Kant, estratto dalla *Critica della ragion pratica*, Conclusione, Akademie Ausgabe V, 161.)

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INTRODUCTION

“Caps in canvas with Gucci logo and the unmistakable red and green grosgrain band, but also black nylon backpacks with the Prada label and wallets with the Louis Vuitton monogram printed. It is not uncommon to see these or other products on display in the streets of Italian cities of art, exposed on white sheets laying on the sidewalk, not far from the shops where the authentic products are sold in many other figures. The business of fakes is growing, and it is a record of seizures. Counterfeiting is a phenomenon that afflicts the world of Fashion and Luxury *Made in Italy* in an increasingly marked way”¹.

Counterfeiting phenomenology significantly affects the Italian production system, where the greatest possibility of spreading the falsification relates to the expansion of the world trade. Pressing is the need to tackle the fact, that in addition to exerting a direct effect on national production, it represents a catalyst for illegal conducts. “To increase the phenomenon was undoubtedly the spread of virtual platforms, that sell counterfeit goods or faithful copies. The list of e-stores is long, and some are even equipped with PayPal payments, customer service and return procedures. It is a sophisticated environment, completely like a luxury e-store, far from alike abusive sellers who sell counterfeit low quality bags on the beach or in the streets. In addition, the web guarantees counterfeiters (or those who market fake products) anonymity and ease of opening and closing e-stores”². The research “*Social Media and Luxury Goods Counterfeit*”³ highlighted how practically all the most famous IM systems are used, in addition to WhatsApp and WeChat also QQ, BBM, Telegram, KIK, Viber, Weibo and so on and so forth: to find ways to speak with counterfeiters it is not difficult. The same goes for payments.

In innovation driven global economy, infringements of Intellectual Property Rights (IPR), commercial scale counterfeiting and piracy, pose a major problem for the European Union (EU). IPR infringements cause high financial losses for European rights-holders and sustainable IP-based business models. The EU has interest in IPR enforcement considering that European companies are leading providers of IP-protected goods and services in third countries’ markets. *The quantification of Intellectual Property Rights (IPR) infringement studies*⁴ prepared by the *European Observatory on Infringements of Intellectual Property Rights* confirmed that counterfeiting and piracy cause serious sales and revenue damages for companies leading to direct and indirect job losses in the European Union and government revenue drops in the EU Member States. “In 2016, the volume of International trade in counterfeit and pirated products could amount to as much as USD 509

¹ CASADEI M., *Allarme moda: cresce il business dei falsi ed è record di sequestri*, Il Sole 24 Ore, March 15, 2019. Available at: <https://www.ilsole24ore.com/art/allarme-moda-cresce-business-falsi-ed-e-record-sequestri-ABjHBZdB>.

² *Ibidem*.

³ STROPPA A., DI STEFANO D., PARRELLA B., *Social media and luxury goods counterfeit: a growing concern for government, industry and consumers worldwide*, May 2016, p. 21. Available at: https://www.washingtonpost.com/blogs/the-switch/files/2016/05/IG_A2016_ST2.pdf?tid=lk_inline_manual_3&itid=lk_inline_manual_3.

⁴ EUROPEAN UNION INTELLECTUAL PROPERTY OFFICE (EUIPO), *The quantification of Intellectual Property Rights (IPR) infringement studies*, 2011-2020. Available data at: <https://euipo.europa.eu/ohimportal/en/web/observatory/quantification-of-ipr-infringement>.

billion”⁵. This represents up to 3.3 % of world trade (€121 billion per year consist of fake goods), and to 6.8% of EU imports from third countries (against 5 % of EU Imports of 2013). This quantity does not include domestically produced and consumed counterfeit and pirated products, nor pirated digital products, being distributed via the Internet.

“To strengthen the fight against counterfeiting and piracy on and offline, in 2016 Europol and the European Union Intellectual Property Office (EUIPO) joined forces to create the *Intellectual Property Crime Coordinated Coalition*⁶ (IPC3), which operates within Europol”⁷. The *EUIPO-Europol 2018 Situation Report on Counterfeiting and Piracy in the European Union*⁸ confirms that counterfeits always represent some form of risk to *consumer welfare*, because there are yet invariably scant quality controls or certification protocols in place, during manufacture.

In a study carried out in partnership with the European Patent Office (EPO), the EUIPO estimated that “the total contribution of IPR-intensive industries to the EU economy accounts for circa 42% of GDP (€5.7 trillion) and 28% of employment⁹ (plus another 10% in indirect employment effects in non-IPR intensive sectors). Those sectors also generate a *trade surplus* of approximately €96 billion with the rest of the world and pay their workers 46% higher salaries than other sectors”.¹⁰ Due to the high value associated with IPR, infringement of those rights is a lucrative criminal activity, which generates significant costs to the rights-owners and to the economy in general.

The present dissertation, which consists of three chapters, aims at developing an analysis of the complex notion of trademark protection against counterfeiting/infringement in EU. In particular, in the first chapter, I will examine trademark protection, stressing on National, International and European trademark sources of law, highlighting in the last part trademark registration. In the second one, I described the role of CJEU jurisprudence first in harmonizing EU trademark law, then in the interpretation of EU trademark law throughout the description of the so-called global appreciation approach till the explanation of the distinctiveness, the difference between the concept of confusion and association, fundamental pillars in

⁵ PRESS RELEASE: *TIT Council expresses high concern in the amount of Counterfeit Products flooding the Market*, November 19, 2020. Available at: <https://www.tic-council.org/news-and-events/news/press-release-tic-council-expresses-high-concern-amount-counterfeit-products-flooding-market>.

⁶ The IPC3, located at Europol and funded by the European Union Intellectual Property Office (EUIPO), is central to the EU’s response to this crime area. The IPC3 provides operational and technical support to law-enforcement agencies and other partners in the EU and beyond, by facilitating and coordinating cross-border investigations; monitoring and reporting online crime trends and emerging modus operandi; raising public awareness of this crime; providing training to law enforcement in how to combat it. The IPC3 soon produced significant results. At the end of its first year of operation, it was supporting more than 50 high-priority cases of Intellectual Property Infringement. Europol has used it to help take down websites used to sell counterfeit merchandise, to target pirated TV decoders, and to shut down illegal operations using the bitcoin digital currency.

⁷ EUROPOL, *Intellectual Property Crime. Impact and successes*. Data available at: <https://www.europol.europa.eu/crime-areas-and-trends/crime-areas/intellectual-property-crime>.

⁸ EUIPO-EUROPOL, *2018 Situation Report on Counterfeiting and Piracy in the European Union*. Available at: <https://www.europol.europa.eu/publications-documents/2017-situation-report-counterfeiting-and-piracy-ineuropean-union>.

⁹ EUROPEAN PATENT OFFICE and EUIPO, *Intellectual property rights intensive industries and economic performance in the European Union*, 2016, p. 6. Available at: https://euiipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/IPContributionStudy/performance_in_the_European_Union/performance_in_the_European_Union_full.pdf.

¹⁰ EUIPO, 2019 STATUS REPORT ON IPR INFRINGEMENT. Available at: https://euiipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/reports/2019_Status_Report_on_IPR_infringement/2019_Status_Report_on_IPR_infringement_en.pdf.

assessing trademark infringements. Last not least, the second section closes with some EU judgments in the field of counterfeit liability of online marketplaces, which are frequently used for the sale of counterfeit goods. “However, they are still intermediaries in the sense that they do not participate in the purchase transaction”¹¹. For a long time, the leading case on liability of online marketplace operators has been the Court of Justice of the European Union’s eBay judgment of 2011. While the landscape may appear to some extent to be shifting with decisions like the recent Belgian case of Louboutin, and the Advocate General’s Opinion in Coty; if, and to the extent that, an intermediary qualifies for hosting protection under the E-commerce Directive, it will be shielded from liability notwithstanding the possibility of trademark infringement.

In the last chapter, I will focus the attention on the case of China and the reasons why that country is still Priority 1 in worldwide counterfeiting, of course making reference to the transition process that led to the entrance of China in the WIPO and obliged itself to elevate IP protection standards. In this sense, *the situation of IP rights in China* as regard piracy and wild counterfeiting seems inadequate, because the ghost of piracy appears to exercise the more and more dangerous reality of Chinese competition, but also because it does not consider the complexity of situation and the unusual wealth of prospects it offers. So, China represents both the problem and the opportunity¹². The enterprises which want to risk on *Chinese Market* or to oppose to this global economic giant, must consider this situation and regulate consequently. China can be a threat, an opponent, or a subject collaborating, and it is often all these things together as I will explain.

Moreover, I also took on importance the relation and differences between trademark protection in Europe and in China. Finally, mentioning the activity of EU and its Strategic Plan 2025, I will discuss the future aspects of a problem that is still in the European agenda, today more than ever.

¹¹ GOMMERS C., DE PAUW E., *Online marketplace operators saved from liability for trade mark infringement?* Journal of Intellectual Property Law & Practice, Vol. 15, Issue 5, May 2020. Available at: <https://academic.oup.com/jiplp/article/15/5/315/5837708?login=true>.

¹² O’REILLY A., *The Real Threat to World Trade Comes from China: We Have to recognize That China is Both the Problem and the Opportunity of the Future*, INDEPENDENT, London, Spt. 24, 2003.

CHAPTER I

COUNTERFEITING IN NATIONAL, EUROPEAN AND INTERNATIONAL SOURCES OF TRADEMARK LAW

SUMMARY: 1. Introduction to Counterfeiting – 2. International regulatory framework – 3. European and National Civil Trademark legislation: a joint analysis – 4. National Criminal legislation – 5. EU fight against Trademark counterfeiting – 6. Registered trademarks – 6.1 Extinguishing events – 6.2 Registration – 6.3 Infringement – 6.4 Defences – 6.5 Exhaustion of rights arising from trademark registration – 7. Concluding remarks

1.1 Introduction to Counterfeiting

Counterfeiting is one of the most widespread phenomena on a global level that indiscriminately affects all product sectors - from fashion to food, from medicine to digital media – that is fuelled by criminal organizations often rooted in more countries. Counterfeiting is a progressively broad occurrence that reflects and extends its effects in various areas of society: consider, for example, the damage and / or dangers to the health of consumers in cases where counterfeiting is carried out to the detriment of food, drugs, toys and products for children. Counterfeiting also constitutes a serious danger to the economy as it alters the normal functioning of the market through unfair competition, causing serious damage to businesses.

In general terms, counterfeiting means the violation of Industrial Property rights¹³ (i.e., trademarks, patents, geographical indications, industrial design) although the phenomenon is substantiated, in fact, with any action aimed at creating goods that imitate the aesthetic or in any case external characteristics of another good in order to deceive unaware third parties, but not only. More and more often the buyer is aware of the counterfeit

¹³ In accordance with Art. 1 of the Italian I.P.C. (Industrial Property Code): “The term Industrial Property includes trademarks and other distinctive signs, geographical indications, designations of origin, designs and models, inventions, utility models, topographies of semiconductor products, confidential company information and new plant varieties”. IPRs on trademark, on the company, on the sign, on the drawings, on the models, on the topographies of semiconductor products are established and purchased through *registration*, if instead they concern inventions of utility models and new plant varieties the constitution and acquisition of rights are achieved through *patenting*. The term “Intellectual Property” seems to date back to the XIX century. The Italian Georgofili Academy discussed it in 1865. It indicates a system of legal protection of intangible assets that have an ever-greater economic importance, because they are the fruits of human creative and inventive activity such as artistic and literary works, industrial inventions and utility models, the design, the brands – which are currently endangered by counterfeiters. The Convention Establishing the World Intellectual Property Organization (WIPO), concluded in Stockholm on July 14, 1967 (Art. 2(VIII)) provides in fact that “Intellectual Property shall include rights relating to:

- literary, artistic and scientific works,
- performances of performing artists, phonograms and broadcasts,
- inventions in all fields of human endeavour,
- scientific discoveries,
- industrial designs,
- trademarks, service marks and commercial names and designations,
- protection against unfair competition,

and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields”.

nature of the asset, but still accepts to buy it - attracted by the idea of “owning” a certain advantage apparently attributable to a particular trademark (brand). And indeed, counterfeiting is typical in the field of luxury goods, the so-called *positional goods*, or those products that do not possess an intrinsic value linked to their use, but acquire relevance based on the similarity to the “original” good, and the ability to attribute a certain social image to the owner who, unable to bear the costs of the original good, directs demand to the market for fakes whose sale price (being considerably lower) is more accessible. This event, as aforementioned, initially typical and exclusive of the most well-known fashion brands, is now widely applied to other sectors thanks also to technological evolution, extending to sectors such as information technology or food and wine, a sector particularly affected in recent years in which, among the most frequent counterfeiting practices, are the alteration of foods, the falsification of their identity or the (false) attribution of specific territorial origins.

With reference to trademarks, Art. 7 of Legislative Decree of February 10, 2005 n. 30¹⁴ (hereinafter the Industrial Property Code or I.P.C.), provides that can be subjected to registration only the “signs capable of being represented graphically, in particular words, including people's names, drawings, letters, numbers, sounds, the shape of the product or packaging thereof, combinations or color shades, provided they are suitable to distinguish the products or services of a company from those of other companies”. Precisely because counterfeiting does not manifest itself only with the marketing of products, but begins already in the first phase of the production process, two are considered time intervals: the first concerns the reasons that lead to adopt this behavior, pausing to analyze the relative rules; and the second moment, attributable to the so-called phase of *post-sale confusion*, where the consequences that the free circulation of such products has among consumers: confusion and distortion of competition in the market.

The civil protection offered in the first phase aims to protect the trademark in particular reference to the possible confusing effects and the parasitic exploitation of the values incorporated which, in the case of the fashion industry, translate into an identification of higher quality, originality of the product, elegance and tradition for which the consumer is willing to spend an extra delta in the purchase price. This protection has been codified in our legal system following the implementation of Directive no. 89/104 / EEC of 21 December 1988, which took place by the Legislative Decree n. 480/92 and is currently foreseen in Art. 20 and 21 of the I.P.C., which highlight the rights conferred by the registration of the trademark and the related limitations.

In particular, Art. 20 I.P.C., in the first paragraph, letter a), recognizes to the owner of the company’s trademark the right to prohibit third parties from using a sign identical to the trademark for products or services identical to those for which it is registered. In this case, the counterfeiting is independent of confusion and, according to case law, the company that uses a sign identical to the registered one, is not exempt from liability not even by inserting a disclaimer: a warning that makes it clear to consumers that the products they are not official and do not come from the owner of the earlier mark¹⁵. Such strict protection is reserved for cases in which the

¹⁴ See REPUBBLICA ITALIANA, *Decreto Legislativo 13 agosto 2010, no. 131, “Modifiche al decreto legislativo 10 febbraio 2005, n. 30, recante il codice della proprietà industriale, ai sensi dell'articolo 19 della legge 23 luglio 2009, n. 99”, in Gazzetta Ufficiale della Repubblica Italiana, no. 192, 18 August 2010.*

¹⁵ See CJUE, Case C-206/01, *Arsenal Football Club plc v Matthew Reed*, ECLI:EU:C:2002:651, 12 November 2002, in which the Arsenal Football Club company requested to prohibit the sale of goods made by Mr. Reed, in violation of Art. 20 paragraph 1 letter

identity of the goods and signs is total, or the differences are limited to irrelevant details. This involves, for example, making counterfeiting of a figurative mark, consisting of three parallel stripes, a sign consisting of four stripes affixed to products identical to those for which this trademark is registered¹⁶.

Following the economic impacts of counterfeiting and piracy, through the Report prepared for BASCAP and INTA by Frontier Economics¹⁷, if in 2013 the value of counterfeit and pirated goods has been about 882.6 billion euros, in 2022 the forecast provides for an amount in value of 2,194.7 billion euros. Moreover, the displacement of legitimate economic activity in 2013 was about 449.6 billion euros and it will be doubled in 2022 (936.8 billion euros). Wider economic and social costs 676.2 billion euros will be 1.408.2 billion circa in 2022, such as the Employment losses which will be 5.4 million in 2022, instead of the 2.6 million of 2013. Data are alarming, if put together with the efforts made so far in the fight against counterfeiting. Indeed, “A silver medal (fashion is second for the number of products required behind the consumer goods segment) which is no doubt unflattering. Counterfeit products represent about a quarter of the total assets seized attributable to the Fashion sector, the others relate to violations of product safety, copyright and protection of *Made in Italy* products. The counterfeiting market is characterized by absolute dynamism and adaptability: where national borders fade away and products benefit from the delocalization of production”¹⁸. Each new means of communication generates an opportunity, of expression, interaction and business. While National and International authorities have failed to keep up with this constant growth, the global black market rapidly moved from the streets to the internet, “with counterfeiters becoming more technologically adept, more difficult to track – and harder to pursue in court”¹⁹. For example, Instagram is not only a mean to help young brands to find their audience, but it also gives spaces to counterfeit dealers. In particular, the web guarantees counterfeiters (or those who market fake products) anonymity and ease of opening and closing e-stores. Moreover, the online fake network is difficult to dismantle, given that the transnationality of the offenses brings with it a series of limits on jurisdiction and competence”²⁰. One thing above all: nowadays, one out of five posts on Instagram, containing the hashtags of luxury brands, is a post that tries to sell counterfeit goods,

a). Mr. Reed sold scarves in a kiosk near the stadium on which appeared the term “Arsenal”, a trademark registered by the football club for the same products. The sale was prohibited, despite the fact that there was a disclaiming sign on the kiosk affirming that “the logos contained in the items for sale were used solely for the purpose of decorating the product and did not imply or express membership or any relationship with the manufacturer or the original distributors”.

¹⁶ See *Tribunale di Bari*, 28 giugno 2010, in *Giurisprudenza Annotata di Diritto industriale*, 2010, p. 715. The Adidas company requested counterfeiting be ascertained by Z.J., which affixed to its clothing products a trademark with four parallel stripes, similar to the trademark of the company acting in Court.

¹⁷ Business Action to Stop Counterfeiting and Piracy (BASCAP) is an initiative of the International Chamber of Commerce (ICC), which appeals to government leaders to fortify obligations to protect IPRs and strengthen commitments to enforce laws against counterfeiting and piracy. The International Trademark Association (INTA) is a global not-for-profit advocacy association of brand owners and professionals dedicated to supporting trademarks and related intellectual property to foster consumer trust, economic growth, and innovation. Frontier Economics is a microeconomics consultancy providing economics advice to public and private sector clients on matters of competition policy, public policy, regulation, business strategy and behavioral economics. On this point, see FRONTIER ECONOMICS, *The economic impacts of counterfeiting and piracy*, report prepared for BASCAP and INTA, 2016. Available at: <https://iccwbo.org/content/uploads/sites/3/2017/02/ICC-BASCAP-Frontier-report-2016.pdf>, pp. 54-58.

¹⁸ See *supra* note no. 1.

¹⁹ CFO, *Luxury Goods: Counterfeit.com*, July 13, 2015. The Economist Newspaper Limited, London (August 1, 2015). Available at: <https://www.cfo.com/supply-chain/2015/07/luxury-goods-counterfeit-com/>.

²⁰ VOGUE ITALIA, *I marchi di lusso, Instagram e la contraffazione*, 1 June 2016. Article available at: <https://www.vogue.it/news/notizie-del-giorno/2016/06/01/instagram-contraffazione-chanel-vuitton>.

Vogue Italia reports.²¹ Once the photo is posted with the counterfeit goods, the selling agreement is made in other places, for example via WhatsApp or WeChat, and the transaction takes place via PayPal or with other forms of electronic payment.

From what has been described above, it is clear that counterfeiting represents a pluri-offensive conduct since, in addition to violating IP, counterfeiting conduct is capable of simultaneously infringing several laws, including the discipline on Unfair Competition²².

Unfair competition develops in the context of relationships between entrepreneurs operating on the same market by offering similar goods or services²³, upon the occurrence of the conditions described in Art. 2598 of the Italian Civil Code²⁴ that, without prejudice to the provisions on the protection of distinctive and patent marks, establishes that an act of unfair competition is the use of names or distinctive marks, legitimately used by the competitor, or the imitation of products or the implementation of any other act that is likely to create confusion or imitate the competitor's products.

The existence of the unfair act, therefore illegal, comes to life for the sole fact of realizing a potential damage, or the danger of damage to the competitor, regardless of the subjective element of willful misconduct or fault of the author of the illegal act. However, in the event of an actual ascertainment of the subjective element of willful misconduct or negligence, Art. 2600 of the Italian Civil Code provides for the obligation to pay compensation for damages which, in the event of concomitance with other illegal offenses, is applied cumulatively and concurrently with the other sanctions. The ascertainment of a case of unfair competition is in fact left to the jurisprudence - which must therefore identify the nature of an unlawful act capable of damaging the current and, as aforementioned, the willful or negligent conduct of the agent; among the most frequent cases examined by the Courts are parasitic acts of competition, dumping and false advertising.

The regulation of competition and the contrast of Unfair Competition is aimed at protecting companies against harmful acts carried out by competitors but not only; in fact, it is also indirectly in favor of consumers, protecting them from any market alteration. Among other things, regarding consumer protection against acts of unfair competition, the provisions of Legislative Decree 206/2005 (Consumer Code)²⁵ and in particular Art. 26 attribute to the Competition and Market Authority²⁶ the task of supervising at an administrative level

²¹ See *supra* note n. 7.

²² See Articles 2598, 2599, 2600 and 2601 of the Italian Civil Code.

²³ See VANZETTI A., DI CATALDO V., *Manuale di diritto industriale*. Ottava edizione, Milano, Giuffrè, 2018, p. 175 ff.

²⁴ Art. 2598 of the Italian Civil Code (*Acts of Unfair Competition*). “Without prejudice to the provisions concerning the protection of distinctive signs and patent rights, anyone engages in acts of unfair competition who: 1) uses names or distinctive signs capable of producing confusion with the names or with the distinctive signs legitimately used by others, or slavishly imitates the products of a competitor, or carries out by any other means acts capable of creating confusion with the products and activities of a competitor; 2) disseminates news and appreciations on the products and activities of a competitor, capable of determining their discredit, or appropriates the merits of a competitor's products or business; 3) directly or indirectly makes use of any other means that do not comply with the principles of professional correctness and are capable of damaging the company of others”.

²⁵ See *Decreto Legislativo 206/2005*, Consumer Code, Title III (*Advertising and other Commercial Communications*).

²⁶ The Italian Competition and Market Authority (*AGCM – Autorità Garante della Concorrenza e del Mercato*) is an independent administrative authority established with Legge 287/1990 – named “*Norme per la tutela della concorrenza e del mercato*” – which has the task of enforcing both Italian and European consumer protection laws, i.e., favouring price control and compliance of the general conditions for the freedom of enterprises against abuses from market dominance and unfair trade practices and false advertising.

advertising messages by identifying misleading ones, unfair commercial practices and anti-competitive behaviors.

1.2 International regulatory framework

After framing the phenomenon, it is necessary to focus on the discipline of trademarks and possible defensive actions. The regulatory system is particularly complex and articulated as it draws on various National, EU and International sources.

The first, in a chronological order, of the major International conventions was the Convention of Union of Paris of 1883 for the protection of IP, which, has outlined the fundamental coordinates of the International protection of trademarks²⁷. There are three cardinal principles in the matter of interest here:

the principle of National Treatment (Art. 2), under which the citizens and individuals, entities domiciled or established in a State of the Union, shall enjoy in all other States of the Union, as regards the protection of IP and therefore of trademarks, advantages of substantive and procedural law, by the latter granted to their own citizens (to the “nationals”).

the so-called *Unionist Priority principle* (Art. 4), on which basis the person who has submitted an application for registration in one of the Unionist States has six months to submit the application in another State, without the registration applications made by others having legal relevance in this time frame. Once the registration in the second country is successful completed, it will retroact to the date of filing the application in the first country where the registration took place.

the so-called “*telle quelle*” *principle* (Art. 6-*quinquies*), according to which, the trademark correctly registered in the country of Origin must be accepted for registration as it is in any other country of the Union. However, other countries may refuse registration or invalidate it in certain circumstances, in particular in cases where a registration infringes rights already acquired by third parties, where the trademark is not distinctive, descriptive or generic, or where it is contrary to public order and morality.

Furthermore, the Convention commits the countries of the Union to follow certain common standards as regards some essential aspects of trademarks discipline (protection extended to service marks and collective ones; protection of “well known” trademarks in another Contracting State pursuant to Art. 6-*bis*). The original version, signed in Paris in 1883, has been the subject of several revisions²⁸. The Convention is joined by 173 States and it is the first International act that made possible to overcome trademark’s territoriality.

Through the just examined institution of Unionist Priority principle, the Paris Convention (from now on simply P.C.) facilitates multiple applications in several MS. However, it does not exempt the subject who wishes to

²⁷ See ABBOTT F. M., COTTIER T., GURRY F., *International Intellectual Property in an Integrated World Economy*, Austin, Boston, Wolters Kluwer, 2011, p. 199 and ff.; and PIRES DE CARVALHO N., *The TRIPs Regime of Trademarks and Designs*, Wolters-Kluwer, The Hague, 2006, p. 86, 111, 134, 227 and ff.; and CORNISH W. R., LLEWELYN D., APLIN T., *Intellectual Property*, p. 645 and ff.

²⁸ The last one dates back to 14 July 1967 in Stockholm. The Convention has been transposed in Italy, in this last formulation, with *Legge n. 424 del 28 Aprile, 1967*.

obtain protection in several States from the burden of submitting (promptly) a *plurality of applications* in as many States as those in which he/she wants to obtain protection. This structure leads to a multiplication of costs, not only monetary but also organizational ones; as the subject needs to contact (and pay for) more than one IP consultant, proceed with the translation of the documentation into multiple languages, and then follow the different registrations separately under renewal, and so on. That is the reason why some of the States that joined the Paris Union have set out to eliminate these drawbacks and, making use of the option provided for by Art. 19 of the P.C., have signed in 1891 the Madrid Agreement for the International registration of trademarks (brand names)²⁹. The advantage of this Agreement over the PC consists in the fact that it replaces the multiple filing steps with a *unitary registration procedure*.

The Nice Convention³⁰ of 1957 is a very useful International Treaty for trademark registration purposes, as it introduced the classification of goods and services. Every registration office of the Contracting States must in fact use this classification in order to simplify procedures. It is an excellent tool to homogenize the references to the classes of goods and services for which the trademark has been registered. Likewise, the 1973 Vienna Convention also fulfils the same function as the Nice Convention but has as its object the figurative elements of the trademark. The agreement, in fact, establishes a classification for trademarks that consist of figurative elements, and consists of a hierarchical system that proceeds from the general to the particular, classifying the figurative elements into categories, divisions and sections, based on their form. During registration, it is necessary to indicate the number of the category, division and section of the class to which the figurative element of the trademark applied for belongs.

Furthermore, the Trademark Law Treaty of Geneva³¹ or simply known as the Trademark Law Treaty or TLT of 1994 was stipulated with the main purpose of standardizing national procedures for the registration, renewal and annotation of trademark transfer - making them less complex, while prohibiting individual States to provide additional and more stringent requirements.

Finally, Uruguay Round negotiations have resulted in a series of Agreements among which the one on Trade Related Aspects of Intellectual Property Rights (TRIPs), signed in Marrakech on April 15th, 1994. While the previously mentioned International agreements could evolve step by step, as the points of consensus between the Contracting States³², the TRIPs Agreement represents *a break* compared to the past. Formally the TRIPs

²⁹ The Madrid Agreement, administered by the *International Bureau* of the World Intellectual Property Organization, based in Geneva, has been ratified by more than 100 States. The text binds Italy, in its Stockholm version of July 14, 1976, by virtue of *Legge n. 424 del 28 Aprile, 1967*. While the Protocol has been ratified by *Legge n. 169 del 12 Marzo, 1996*. It is worth remembering that European Union is part of the Madrid System as a signatory of the Protocol (from October 1, 2004).

³⁰ This Agreement has been revised several times and is now in force in the text approved in Geneva in 1977 and subsequently amended in 1999. Italy has ratified the Convention with *Legge n. 243 del 27 Aprile, 1982*.

³¹ The Treaty was implemented by Italy with *Legge n. 102 del 29 Marzo, 1999*.

³² A large part of the participating Countries accepted it with reluctance; and this is especially true for developing countries which grudgingly have accepted the high standards of Intellectual Property Protection sanctioned by it (§ *Intellectual Property and the Chinese Syndrome – Chapter 3 para. I*). They were moved, on the one hand, by the hope that joining this multilateral convention would have been protected from unilateral sanctions, that loomed on the horizon, and on the other hand from the desire to access the commercial advantages deriving from the participation in the WTO, which is conditioned upon joining the TRIPs Agreement. Even in the specific matter of IPRs, from many of the provisions of the Agreement transpires tension between the statement of an accentuated protection of the rights (desired by the most advanced countries) and the concern (of developing countries) to contain their monopolistic significance.

Agreement is Annex 1C of the Marrakech Agreement establishing the World Trade Organization (WTO). The aim of TRIPs is to reduce the gap in the protection of IP in the various States and, to pursue this objective, it sets International rules to be implemented in all Signatory Countries. Among others, it imposes some basic principles such as the principle of *national treatment* and *the most-favored-nation principle*³³³⁴.

1.3 European and National Civil Trademark legislation: a joint analysis

Regarding Internal Civil sources of law, the relevant ones are the Civil Code (Art. 2569-2574) and the Industrial Property Code (I.P.C., Art. 7-30), which came into force for the first time in 2005, replacing the Trademarks Law of 1942. The I.P.C. has also undergone numerous amendments, most recently with the Legislative Decree of February 20th, 2019, n. 15.

As a member of the European Union, Italy has the obligation to implement the regulations and directives of the Union issued in order to harmonize the laws of all member countries. Precisely by virtue of this obligation, with Legislative Decree n. 15 of 2019, Italy has implemented Regulation (EU) 2017/1001 of the Parliament and Council of 14 June 2017 and Directive (EU) 2015/2436 of the European Parliament and Council of 16 December 2015. The first one is aimed at the codification of trademark law, the second one is aimed at its recasting. In the light of the latest regulatory interventions, the Italian and European substantive rules on trademarks coincide and it is therefore possible to proceed to a joint analysis.

Preliminary question is “what” can be registered as a trademark. Art. 7 I.P.C., Article 3 EUTMD³⁵ and Art. 4 EUTMR³⁶ indicate that “all signs, in particular words, including names of persons, drawings, letters, figures, sounds, the shape of the product or its packaging, color combinations or shades, provided they are suitable may be registered as trademarks: (a) to distinguish the products or services of an enterprise from those of other enterprises; and (b) to be represented in the register in such a way as to enable the competent authorities and the public to determine clearly and precisely the object of the protection conferred on the holder”. If only one of these requirements is missing, the sign cannot be registered as a trademark and, if the registration has taken place in any case, it can be declared invalid. The Article of the I.P.C. has been amended as a result of Legislative Decree 15/2019, which, among other innovations, has eliminated the requirement of *graphic representability of the sign*, paving the way for the registration of so-called non-traditional trademarks, such as sound, olfactory and luminous trademarks. Ultimately, for the purposes of registrability it is necessary that it is a sign, that has *distinctive capacity* and that is suitable to be represented in the IP Register.

The above-mentioned Regulation, in Art. 7, identifies the so-called *absolute grounds for refusal*, enumerating all those cases in which the sign cannot be registered as a trademark (e.g., signs or indications which have

³³ *The most-favoured-nation principle* is that principle according to which no less favourable conditions may be imposed on a State than those granted to another WTO member State: specifically, the former must be granted the same conditions already granted to the latter.

³⁴ GROVES P., *A dictionary of Intellectual Property Law*, Cheltenham, Edward Elgar Publisher, 2011, p. 313.

³⁵ *European Trademark Directive 2015/2436*.

³⁶ *European Trademark Regulation 2017/1001*.

become customary in the current language or in the bona fide and established trade practices, or contrary to public policy or to accepted principles of morality). It may be interesting to dwell on the term “absolute”, these are facts, totally obstacles to registration. This entails two corollaries: first, the term “absolute” refers to an intrinsic characteristic of the sign that is not eligible for registration, which can be easily evaluated by the competent offices; second, the absolute nature of the impediment makes it possible to identify a public or general interest in the refusal of registration, which means that - if the registration has taken place - anyone can promote an action of invalidity.

Absolute grounds for refusal are distinguished from the *relative ones* by the fact that they are *per se* hostile to registration. The assessment of the existence of a relative ground for refusal depends on the existence of an earlier registered trademark or by the existence of third-party rights. Analysing in more detail the absolute grounds for refusal, there is a tripartition³⁷: the first category concerns all those signs that do not fall under the statutory notion of trademark for in Art. 4 EUTMR; the second concerns signs that are not distinctive, are descriptive and generic; third and last category is that in which fall the signs contrary to public order or morality, those that are deceptive to the public, unlawful or those signs whose application for registration was made in bad faith. These three types are grouped together for a simple reason: paragraph 3 expressly provides that they can be registered if “the trademark has acquired, for all the goods or services for which registration is requested, a *distinctive character* as a result of the use made of them”. This paragraph introduces an interesting concept: the fact of having acquired a distinctive character among the public. In fact, if initially the trademark did not have the necessary requisites to be properly registered because it was not suitable to perform the typical functions of the trademark - it was not distinctive or was descriptive - following the use that is made of it, it could happen that the consumer is able to associate that good to the individual producer, thus recognizing a distinctive character. In this way the impediment is bypassed.

Paragraph 2 provides, as a general aspect, that the sign cannot be registered as a European trademark if one of these hypotheses is integrated even in a part of the Union. In fact, in order to be registered as a European trademark, the sign must meet the requirements of validity in all Member States³⁸.

³⁷ The first group consists only of point a) of paragraph 1, where there is a reference to Art. 4, i.e., the definition of what can constitute a European trademark. This discipline provides that it must be a sign endowed with distinctive capacity and suitable to be represented, now with any mode, in the IP Register. The second group concerns signs without distinctive character (letter b), the signs that are used to indicate the species, quality, quantity, destination, value of the geographical origin or the time of manufacture of the good or service (letter c), finally the signs that are commonly used in commerce (letter d). Finally, in the third category fall all those hypotheses in which the sign is contrary to morality or public order (letter f), it is deceptive (letter g), there is no authorization of the competent authority to register it (letter h), they are badges, emblems or coats of arms (letter i), or of trademarks excluded from registration in accordance with the legislation of the Union or of a Member State on the protection of designations of origin or geographical indications (letter j), are also excluded from the registration of trademarks that violate the European legislation on the protection of mentions traditional for wines or international agreements (letter k), those that violate EU legislation on the protection of traditional specialties guaranteed (letter l), and finally the brands that contain or reproduce a plant variety already registered in accordance with European or other state legislation member for the protection of rights relating to plant varieties and which are of the same or related species.

³⁸ See *CJEU, case C-84/17P, C.85/17P and C-95/17P. SOCIÉTÉ DES PRODUITS NESTLÉ AND A./MONDELEZ UK HOLDING AND SERVICES*. “Although it is not necessary for the registration of a mark which is *ab initio* devoid of distinctive character in all the Member States of the Union, for each individual Member State to provide evidence of the acquisition of distinctive character by that mark following use, the evidence provided must make it possible to prove such acquisition in all the Member States of the Union”.

Among the absolute grounds mentioned in Art. 7 EUTMR³⁹ there are some specific ones for *shape marks*. It is expressly provided that are excluded from registration all those trademarks whose shape is imposed by the nature of the product, if it is functional to obtain a certain result or if it is an ornamental shape, such as to give a substantial value to the product. In European Trademark law, all the hypotheses hindering the registration of the trademark are homogeneously gathered in a single Article. On the opposite, the Italian law identifies as requirements of validity: the distinctive capacity (Art. 13), the novelty of the product (Art. 12) and lawfulness (Art. 14). The lack of one of these involves the rejection of the application for registration. Despite stylistic differences, the circumstances that prevent trademark registration are identical. In the I.P.C., Art. 7 provides for the “*statutory requirements*” referred to in Art. 4 of the Regulation. In this case, in order to be the object of registration, it is necessary that it will be a sign capable of distinguishing the applicant's goods or services from the goods or services of other companies and there is the suitability to be represented in the Register. The absence of one of these elements is an obstacle to registration, as well as a ground for invalidity of the mark within the meaning of Art. 25 I.P.C. With regard to the impossibility of registering descriptive signs that cannot be distinguished or used in the course of trade to indicate the species, quality, quantity, destination, value, geographical origin or the time of manufacture of the good or service, there is Art. 13, named as “distinctive ability”, which marks the discipline. The Italian legislator, in the first paragraph, excludes the registrability of signs that are devoid of distinctive character, specifying in letters a) and b) which types of signs fall within it⁴⁰.

Paragraph 3⁴¹ incorporates the provisions of paragraph 3 of Art. 7 of the Regulation, introducing the mechanism that some scholars define as “rehabilitation” of the trademark⁴², referring precisely to the phenomenon of acquired distinctiveness. Also, in the I.P.C. there are limitations to the registrability of the form as a trademark. Art. 9, named as “shape marks and other non-registrable signs”, contains the same limitations provided by Art. 7, paragraph 1, letter e).

In general, this obstacle is aimed at ensuring competition in the market and, no less important, the collective interest in technological development. In fact, the forms that, for example, increase the usefulness of a good, the so-called *functional forms*, can be the subject of patent protection for twenty years without possibility of renewal. After the time limit recognized to the exclusivity of the patent, the invention or in any case the technological evolution becomes public domain. If registrability as a trademark of form was also allowed, this technological development could never potentially benefit the community because the protection of the trademark is renewable on expiry, unlimitedly.

³⁹ “The signs constituted exclusively: i) by the shape, or other characteristic, imposed by nature itself, ii) the shape, or other characteristic of the product necessary to obtain a technical result; iii) the shape or other characteristic that gives a substantial value to the product”.

⁴⁰ Specifically, letter a) deals with the signs “become of common use”, a provision that corresponds exactly to letter d) of Art. 7 EUTMR; below, letter b) deals with the signs that in trade can serve to designate, the species, quality, quantity, destination, value, geographical origin or the time of manufacture of the goods, fully reflecting the provision of letter c) of Art. 7 EUTMR.

⁴¹ “The trademark cannot be declared or considered invalid if, before the application or the objection of invalidity has been filed, the sign which is the subject of the trademark, as a result of the use made of it, has acquired distinctive character”.

⁴² See VANZETTI A., DI CATALDO V., op. cit., p.175 and ff.

The third category, finally, has been outlined by the Italian legislator in Art. 14, “lawfulness and right of third parties”⁴³. At European level, the so-called grounds for refusal, mentioned above, are then identified (Art. 5 EUTMD). The relative grounds for refusal indicate other hypotheses in which the trademark cannot be registered. In this case, they do not detect intrinsic impeding characteristics of the sign but the existence of prior rights. In fact, the relative grounds are invoked, during the opposition, by third parties whose right would be infringed in case of registration of the subsequent trademark⁴⁴⁴⁵.

The discipline on the relative impediments has been implemented by the Italian legislator through the implementation of the requirement of novelty, first by means of Legislative Decree 131/2010 and then by Legislative Decree 15/2019, which lastly updated the discipline in the field of well-known trademark. Just as the Regulation and the European Directive do not refer to novelty, so the I.P.C. does not mention the impediments; however, the hypotheses of rejection of the application in one case or another are the same.

The requirement of novelty, set forth in Art. 14, consists in the fact that the trademark applied for is not yet registered, or is not the subject of an earlier application for registration, by other entrepreneurs as a distinctive sign characterizing their business activity⁴⁶⁴⁷.

1.4 National Criminal legislation

⁴³ The registration cannot include those signs which, according to letter a), are contrary to law, public order or morality, and according to letter b), those signs considered deceptive as provided respectively by letters f) and g) of Art. 7 of the Regulation. The following letters reproduce the hypotheses referred to in letters j), k), l), m) of Art. 7 EUTMR. As regards instead the impossibility to register signs and emblems, referred to in letter i) of Art. 7, the Italian legislator has dedicated the entire Article 10, “Coats of arms”, to its discipline.

⁴⁴ In particular, the trademark cannot be registered if there is an identical earlier trademark and the sign subject to registration refers to goods and services identical to those for which the first one has been registered or if, due to the identity or similarity between the trademarks and between the goods and services covered by them, there is a likelihood of confusion for the public, which may also consist in a likelihood of association between the two signs. The provision goes on explaining what is meant by “earlier trademark”. This terminology refers, first of all, to the trademark whose application for registration is prior to the application for the second trademark, also taking into account any priority rights asserted in relation to European trademark registrations, applications for trademark registration with the Benelux Office, national trademarks and International trademarks; it also refers to trademarks that have already successfully passed the registration process. The same Article, in paragraph 3, provides that “a trademark is excluded from registration or, if registered, may be declared invalid” when it is identical or similar to another earlier registered trademark in relation to goods or services identical, similar or not similar to those indicated in the application for registration of the later trademark if the former enjoys the status of reputation and “the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark”.

⁴⁵ Art. 5 (4) EUTMD. Also excluded from the registration is the trademark that may infringe rights previously acquired in relation to a non-registered trademark (de facto trademark), or if the prior rights that could be infringed by the subsequent registration are the inviolable rights of the person. Finally, it is excluded from registration if the application is made in bad faith.

⁴⁶ The novelty is missing whenever there is a risk of confusion, which can also consist in a risk of association, if: they are identical or similar signs used as a trademark by others for identical or similar goods or services (letter a); whether identical or similar to other distinctive signs used by others for identical or similar goods or services (letter b); these are signs identical to a trademark already by others subject of an earlier application or with effect from an earlier date by virtue of a right of priority or a valid seniority claim, for identical goods or services (letter c); whether identical or similar signs are involved to a trade mark already from other earlier applications or having effect from an earlier date by virtue of a right of priority or a valid claim of seniority, for identical or similar products or services (letter d); whether they are signs identical or similar to a trade mark already applied for by others or having effect from earlier date by virtue of a right of priority or a valid seniority claim, for identical, related or unrelated goods or services, when the earlier mark enjoys the status of repute, and when using the next one without good reason would unduly benefit from the distinctive or by the reputation of the previous sign or would be prejudicial to the same (letter e); whether they are signs identical or similar to a trademark already known for goods or services that are identical, related or not similar, if the front sign has a reputation (letter f).

⁴⁷ By virtue of the principle of the unity of the distinctive signs (Art. 22 I.P.C.) it is forbidden to adopt as a company, sign and domain name or other distinctive sign a sign similar to another's trademark if, due to identity or of the affinity between the business activities, there may be a risk of confusion for the public which may also consist of a risk of association between the two signs.

The original system of criminal protection of distinctive signs was made up of criminal offences mostly located within the Italian Criminal Code, although in different topographical contexts. And in fact - apart from the criminal offence provided for by Article 67 of Royal Decree no. 929 of 21 June 1941 (Trademark Law) - the system of criminal protection of distinctive signs was based on the crimes mentioned by Art. 473⁴⁸ and 474⁴⁹, included in Title VII of the Criminal Code among the crimes *against public faith*⁵⁰, and on the crimes provided by Art. 514⁵¹ and 517⁵², included in Title VIII within the crimes *against the public economy, industry and trade*⁵³.

As far as registered trademarks are concerned - considering that the case described by Art. 514 of the Italian Criminal Code, being focused on the macro event of damage to the national industry, has always been devoid of real operational potential - the core of the plant was constituted by the crimes described by Art. 473 and 474 of the Italian Criminal Code, aimed at configuring a “public” protection model, focused on the danger of deception and aimed at protecting the public's trust of potential buyers in the distinctive function of the trademark (*Herkunftsfunktion*), in which the trademark is protected as a mark against imitations capable of deceiving potential buyers on the origin of the product.

Now, the logic of conduct wants those different points of view to be, exactly, the different ways of understanding the function that is protected within the brand. And indeed, if counterfeiting is roughly equivalent to imitating, the trademark will obviously be the object of the imitation and, therefore, its objective function in trafficking gives the extent of the incriminated conduct. For the above-mentioned reason, the choice is between the distinctive function, recalling the origin of the product (*Herhunftsfunhtion*), the guarantee function of its quality requirements (*Garantiefunhtion*) and the suggestive or persuasive or “collecting”

⁴⁸ Paragraph 1 of Art. 473 of the Italian Criminal Code provides: “Whoever, being aware of the existence of the IP title, counterfeits or alters national or foreign trademarks or distinctive signs of industrial products, or whoever, without being involved in the counterfeiting or alteration, makes use of such counterfeited or altered trademarks or signs, shall be punished with imprisonment from six months to three years and a fine ranging from 2,500 to 25,000 euros”. The last paragraph continues: “The offences provided for in the first and second paragraphs (on the subject of counterfeiting/unlawful use of national or foreign *patents, designs or industrial models*) are punishable provided that the rules of Internal laws, Community regulations and International conventions on the protection of Intellectual or Industrial property have been observed”.

⁴⁹ “Outside the cases of complicity in the offences provided for in Art. 473, anyone who introduces into the territory of the State, in order to gain profit, industrial products with trademarks or other distinctive signs, whether national or foreign, counterfeited or altered, shall be punished with imprisonment from one to four years and a fine ranging from 3,500 to 35,000 euros. Outside the cases of complicity in the counterfeiting, alteration, introduction into the territory of the State, anyone who holds for sale, puts on sale or otherwise puts into circulation, in order to make a profit, the products referred to in the first paragraph shall be punished with imprisonment of up to two years and a fine of up to 20,000 euros”.

⁵⁰ Public faith, therefore, in the sense that it is a trust placed in the sign's attestations by the indeterminate public of consumers: on the whole problem and its historical development see MARINUCCI G., *Il diritto penale dei marchi*, Milano, Giuffrè, 1962, p. 49 and ff.

⁵¹ “Whoever, by putting industrial products on sale or otherwise putting them into circulation, on domestic or foreign markets, with names, trademarks or distinctive signs [2563-2574 *Italian Civil Code*] counterfeited or altered [473, 474 *Italian Criminal Code*], causes damage to the national industry, is liable to imprisonment for a period of between one and five years and a fine of not less than 516 euro. If the rules of internal laws or International conventions on the protection of Industrial Property have been observed for trademarks or distinctive signs, the penalty is increased and the provisions of Art. 473 and 474 [*Italian Criminal Code*] do not apply”.

⁵² Aimed at preventing the deceptive use of signs capable of affecting the buyers' judgement in relation to the origin, quality and geographical origin of industrial products.

⁵³ See MANCA G., *La tutela penale della proprietà industriale e della struttura produttiva italiana. Prospettive e ripercussioni della legge 23 luglio 2009, n. 99*, Padova, CEDAM, 2009, p. 84 and ff.

function, exercised by the trademark itself (*Werbefunktion* and *Werbehaft*)⁵⁴. Consequently, the yardstick to judge whether a trademark represents the counterfeiting of another one could be, respectively: its aptitude to reconnect the products on which it is affixed to the producer source; the suitability to attribute to those products the qualities that the trademark guarantees and identifies in its products; or, finally, the ability to exert in the market the same type of suggestion and persuasion aroused by virtue of its ideal or figurative content or the ideas it evokes (*intrinsic symbol value*) or the intense advertising it has been subject to (*persuasive advertising value*)⁵⁵.

In a criminal perspective, within the genre defined by the term “counterfeiting of signs”, different conducts can be grouped, for classification purposes, under one or more profiles: legal objectivity (object protected by the incriminating provision), material object, type of conduct. Bearing in mind the resulting fragmentation of the punishable types, a gender classification can nevertheless be drawn including the forms of aggression impacting on trademarks (Art. 473 and 474 of the Italian Criminal Code), distinctive signs or other signs indicative of the provenance or origin of the products (Art. 517 of the Italian Criminal Code) and geographical indications and designations of origin of agricultural and food products (Art. 517-quater of the Italian Criminal Code).

The tripartition proposal can be further defined in the following terms: (i) counterfeiting of trademarks, which may consist of counterfeiting in the strict sense and alteration (Art. 473, 474 Italian Criminal Code); or the usurpation or violation of (Art. 517-ter Italian Criminal Code); (ii) counterfeiting of distinctive or other signs, requesting the deception of the buyer with regard to the origin or quality of the products (Art. 517 Italian Criminal Code; Art. 4, paragraph 49, Law of December 24th, 2003, n. 350); (iii) counterfeiting of geographical indications and designations of origin of agri-food products (Art. 517-quater Italian Criminal Code), which manifests itself through the counterfeiting and alteration, inter alia, of PDO⁵⁶ and PGI⁵⁷ related to agricultural products and food (EU Regulation N. 1151/2011), wines (EU Regulation N. 1308/2013) and spirits (EC Regulation N. 110/2008).

Moving immediately towards the subject of interest, it is useful clarifying that, in the Italian context of the criminal protection of trademarks under Art. 473 and 474 of the Criminal Code, the notion of counterfeiting includes both the conduct resulting in the *pawn-off reproduction*, i.e., an integral reproduction of the trademark of others through the counterfeit sign (*counterfeiting in the strict sense*), and the hypothesis of *partial imitation of the trademark of others (alteration)*⁵⁸. It should be noted that the aforementioned notion of alteration, widely

⁵⁴ For a complete overview of the functions performed by the trademark in the market see BUSSE R., *Warenzeichengesetz*, Berlin, De Gruyter, 1960, p. 1 and ff.; REIMER E., *Wettbewerb und Warenzeichenrecht*, Berlin, Heymanns, 1954, p. 14 and ff., and, in Italian literature, VANZETTI A., DI CATALDO V., op. cit., passim; MARINUCCI G., already quoted, p. 11 and ff.

⁵⁵ *Ibidem*.

⁵⁶ Protected Geographical Indication.

⁵⁷ Protected Denomination of Origin.

⁵⁸ “As already observed by this Court in the reasoned part of *Sentence no. 17108/2015 of 21/10/2014*, cited in the same order under appeal, while the concept of infringement, for the purposes of criminal protection, presupposes the full reproduction in all its emblematic and denominative configuration of a trademark or distinctive sign, for alteration constituting conduct also punishable under Art. 473 and 474 of the Criminal Code, means the reproduction only partial but such as to be confused with the original trademark or distinctive sign” (*Criminal Supreme Court of Cassation, Section V, Judgment, (08-05-2018) 19-07-2018, no. 33900*).

established in the application, departs from the traditional doctrinal approach in mind of which this form of aggression would include the cases (which are not frequent) of tampering with a genuine trademark, where the result leaves a deceptive potential. In both cases, the creation of a counterpart of the authentic trademark is required: that is, there must be a very high degree of similarity between the trademarks. In the case of sequential reproduction, this similarity is resolved in a real identity. In the case, instead, of partial imitation or alteration, the similarity is relevant if the trademark, even if it also contains autonomous elements, strongly recalls the original one in its essential and characterizing elements. For this type of counterfeiting to exist, it is not necessary that the counterfeit trademark is capable of misleading the consumer as to the real entrepreneurial origin of the product bearing the counterfeit sign. Therefore, the notion of trademark infringement requires the only full or partial reproduction of the trademark of others, connoted in the above terms, without the further element of a concrete misleading of the purchaser and not even of a real potential in this sense.

In the context of the above-mentioned crime figures, trademark counterfeiting is therefore constructed as a type of danger, calibrated as an abstract legal good with a publicist content (collective interest): the public faith, sub species of consumer confidence in the symbolic means of recognition and distinction of the source of origin of the product. It is clear that such protection also affects the individual interest within economic and patrimonial content, related to the ownership of the right in question (or bundle of rights), and the exclusivity of its exploitation. Without dwelling on the albeit relevant identification of the protected asset or on the current interpretative currents that suggest a multi-offensiveness of the cases referred to in Art. 473 and 474 of the Italian Criminal Code, in practical terms it is good to highlight that the public profile of the legal objectivity, as well as the protection technique prepared (typicality), clearly determine, as will be said, a clear anticipation of the protection threshold. Moreover, it is appropriate to note how such a notion - resulting from the combination of political-criminal, interpretative and applicative choices - can also be grasped in its value of an empirical and procedural nature: the ascertainment of the counterfeit under the species of effective deceptive result to the detriment of an identified consumer would in many cases prove to be difficult or impossible.

Returning then to the substantial dimension of the type of protection, it should be noted that an event of induction in error would profoundly alter the scope of application of the criminal defence, reducing and delaying the application spectrum; it would assume that patrimonial background that the typical facts of Art. 473 and 474 of the Italian Criminal Code, as will be specified, do not manifest. Not only is the event of misleading the consumer not required (ex post): also, the deceptive potential (although intrinsically associated with the concept of counterfeiting/alteration of a sign of recognition) is interpreted in terms of marked anticipation of protection. As said, only the objective quality of the result of the illegal action comes to light: the abstract attitude of the counterfeit sign to be ex ante confused with the original trademark. If one wishes to speak of the suitability to mislead, it is fundamental to bear in mind that, according to the consolidated and prevalent orientation of jurisprudence, this potential deceptive should not be calibrated on the interaction with

a given buyer or potential buyer, case by case; but should be assessed in the abstract, with reference to the reliable ex ante behaviour of an *average consumer*. It does not matter, on the other hand, whether the individual buyer is able to exclude, in a given case, the genuineness of the product⁵⁹.

It can be further observed how the jurisprudence, in the application of Art. 473 and 474 of the Italian Criminal Code, tends not to value the criterion of the offensiveness of the cases in selective terms. If anything, there is an opposite trend: the protected good - public faith - is mentioned in the grounds in order to express a line of interpretation based on inclusion, in order to maintain despite the fact that in the case in point there is no concrete danger - not even ex ante - of misleading a specific consumer, the offence also exists. Typically, this happens in cases of recognisable forgery and even in the hypothesis of the so-called copyright forgery, which exists when the display or circulation of the goods is accompanied by messages that expressly warn the consumer about the non-authenticity of the trademark affixed to the goods.

Naturally, the criminal protection can operate for counterfeits or alterations that concern products identical or similar to those for which the trademark has been registered. Only in the case of a well-known trademark, the criminal protection may concern products not similar to those for which the trademark has been registered, provided that it generates a risk of confusion for consumers. It is also useful to note that such a “deception of public faith” is not determined by the commercial dynamics of the purchase or circulation of the good, nor does it find in it a constituent element or profile indirectly relevant in the assessment of the fact. In Art. 473 of the Italian Criminal Code, the conduct of counterfeiting is integrated by the deed itself, which leads to the material existence of the non-genuine trademark and is independent of the physical affixing of the distinctive sign on the product or on its packaging. On the other hand, the use of the trademark - previously counterfeited or altered by others - constitutes a separate case, also contemplated in Art. 473, paragraph 1, of the Italian Criminal Code, in a logic of progression: well, the affixing of the non-genuine trademark on the product falls within this second and separate typicality.

When it is correlated to events also characterised by the transfer of the goods to the consumer, the counterfeiting conduct exists pursuant to Art. 473 of the Italian Criminal Code regardless of the circumstance that the purchaser was aware of the counterfeiting. In this perspective, some judicial rulings - again, starting from the public legal objectivity of the case - motivate the decision by observing that the offence to the protected goods is not only and not necessarily caught at the time of purchase, but also as a result of the subsequent circulation of the goods bearing the counterfeit trademark. This is because, even at the subsequent moment of use of the goods bearing the counterfeit trademark, by the purchaser (and therefore with its material

⁵⁹ The Court adheres to the far majority orientation of the jurisprudence of legitimacy, according to which it integrates the crime referred to in Art. 474 of the Italian Criminal Code, the possession for sale of products bearing a counterfeit trademark, without any relevance to the configurability of coarse counterfeiting, considering that Art. 474 of the Criminal Code protects, primarily and directly, not the free determination of the buyer, but public faith, understood as the citizens' trust in the trademarks and distinctive signs, which identify the intellectual works and industrial products and guarantee their circulation also to protect the owner of the trademark; it is, therefore, a crime of danger, for the configuration of which it is not necessary to carry out the deception, thus not resorting to the hypothesis of the impossible crime if the coarseness of the counterfeiting and the conditions of sale are such as to exclude the possibility that the buyers may be deceived (*Section V, n. 5260 of 11/12/2013, dep. 2014; Faje case; Section II, n. 20944 of 04/05/2012, Diasse case*) (*Criminal Court, Sec. II, Sent., 13-12-2018, no. 5238*).

circulation), the injury to the distinctive value of the sign is materialised and manifests itself in the perception of the generality of the associates.

As regards the translation of the substantive notions that have so far been reflected in the corresponding parameters of procedural assessment, the assessment of the abstract suitability of the counterfeit trademark to be confused with the genuine one is of a synthetic nature and must take into account both the overall impression and the category of consumers for whom the product is intended.

The jurisprudence and the majority doctrine state that the comparison between trademarks should not take place in a contextual manner, i.e., having the two trademarks in front of each other, since the average buyer - at the time of purchase - does not carry an original trademark to make an analytical comparison; the comparison is indeed made with a mnemonic image of the trademark. It is said, in this regard, that the comparison between the violated and the counterfeit sign (and not between the types of product respectively marked) must be synthetic and not contextual. In other words, the judgement of “confusability” between the trademarks, for the purposes of the application of Art. 473, 474 (and 517-ter of the Italian Criminal Code), must be based on the obvious observation that the purchaser - even the shrewdest one - never has the two contested trademarks in front of his eyes simultaneously: and is led to judge most of the time on the basis of a faded and summary memory of the genuine sign. The judge will have to take into account only this irrepressible fact of the experience, as said, which is widespread and avoided by the abstract notion of a typical consumer. It is therefore irrelevant that the outcome of a detailed examination and a direct comparison between the two marks reveals, in an atomistic way, specific elements of difference or similarity, where the analytical results are destined to elude a rough comparison by the type-consumer.

For the reasons already mentioned, the suitability of the counterfeit trademark to be confused with the genuine one is to be assessed in court - according to the fee described - not only with reference to the moment of purchase, but also in relation to the subsequent moment in which the goods are used by the consumer. The figure of the so-called “post-sale confusion” can be recalled, a phenomenon that empirically impacts the buyer (victim, if anything, of an “*initial confusion*”: as said, not necessary for the purposes of counterfeiting under Art. 473 and 474 of the Italian Criminal Code); but rather on the community of third parties extraneous to a given commercial affair, who see the product circulating reproducing the imitated trademark - used or worn by the purchaser - and thus associate the latter with the memory they retain of the imitated trademark: a mnemonic image necessarily limited to the overall and essential impression of the same. Even the circulation after the purchase can therefore determine the offence to the protected good. Hence, also in such a perspective, the establishment of the methodology of synthetic comparison for the purposes of sifting the existence of confusion and, therefore, of the notion of counterfeiting⁶⁰.

⁶⁰ “... Criminal jurisprudence has reiterated the need for counterfeit goods to be produced in order to confuse the consumer about the originality of the origin on the basis of the uncontested assumption that the trademark has the function of “distinguishing” the certified product from others: it has in fact been affirmed that for the purposes of the integration of the offence referred to in Art. 474 of the Italian Criminal Code, the trademark must be used to “distinguish” the certified product from others, the alteration of trademarks provided for by Art. 473 also includes only partial reproduction of the trademark, which is likely to be confused with the original and to be carried out by means of a synthetic - and not analytical - examination of the trademarks in comparison, which takes into account the overall impression and the specific category of users or consumers for whom the product is intended, especially

1.5 EU fight against Trademark counterfeiting

The relationship between the system of domestic law and the law of the Union takes on special features within the criminal justice system. Surely these peculiarities derive, in first place, from the fact that to admit that there is direct EU criminal competence would result in highly problematic (there seems to be no talk of a criminal sanctioning power), but also and above all for the existence in Italy of the constitutional principle of the absolute reservation of law, dictated by Art. 25 of the Constitution. The purpose of this principle is primary protecting the democratic guarantee in the process of formation of criminal law, with the Parliament as the body representative of the will of the citizens. The European Court of Justice, however, in recognising it, has taken it as general principle of European law by accepting its “limiting” function with respect to Community rules.

The existence of this principle creates quite a few problems with regard to the possibility of attributing criminal authority to the European institutions, due to especially the so-called democratic deficit relating to EU legislative bodies and the encounter between the principle of prevalence of EU law and that of reserve law in the field of domestic criminal law, which determines a paradoxical legal universe, composed on the one hand of rules - community ones - prevailing but incompetent and on the other hand of other rules - national criminal rules - exclusively competent but subordinate to the former⁶¹.

When talking about EU criminal law, one cannot ignore an assumption shared by the most: “as a matter of principle, criminal substantial legislation and the rules of criminal procedure remain within the jurisdiction of the Member States”⁶². There does not appear to be any direct EU criminal sanctioning power⁶³. In fact, the latter does not have its own criminal law, nor is equipped with a judicial and coercive apparatus necessary for the so-called “enforcement” of criminal precepts. In other words, anticipating here the conclusion of our reasoning, the Union does not seem to have the power to carry out incriminating cases directly applicable in the Member States and to establish the relative sanctions, although theoretically this would have been

if it is a famous trademark (*Section 5, n. 33900 of 08/05/2018 - dep. 19/07/2018; Section 2, n. 9362 of 13/02/2015 - dep. 04/03/2015; Section 5, n. 25147 of 31/01/2005 - dep. 11/07/2005*). In addition, EU Directive 2015/2436 on the approximation of the laws of the Member States relating to trademarks has clarified in recital 27 that “the use of a trademark by a third party for the purpose of artistic expression should be considered as correct provided that it complies with fair practices in the industrial and commercial field”. In other words, it is considered that the confusability with the original of the allegedly counterfeited product constitutes an indispensable attribute for the recognition of counterfeiting, which cannot be found in cases where the trademark is used with obvious ironic and parodistic purposes, for the creation of new and original products, characterized by images which, although using the registered trademark, are certainly unsuitable to create confusion with the protected goods, given that the parodistic message that excludes any possibility of confusion is immediately evident'. (*Supreme Criminal Court of Cassation, Section II, Sent. (hear. 21-05-2019) 31-07-2019, no. 35166*).

⁶¹ See SOTIS C., *Il Trattato di Lisbona e le competenze penali dell'Unione Europea*, in Cass. Pen. 3/2010.

⁶² *CJEU, Cause 203/08, 11 November 1981 – Casati case*. Reference for a preliminary ruling: Tribunale di Bolzano, Italy. Free movement of capital - National control requirements.

⁶³ In this sense, SOTIS C. states: “If we had to summarize in one sentence the new provisions following the entry into force of the Lisbon Treaty, we could say that, with the new rules on criminal matters, the European Union becomes definitively competent to carry out the judgement of the need for punishment, but not to exercise punitive power” in *Il Trattato di Lisbona*, op. cit.

possible⁶⁴. On the contrary, it is clear that the Union is endowed with administrative punitive power being able to directly foresee and apply financial sanctions and disqualifications⁶⁵.

Finally, the problematic absence of a democratic and elective basis for community bodies, in particular the Council and the Commission: the former plays a role decisive in the legislative procedure, being the protagonist of the whole part of the procedure, the second, on the other hand, takes on the role of impulse, making itself the “engine” of the Union's regulatory activity. Nor could it benefit - always anticipating such conclusions - to arrive at the opposite thesis, making reference to Art. 86 TFEU⁶⁶, according to which “in order to combat the crimes that interest the financial of the Union, the Council, acting in accordance with by means of regulations in accordance with a special legislative procedure, may establish a special legislative procedure, may establish a Public Prosecutor's Office European, starting with Eurojust (...) competent to identify and prosecute and refer the case, possibly in liaison with Europol, to the Court of Justice, perpetrators of offences detrimental to the financial interests of the Union, as defined by the regulation provided for in paragraph 1, and their accomplices”.

That said, it is not intended to rule out the possibility that, although indirect⁶⁷, an EU competence in criminal matters does indeed exist. Over time, in fact, there has been a gradual and silent approximation of criminal law and EU law. The reason for this lies in the fact that, over the years, there has been an increasingly pressing need for the Union to respond to requests for the protection of Community values, combined with a desire to show an identity and constitutional face capable of bridging the increasingly marked gap between economic integration and cultural and ideological integration.

The role of the European legislator and the Community institutions in the fight against counterfeiting and commercial piracy is indeed of great importance. Considering the pervasiveness of the phenomenon and its transnational roots, it is certainly not sufficient to study and combat the crime at national level, but it is necessary to take decisive action by the European Union in this matter. Although the sale of counterfeit products is fairly homogeneously spread throughout the EU, this does not imply the same sensitivity of the Member States on this matter, because the awareness of the damage caused by counterfeiting is higher where there is a wider spectrum of trademark owners affected by this phenomenon.

⁶⁴ In fact, Art. 11 of the *Italian Constitution*, among other things, “allows, on an equal footing with other States, the limitations of sovereignty necessary for an order that ensures peace and justice among nations; it promotes and favors International organizations aimed at this end”.

⁶⁵ Community administrative sanctions are a consolidated instrument of protection and harmonisation of sanctions. They may present themselves as “decentralised”, provided for in supranational form and applied instead by national bodies, or “centralised”, provided for and applied by community bodies. See BERNARDI A., *L'armonizzazione delle sanzioni in Europa: linee ricostruttive*, in *Per un rilancio del progetto europeo. Esigenze di tutela degli interessi comunitari e nuove strategie di integrazione penale*, GRASSO G., SICURELLA R., Pubblicazioni del Centro di Diritto Penale Europeo, Catania, Giuffrè, 2008, p. 444 ff., and MAUGERI A. M., *Il principio di proporzione nelle scelte punitive del legislatore europeo: l'alternativa delle sanzioni amministrative comunitarie*, in *L'evoluzione del diritto penale nei settori d'interesse europeo alla luce del trattato di Lisbona*, GRASSO G., PICOTTI L., SICURELLA R., Milano, 2011, p. 71 and ff.

⁶⁶ The Treaty on the Functioning of the European Union (TFEU) is one of two treaties forming the constitutional basis of the European Union (EU), the other being the Treaty on European Union (TEU; also referred to as the Treaty of Maastricht).

⁶⁷ Indirect because the minimum standards contained in the harmonisation directives do not have direct effect.

Originally, as also stated in the 1998 Green Paper on Combating Counterfeiting and Piracy in the Internal Market⁶⁸, the European Community (EC) had intervened in the field of Intellectual Property on the one hand to harmonize existing national systems and on the other to create new rights. In particular, the Community's action had developed as a priority towards the protection of external borders, as early as 1986, with the prohibition of the release for free circulation of counterfeit goods. The Community had subsequently produced a regulation on the Community trademark, with the Regulation (EC) n. 40/94 of December 20th, 1993, later replaced by the following Regulation (EU) 2017/1001. The original Regulation established a system that allowed the Office for Harmonisation in the Internal Market (OHIM) to issue Community trademarks. Thanks to a single application for registration submitted to OHIM, the Community trademark obtained a unitary character, such as to produce the same effects and obtain a uniform protection benefit throughout the Community territory.

In the following years there was a need to obtain a strengthening of Industrial Property rights in the Community and to approximate the legislation of the States. This led to the approval of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004, the so-called Enforcement Directive, aimed at “ensuring substantive law in the field of Intellectual Property” which, in the words of recital 3, was already fully part of the Community *acquis*. The directive in question also provides for specific measures aimed at ensuring judicial protection, transposing certain guidelines included in The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), such as the return of profits made by the infringer. The operation of Community harmonization in the framework of industrial property is not limited to the above-mentioned directive. With Directive 2008/95/EC⁶⁹ of the European Parliament and of the Council of 22 October 2008, it was sought to achieve an approximation of the laws of the States also with reference to trademarks registered at national level, in order to promote the free movement of goods and services and free competition in the Single Market. The act in question indicates which are the signs that may constitute a trademark, which impediments may prevent registration, which are the grounds for invalidity and finally which are the rights conferred by the trademark.

In the course of time, the original Regulation 90/94 on the Community trademark had undergone numerous modifications, so much so that a new text was necessary. The regulation in question has been replaced by Council Regulation (EC) No. 207/2009⁷⁰ of 26 February 2009. The Regulation in question has the ambition to simplify and harmonize the registration procedure, also at the level of Member States, with reference to the Community trademark system, and aims to modernize the provisions, also through the incorporation of the extensive case law of the Court of Justice on the subject.

⁶⁸ *Green Paper on Combating Counterfeiting and Piracy in the Single Market*, COM (98) 569. October 15th, 1998. Available at: http://aei.pitt.edu/1212/1/counterfeiting_gp_COM_98_569.pdf.

⁶⁹ Now, *Directive (EU) 2015/2436*.

⁷⁰ Now, *Regulation (EU) 2017/1001*.

The Community Regulation EC n. 1383/2003, now replaced by Regulation (EU) n. 608/2013⁷¹, concerning customs intervention on goods suspected of infringing property rights intellectual of others. The objective of the new regulation is to broaden the scope of intervention of European customs agencies and to harmonize and simplify their procedures in the Union. The application of European legislation is, therefore, left to the national authorities, first of all the customs agencies, which have a central role in the fight against counterfeiting. In fact, they are the only institutions to which it has been assigned specific competence within the legal regime of the TRIPS Agreements: “Member States shall ensure that their national legislation is such as to permit effective action against any infringement of intellectual property rights covered by this Agreement, including expeditious measures to prevent such infringements and corrective measures which constitute a deterrent against all further infringements [...]”⁷².

The Regulation (EU) No 608/2013, Art. 2(5), qualifies as “counterfeit goods”: a) goods which are the subject of an act infringing a trademark in the Member State in which they are located and which is a sign that is identical to the one validly registered for the same types of goods, or that cannot be distinguished in its essential aspects from such trademark; b) goods subject to an act that violates a geographical indication in the State member in which they are located and to which a protected name or term has been affixed with respect to such geographical indication or that are described by such name or term; c) the packaging, the label, sticker, prospectus, information leaflet, guarantee document and any other similar element, even presented separately, which is the subject of an action that violates a trademark or geographical indication, which contains a symbol, a name or a term that is identical to a validly registered trademark or a protected geographical indication, or which cannot be distinguished in its essential aspects from such trademark or geographical indication, and which may be used for the same types of goods for which the trademark or geographical indication has been validly registered. The same regulation also introduces the mandatory simplified destruction procedure for all infringements of Intellectual Property rights where the declarant or holder of the goods does not object to the destruction. In this way, customs authorities can always proceed to the destruction of goods suspected of infringing an intellectual property right, without it being necessary to ascertain whether the infringement actually exists, if, within 10 working days of notification of the detention of the goods (3 days in the case of perishable goods): a) the applicant for customs intervention confirms that the goods are counterfeit goods and demands their destruction; b) the holder of the infringing goods confirms that it can proceed to the destruction. On the other hand, the intervention procedure of the customs authorities has remained unchanged right having suspicion that a certain commodity entering the Union may infringe the own right on a trademark, model or patent, that sends a request for activation to the agency customs.

⁷¹ *Regulation (EU) No 608/2013* of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of Intellectual Property rights and repealing *Council Regulation (EC) No 1383/2003*.

⁷² Art. 41, par. 1, TRIPS: “Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse”.

In order to further combat the phenomenon of counterfeiting, it should be noted that the new Regulation (EU) No. 2424/2015 has provided new measures not only to prevent the entry but also the release of counterfeit products in all customs situations, including transit, transshipment, warehousing, free zones, temporary storage, inward processing or temporary admission, even when these products are not intended to be placed on the Union market. The reform marks a step forward compared to the previous orientation of the European Court of Justice, which considered the passage through the territory of the European Union a necessary condition but not sufficient to detect an infringement of an IPR⁷³. The second necessary condition, in fact, was the distribution, within the Union, of the goods in question. If, on the other hand, it was not intended to be put up for sale in the EU market, the same could not be qualified as counterfeit goods. As a result of this decision, customs saw a significant reduction in the possibility of seizing suspected counterfeit goods, except for proving their destination for sale, which is difficult to accomplish because of the rapid timescale within which customs operations must be carried out⁷⁴.

Since May 2011, the European Commission has also started a rethinking of the organization of the OHIM, assuming the inclusion of tasks related to the protection of intellectual property in addition to the traditional tasks of trademark and patent registration. In this vein lies the Regulation (EU) n. 386/2012 of the European Parliament and of the Council of 19 April 2012 which, in addition to expanding the tasks of OHIM, has also entrusted the Office with the management of the European Observatory on Infringements of Intellectual Property Rights, born in 2009 under the name of European Observatory on Counterfeiting and Piracy. The new positioning within the OHIM finds its *raison d'être* in the need to provide the Observatory with more financial resources and staff, given the coverage offered by the Office and considered the possibility of drawing on qualified staff from the OHIM itself. The development dictated by the Regulation in question is also the result of the experience gained by the Office for Harmonization in the Internal Market, through cooperation with the offices for intellectual property and the close relationship with other organizations operating in the field of trademark and design rights. In the new text, OHIM's tasks have been increased, with the aim of disseminating knowledge of best practices in use in the public and private sector for the protection of intellectual property rights, raising public awareness, improving the skills of staff involved in the protection of intellectual property rights, improving the online exchange between authorities of States and promoting international cooperation with intellectual property offices in third countries.

With regard specifically to the food sector, EU had already adopted a legal framework for geographical indications and designations of origin for agricultural products and foodstuffs since 1992. For the purposes of our discussion, it is useful to underline that the EU has in recent years partially revised the framework on this issue through Regulation (EU) No. 625/2017 of the European Parliament and of the Council on official

⁷³ *CJEU, joined cases C-446/09 and C-495/09, judgment of 1 December 2011, Nokia v. Philips*. The Court, in the present cases, had held those goods for which it was not possible to classify as counterfeit and were not demonstrable they were intended to be placed on the Community market.

⁷⁴ See GUIZIOU K., *Douanes et lutte anti-contrefaçon*, Paris, IRPI, 2014, p. 8.

controls and other official activities performed to ensure the application of food and feed law, rules on animal health and welfare, plant health and plant protection.

1.6 Registered trademarks

After analysing the substantive discipline, both civil and criminal one, it is possible now to proceed to the various classifications of trademarks, the effects resulting from the registration and its renewal, and then the modification and extinction events such as the transfer, decay and nullity and, finally, the extinction. These premises are necessary for the purposes of infringement action (infringement).

Preliminary problem concerns the meaning of the term “sign”. It is not given an exhaustive definition, neither at national level nor at European level, it is therefore considered that the definition is really broad even if not without limits. The Art. 4 EUTMR and Art. 7 I.P.C. refer to “all the signs”, providing a list of what surely falls into the category⁷⁵. The question that may arise is whether this list is exhaustive or merely illustrative. It is safe to assume that it is a mere example, it has already been said that potentially any sign can be registered, provided it complies with the legislative requirements.

The first type of classification that we will address is based on the activity carried out by the trademark owner: factory trademarks and trademarks of commerce can be distinguished⁷⁶. The first are the marks affixed on the single element that will go to constitute, together with others, the finished product. From this it follows that on the finished product it will be possible to find several trademarks, one for each assembled element. The trademark, instead, is the one affixed on the finished product before being put on the market. It is clear that, at the end of the production process, there is the coexistence of several trademarks on the product: in this case, specific requirements are provided for the trader. In particular, it is legitimate for the latter to affix his trademark on the finished good but at the same time it is absolutely forbidden to eliminate the marks previously affixed⁷⁷. The rule in question protects those who have produced the constituent elements by ensuring that their distinctive sign remains even after processing and final assembly. The trademark can also distinguish the service activity rather than a good, in this case it will be referred to as a “service mark”.

Another classification is that which sees the general trademark on the one hand and the special one on the other. These two marks, belonging to the same company, are used simultaneously on the product. The creation of the special trademark is often the result of a differentiation strategy. It may be the case in which the entrepreneur who owns the general trademark decides to implement business strategies in order to strengthen his enterprise in the market. Usually, the reference market is a strongly consolidated market and the entrepreneur's idea is to always hit the same segment but with different products in order to expand his offer.

⁷⁵ “Words, including people's names or drawings, letters, figures, colours, shape of the products or their packaging and sounds”.

⁷⁶ See CAMPOBASSO G.F., *Diritto Commerciale I. Diritto dell'Impresa*, 2013, Milano, UTET Giuridica, p. 175.

⁷⁷ See Art. 2572 Italian Civil Code and Art. 20(3) I.P.C.

Each of these products, or product lines, will have a special trademark alongside the general one that characterizes the entire company⁷⁸.

Once these general classifications have been associated, we get into the heart of those used for the registration: first of all, the word mark and the figurative mark are identified. The former is made up of letters, numbers or combinations of these suitable to identify a good or service; the latter instead is the reproduction of verbal or graphic symbols or a combination of them, in colour or black and white⁷⁹. There is nothing to prevent the trademark owner from using elements of both types, thus giving life to the mixed brand. In this case it is important to identify the heart of the trademark to assess the legitimacy of the conduct carried out by the third parties in a possible case of counterfeiting. Obviously, the owner is free to identify the sign as he believes, always keeping in mind that a trademark can be considered strong or weak.

The strong mark is that one devoid of any significant connection with the goods or services distinguished because it semantically moves away from the goods to which it refers; it is the case of the so-called *fantasy trademarks*; while the weak trademark is made up of names that evoke the product: those trademarks that have, to a greater or lesser extent, descriptive value⁸⁰. As is easy to imagine, the difference between strong brands and weak brands reverberates on the protection recognized to them, in fact, for this second type is easier to be counterfeited by third parties because they will be sufficient even slight changes or additions to exclude confusability. The strong trademark, on the other hand, boasts a wider protection, even considerable efforts will not be enough for exclude counterfeiting. However, it is possible that weak trademarks, as descriptive or consisting of words of common use, acquire a distinctive character such as to become worthy of stronger protection. Here are two examples worthy of note.

The first case decided by the Court of Justice dates back to 1999 and sees the following contrasting cases Procter & Gamble and the OHIM⁸¹ in the “*baby-dry*” case. The first required the registration as a word mark of the word “baby-dry” for distinguish baby diapers; the OHIM, on the other hand, was opposed to the request because it was terminology used to describe the function of the product.

The Court settled the matter by recognizing Procter & Gamble's right to registration on the following grounds: the syntactically unusual juxtaposition was not a commonly used expression to describe diapers for children. The phrase “baby-dry” was in fact a “lexical invention” such as to provide distinctive character to the brand⁸². The second case is all Italian but takes up the reasoning already made by the judges of Luxembourg. The Court of Naples, in its judgment of August 30th, 2002, recognized that “a word mark composed of several words,

⁷⁸ The use of the general trademark and the special one is also used in the fashion world, think of the French company Hermès that shows in its portfolio not only the figurative (general) trademark - whose reference at EUIPO is 008772436 - but also special registered trademarks referring to individual models of bags, such as the Birkin (whose reference at EUIPO is 004467247) and the Kelly (whose reference at EUIPO is 002083327). They too are the subject of judicial disputes with reference to their suitability, in as form trademarks, to be protected in case of counterfeiting.

⁷⁹ See SIROTTI GAUDENZI A., *Proprietà Intellettuale e diritto della Concorrenza Vol.1: Opere dell'ingegno e diritti di Proprietà Industriale*, Milano, UTET Giuridica., 2008, p. 206-207.

⁸⁰ See AUTERI P., FLORIDIA G., MANGINI V., OLIVIERI G., RICOLFI M., ROMANO R., SPADA P., *Diritto industriale, proprietà intellettuale e concorrenza*, Torino, Giappichelli Editore, 2016, p. 141.

⁸¹ Office for Harmonization in the Internal Market (OHIM).

⁸² CJEU, case C-383/99. *PROCTER&GAMBLE COMPANY v. OHIM*.

each of which is not individualizing, is endowed with distinctive capacity when the composition of these terms gives rise to an autonomous syntagma, which gives the trademark a novelty and a distinctive ability to make it certainly registrable". The object of the judgment was precisely the legitimacy of the *Ciao Ristorante* trademark. The judges believed that these two words placed side by side create a suitable juxtaposition for the recording.

Returning to trademark classifications, in addition to word and figurative trademarks, there are other types that deserve to be remembered. First of all, the shape trademark: it consists of the "shape of the product or its packaging". For the purposes of registration, it is necessary that the legislative limits are respected, in this case not only the general limits but also those specifically provided for this type⁸³. Therefore, to be registered as three-dimensional trademark is an essential element that the shape is such as to call themselves "arbitrary", "free" or "capricious"⁸⁴. It is also necessary that the shape is recognizable and that therefore, like any other type of trademark, is able to distinguish the goods of the enterprise from those of other enterprises. Examples of three-dimensional trademark in the most classic form are those of models of bags Birkin and Kelly by Hermès. They are accessories with particular shapes, drawn and designed that, also thanks to their stories⁸⁵, are distinguishable and in degree of being associated with the Maison without too much difficulty.

Speaking of shape trademark comes by itself to dwell on the position trademark and the differences between them. The shape trademark essentially concerns the outward appearance of the good intended in its complexity, the position trademark instead concerns a specific one appearance of the exterior of the good and how or where it is located. The Grand Chamber of the Court of Justice intervened on this issue with the judgment of 12 June 2018, in case C-163/1690⁸⁶, to give a preliminary ruling on the interpretation of Art. 3(1)(e)(iii) of Directive 2008/95/EC⁸⁷. The question was raised in the infringement case that sees as opposite sides, Mr. Christian Louboutin and the Christian Louboutin SAS, against vanHaren Schoenen BV. Louboutin's trademark is described as "red colour (Pantone 18-1663TP) applied to the sole of a shoe as represented (the contour of the shoe is not part of the brand but has the to highlight the position of the brand)". In 2013, Christian Louboutin was appointed to the court of The Hague (Rechtbank Den Haag) for an action of counterfeiting his trademark against Van Haren. Louboutin sought to rely on the mark to stop *Van Haren*, a Dutch shoe retail outlet, from selling shoes with red soles. Louboutin's applications were partially accepted with judgement. Van Haren challenged the measure claiming the invalidity of the controversial trademark because of its mere shape, and as such, not registrable.

⁸³ See Art. 9 I.P.C. and Art. 7 (1) letter e) EUTMR. For which a necessary, useful or ornamental form of the product cannot be protected.

⁸⁴ VANZETTI A., DI CATALDO V., *op. cit.*, p. 162.

⁸⁵ The Kelly handbag was renamed after Princess Kelly of Monaco was paparazzied with the bag in question used as a shield to hide the sweet expectation. The Birkin bag was born instead by a chance encounter during an air trip between star Jane Birkin and Hermes CEO Axel Dumas in the 1984. The star complained because no bag satisfied the needs of a career woman and mother of family remaining at the same time practical and elegant. Axel Dumas seized the opportunity and drew a draft of what would become the timeless Birkin. Available information at: www.hermes.com, "history" section.

⁸⁶ CJEU, case C-163/16. *CHRISTIAN LOUBOUTIN SAS v. VAN HAREN SCHOENEN BV*.

⁸⁷ Directive then in force. The content is the same as in Directive 2015/2436, Art. 4, paragraph 1, letter e), iii).



The judge of the appeal considered that the mark in question could not be qualified as a simple two-dimensional figurative mark in the sense of the article cited: in the description of the mark, it was expressly explained that the outline of the shoe was not part of the mark and that it had the only aim of “highlight the position of the trademark and not to reduce it to a two-dimensional mark”⁸⁸. The referring court went on to state that “a considerable part of the Consumers of high-heeled women's shoes were able to identify Christian Louboutin's shoes as being pre-derived from the latter and, therefore, to distinguish them from high-heeled women's shoes [from] other companies”⁸⁹.

Having resolved the preliminary question as to the suitability to fulfil the main function of the trademark, the next question was whether the contested trademark falls within the category of non-registrable shape mark because it has a natural, useful or ornamental shape. The court, doubtful as to the applicability of Art. 3(1)(e)(iii) of the Directive to that mark, referred the question to the Court for a preliminary ruling on the interpretation of the concept of “shape”⁹⁰. The Court of Luxembourg started from a preliminary consideration that no definition of “shape” was delineated and therefore it was necessary to derive it from the case law of the Court, by common language or reference context. For the European Commission, the notion of “form” consisted of a set of lines or contours delimiting the product in space⁹¹. Even from case law and common use of the term it did not appear that a colour, without delimitation in space, could constitute a form⁹². The question therefore arose as to whether the application of a colour to a specific part of the product could bring that application within the concept of a shape trademark.

The Court noted in this regard that “a sign cannot be considered to consist of such a shape if it is not the shape that the registration of the mark is intended to protect, but only the application of a colour to a specific part of the product itself”⁹³. In fact, the sole purpose of the trademark registered in this way was to indicate where the red colour was applied, and it was precisely the fact that it was only applied to the sole of the shoe that constituted the position trademark and not the shape trademark.

To conclude the discussion of the types of trademark it is worth mentioning the sound and colour trademarks. Prior to the reform, which eliminated the requirement of the graphic representability of the sign, could be registered as a sound mark only the one that can be represented by a stave divided into bars in which a key, musical notes and pauses suitable to identify the mark in question⁹⁴. This was an obstacle for all those sounds or noises that were not could be described by means of notes, think of the roar of the engine of the Harley-

⁸⁸ See *supra* note 86. Para. 14.

⁸⁹ *Ibidem*. Para. 15.

⁹⁰ *Ibidem*. Para. 18: “Is the notion of ‘shape’ within the meaning of this provision limited to the three-dimensional characteristics of the product, such as contour, size and volume (which may be expressed in three dimensions), or does this provision also cover other (no three-dimensional) characteristics of the product, such as colour”.

⁹¹ OTTONELLO C., *Louboutin case: “shape mark” or “position mark”?* Note and comments, DPCE online, 2018/3, p. 750.

⁹² See *supra* note 86. Para. 22.

⁹³ *Ibidem*. Para. 24.

⁹⁴ SIROTTI GAUDENZI A., *op. cit.*, p. 210.

Davidson or the roar of the Metro Goldwyn Meyer lion. At European level this problem had already been solved before implementation of Directive 2436/2015, as the EUIPO⁹⁵ allowed the application to be lodged European sound label with an electronic document containing the sound: thus, depositing an mp3 in place of the graphic representation. In Italy, on the other hand, it was only after the reform that it was possible to register non represented on the pentagram, precisely because the requirement of the graphic representability of the sign.

Finally, as far as the colour mark is concerned, for registration purposes it must be distinctive and to be so, it must have a secondary meaning such that it is capable of distinguishing the company's goods. The Court of Justice stated that a colour may be a registrable sign but is not necessarily so. Basically, when the colour becomes identifiable, there will be no obstacles to registration. The most famous colour mark belongs to Tiffany, in fact it refers to the “Tiffany colour” to indicate a particular shade of green/blue, that become so blatantly distinctive of the New York-based company. The Tiffany colour is identified by the Pantone PMS 1837 number, which recalls the year Tiffany opened. As a registered trademark, the Pantone company cannot include this shade in its colour catalogues because, without the owner' consent, no one can use this colour. In the light of the reform introduced with Legislative Decree 15/2019, the collective trademark and certification mark must be mentioned. As far as the former is concerned, the I.P.C. provides that the ownership of this special mark is reserved to trade associations and that these in turn may grant its use to individual manufacturers or dealers⁹⁶.

The certification marks, on the other hand, are characterised by the function of guaranteeing the origin, nature or quality of the product. Those who use this type of brand are therefore required to comply with the parameters and requirements contained in the regulations if they want to affix the certification mark to its products.

After illustrating the various types of brand, a final reference should be made to the simple brand and the complex brand. The first is made up of a single element, the second, instead, of a plurality⁹⁷. In the latter case, each element is endowed with a characterising capacity, and as such can be protected autonomously, but the distinctive force of the complex trademark is entrusted only to the “heart”. Therefore, it detects this part, the “hard core”, for the purposes of the judgment of confusability. EU case law⁹⁸ has held that a mark, identical or similar to one of the elements of the complex mark, is considered similar to the latter only if the identity or similarity concerns the “heart” of the complex mark. The heart or, more properly, the dominant element, is that part of the brand that remains imprinted in the mind of the public and that comes back to light when the individual tries to remember the trademark (brand) itself. On the subject of the judgement of confusability, it is important to remember that it is a judgement that concerns the two brands evaluated as a whole, using the *average consumer* as a parameter, and in particular how the latter perceives and remembers them⁹⁹.

⁹⁵ European Union Intellectual Property Office.

⁹⁶ See Art. 11 I.P.C.

⁹⁷ SIROTTI GAUDENZI A., *op. cit.*, p. 204-205.

⁹⁸ CJEU, case T-06/01, *MATRATZEN CONCORD/UAMI v. HUKLA*.

⁹⁹ CJEU, case C-251/95, *SABEL BV v. PUMA AG RUDOLF DASSLER SPORT*.

The registration of the sign as a trademark is essential to become the owner of certain rights granted only to the owner of the registered trademark. In fact, according to Art. 20 I.P.C., following registration, the applicant is given the right to make exclusive use of the trademark, the so-called *ius excludendi*¹⁰⁰. However, there are limitations to this right of exclusivity: the owner of the trademark cannot prohibit third parties from using it if its use complies with the principles of *professional correctness*¹⁰¹.

In the following paragraphs, the hypotheses of Art. 20 I.P.C.- which include all those behaviours which, if carried out by a third party, legitimize the owner to the infringement action - and, subsequently, the hypotheses constituting the limitations to *ius excludendi* - i.e., all those cases in which a third party can legitimately use the trademark of others. The exclusive rights are conferred when registration is completed; this is valid for ten years, at the end of which renewal is allowed. In this case, the effects start to run from the day following the expiry date of the previous registration¹⁰², so that the proprietor of the trademark can enjoy full protection of its right without the need to continuity.

Art. 16 regulates the institute of renewal. By means of this it is possible to make the protection of the trademark potentially unlimited, in fact, there is no limit to these types of questions. The registration can be renewed with the same extension as the previous or by reducing the classes of goods and services for which the protection is requested.

The trademark is transferable to third parties in two different ways, either temporarily or permanently¹⁰³; in the first case there will be a trademark license, in the second a transfer. With the licensing contract the right of ownership is not transferred, only the right to use the trademark is granted to the third party; with the transfer contract, on the other hand, the right of ownership is transferred. The transfer of the trademark is regulated, for Italian law, both by the Civil Code, Art. 2573, and by the I.P.C., Art. 23. The European Regulation provides for its regulation in Art. 20 and following.

The first paragraph of Art. 23 allows the transfer of the trademark for some or all classes of goods or services for which registration has taken place. Therefore, it is admitted that a hypothesis of co-ownership of the trademark is integrated¹⁰⁴, this, in particular, occurs when both the owner and the licensee use the registered trademark at the same time.

¹⁰⁰The latter entitles the owner to prohibit third parties from using in their economic activity a sign identical to the registered trade mark for identical goods or services (letter a); an identical or similar sign for identical or similar goods if for such reasons a likelihood of confusion, including a likelihood of association, may arise among the public (letter b); an identical or similar sign for identical or similar goods or services where the mark has a reputation and such use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the mark (letter c).

¹⁰¹ See Art. 21 I.P.C. In particular, such use cannot be prohibited when the trademark consists of the name of the third party (letter a); when it consists of signs or indications which are not distinctive or which concern the species, quality, destination, value, geographical origin, time of manufacture of the product or service (letter b); finally, such use cannot be prohibited when the trade mark is used to identify or do reference to goods or services of the proprietor of that mark, especially if the use of the mark is necessary to indicate the destination of a product or service (letter c).

¹⁰² See Art. 15 I.P.C.

¹⁰³ CAMPOBASSO G.F., *op. cit.*, p.189.

¹⁰⁴ For the European framework, see Art. 20(1) EUTMR.

There are different types of trademark licences and it is possible to extrapolate them from Art. 23, para. 2 I.P.C.¹⁰⁵ In particular, the licence may be exclusive or non-exclusive, in whole or in part. In the latter case, the difference lies in the extension of the licence by the holder: the latter may grant its use for all the classes for which it is registered or only for some of them. Finally, the licence may be granted by reference to the territory: in fact, the right to use the trademark may be limited to a certain area or extended throughout the State (territorial licence)¹⁰⁶.

The most relevant feature of the licence agreement is exclusivity. When the licence is not exclusive, the licensee is not the only one entitled to use the trademark, there are other persons having the same right. Therefore, several goods bearing the same brand will be present on the market at the same time but produced by different subjects. Precisely in order to prevent this from causing damage to the public, paragraph 2 of Art. 23 I.P.C. provides that in these cases the licensee is expressly obliged to use the trademark to distinguish goods or services equal to the corresponding ones put on the market or provided in the territory of the State with the same trademark by the owner or other licensees.

On the contrary, where the exclusivity clause is provided for, only the licensee may use the mark and put goods or services distinguished by it on the market. When a trademark is transferred, it is important not to fall into the hypothesis of revocation for deceptiveness referred to in Art. 14, para. 2, letter a., I.P.C.¹⁰⁷ To avoid this circumstance following a transfer, it is sufficient to make the transfer known to the public and maintain the previous standard, these small precautions will prevent the trademark from revoking. As far as the forms of the deed of transfer of the Italian registered trademark are concerned, no details are foreseen. The deed of transfer is subject to registration in the register kept at the Patent Office, but this registration does not have constitutive effect, it only affects the opposability of the transfer to third parties¹⁰⁸.

1.6.1 Extinguishing events

The right to trademark protection as a result of the registration expires in two cases: on expiry, if it is not subject to renewal, and in the event of renunciation by the owner¹⁰⁹¹¹⁰. The I.P.C. provides for other extinction events of the trademark, pathological situations such as forfeiture and nullity. The substantive rules on forfeiture and invalidity are laid down respectively in Art. 25 and 26 of the I.P.C.¹¹¹

¹⁰⁵ See Art. 23.2 I.P.C. “The trademark may also be the subject of a non-exclusive licence for the whole or for part of the goods or services for which it is registered or for all or part of the territory of the State”.

¹⁰⁶ For European regulations, see Art. 25 EUTMR, on European trademark licensing.

¹⁰⁷ It is expected that the trademark will lapse when “it becomes liable to mislead the public, in particular as to the nature, quality or origin of the goods or services, due to the manner and context in which is used by the owner or with his consent, for the products or services for which it has been registered”.

¹⁰⁸ As far as the transfer of the European registered trademark is concerned, the written form is required; moreover, publication in the Register is possible at the request of the parties. See Art. 20, para. 3-4, EUTMR.

¹⁰⁹ SIROTTI GAUDENZI A., *op. cit.*, p. 216 and ff.

¹¹⁰ The renunciation becomes effective with its entry in the IP Register and must be made known through the publication of the Official Bulletin. See Art. 15, para. 4, I.P.C.

¹¹¹ European law regulates the invalidity of the mark in Articles 59 and 60 EUTMR, respectively “absolute grounds for invalidity” and “relative grounds for invalidity”.

The trademark is null and void if one of the requirements set forth in Art. 7 is missing or if one of the impediments concerning novelty exists, if it is in contrast with the provisions for the shape trademark, coats of arms, collective trademark, certification trademark or is unlawful, contrary to morality, public order or in the other cases set forth in Art. 14 paragraph 1, or if the person who applied for registration was in bad faith. However, the legislator has provided for the so-called validation hypotheses, in which the trademark, even if it integrates the hypotheses of nullity, cannot be invalidated. On the one hand, there is the hypothesis of *secondary meaning* and, on the other, the circumstance that the use of a later registered trademark that violates the rights of the earlier one, is tolerated for a five-year period¹¹². The latter situation is governed by Art. 28 of the I.P.C., for the trademark to be validated, certain requirements must coexist.

First, the trademark must be invalid due to lack of novelty and the proprietor, at the time of registration, must not have been in bad faith; moreover, the proprietor of the earlier trademark must have tolerated the use of the later trademark for five years¹¹³. Only if these requirements are met, the legislator permits the coexistence of two trademarks, both validly registered, which are possible sources of confusion.

The second hypothesis of validation is provided by Art. 13 paragraph 3 and occurs when the invalid trademark, due to its original lack of originality, acquires distinctive capacity as a result of the use made of it, before the application is filed or the objection of invalidity. In these cases, there is the “rehabilitation” of the brand. It is worth remembering how all the hypotheses of nullity take the form of a violation of what defined as absolute and relative impediments to the registration (absolute and relative grounds for refusal).

As far as revocation is concerned, the trademark loses its validity for vulgarization, due to illegality and non-use. Vulgarization is that pathological process by which a trademark - originally distinctive - is, over time, used by the public to indicate the genus of the good or service, and no longer the specific good produced by the company. The I.P.C.¹¹⁴ provides for the forfeiture of the trademark for illegality pursuant to Art. 14, para. 2, and therefore in the event that the trademark becomes deceptive, i.e., capable of misleading the public.

In order to understand the revocation for non-use, it should be noted that the I.P.C.¹¹⁵ requires the registered trademark to be used - directly by the owner or by others with his consent - within five years from registration. Furthermore, such use must be continued for an uninterrupted period of five years, unless the non-use is justified by a legitimate reason. Therefore, if the rules on use are not supplemented, the trademark lapses for non-use¹¹⁶.

¹¹² As regards the validation hypotheses, similarly, envisaged at European level, the discipline of validation for tolerance of the proprietor of the earlier mark is laid down in *Art. 61 EUTMR* (“Preclusion for tolerance”). Whereas the validation for acquired distinctiveness is governed by *Art. 7(3) EUTMR*.

¹¹³ *CAMPOBASSO G.F., op. cit.*, p. 182.

¹¹⁴ *See Art. 26, let. b) I.P.C.*

¹¹⁵ *See Art. 24 I.P.C.*

¹¹⁶ The European Regulation identifies the “grounds for revocation” in *Art. 58*. The trademark is declared forfeited following an application to the Office or upon counterclaim proposed in a counterfeiting action. The hypotheses envisaged here are the same as in *Art. 26* and therefore: non-use the trademark for an uninterrupted period of five years and the absence of valid reasons for non-use; the hypothesis in which the trademark has become customary in the trade to identify a product or a service in their generality; finally, the hypothesis in which, as a result of use, the trademark has become such that it can mislead the public with regard to the nature, quality or origin of the good or service.

Finally, it should be pointed out that it is possible that the revocation and invalidity are only partial¹¹⁷. The causes of disability do not necessarily exist in relation to all product classes for which the trademark has been registered: if these exist only for some, the forfeiture or nullity will be declared exclusively for these. With regard to the procedural discipline for forfeiture and nullity of registered trademarks, this is provided for in *Section II bis* of the I.P.C., introduced by Legislative Decree 15/2019.

1.6.2 Registration

From what has been said so far, when an entrepreneur creates a trademark, it is good practice for it to be registered. Depending on where the company operates and how well developed the market for reference is, it is possible to choose four registration alternatives, according to the extent of the protection sought.

If the use of the trademark is limited to the State where the company is based, national registration is the way to go. In this way, the trademark will enjoy full and complete protection only within the borders of the State. A particular situation arises when the reference market is Belgium, the Netherlands and Luxembourg: in these cases, regional protection is the best option. By filing your application with the Benelux Office for Intellectual Property (BOIP), you get full and uniform protection throughout the Benelux region.

If the business extension covers the entire European Union, it may be advantageous to file the application with the EUIPO¹¹⁸, rather than registering in each individual state of interest. By registering with the EUIPO, it is possible to obtain a single trademark with uniform protection throughout the entire territory of the Union.

Finally, if the trademark is used in more than one non-European country, it is possible to file the application for registration with the WIPO¹¹⁹. Contrary to what one might think, through this type of registration, the applicant does not obtain a single trademark that enjoys protection in all the designated countries but becomes the owner of a portfolio composed of as many individual national trademarks as there are countries of interest. One of the most interesting aspects of International registration is the close dependence between the international trademark and the national trademark of origin, the so-called basic mark. In fact, in order to proceed with such registration, it is necessary to have already registered the trademark in the country of origin. Moreover, this connection is also relevant with regard to the invalidity of the mark. In fact, the “central attack” comes out with reference to the fact that a successful invalidity action against the basic mark will also have consequences on International marks. However, these consequences are different depending on whether the registration took place under the Madrid Agreement or the relevant Protocol¹²⁰.

¹¹⁷ See Art. 27 I.P.C.

¹¹⁸ European Union Intellectual Property Office.

¹¹⁹ World Intellectual Property Organization.

¹²⁰ BENTLY L., SHERMAN B., GANGJEE D., & JOHNSON P., *Intellectual Property Law*, Oxford University Press, 2018, p. 952-953. Under the Agreement, the international registration in the first five years from the date of registration is bound to the fate of the basic national registration. In this period, if the national trademark is declared invalid, the corresponding registration is also declared invalid international is invalidated. If, on the other hand, the Protocol is applied, if within five years of the international trademark registration a cause of invalidity of the basic mark is given the possibility for the holder to transform the application for registration made under the Protocol into a series of national registrations (*Art. 9-quinquies*).

In any case, whether the Agreement or the Protocol applies, after the first five years after registration, the dependence ceases to exist and any action for invalidity or revocation against the national trademark will have no consequences on International trademarks. After five years the international brand will become independent from the national one.

1.6.3 Infringement

It is possible to identify the three phases of trademark life in the following way: registration, infringement and, finally, defences.

As already described, the trademark obtains, with the registration, a three-hundred- and sixty-degrees protection as the right to exclusive use is granted by the owner, and - consequently - the right to prohibit third parties from using the trademark without consent. Whenever exclusive rights are violated is integrated a hypothesis of infringement, in a broad sense. However, it is possible that the third party who infringes the rights of the owner may do so in a legitimate manner, since the so-called defences are integrated; exemptions or justifications that the party, accused of infringement, may invoke in court, in order to prove the lawfulness of his behaviour.

When a person engages one of the prohibited behaviours, the trademark owner may bring an infringement action against the latter¹²¹.

For completeness of exposure, it should be remembered that the action of counterfeiting is not the only action that can be taken by the owner of the trademark, this is only the most specific. There are, in fact, also other instruments that have the aim of pursue, in general, all acts of unfair competition specifically provided for by the Italian Civil Code (Art. 2598).

It is necessary to first identify the elements that make up the case and then analyse them individually. Both European and Italian provisions¹²² show that the elements integrating the case are used by a third party; a sign similar or identical to the registered one; lack of consent; use in the course of trade; reference to the relevant territory; interference with the functions of the registered trademark; absence of defences.

It should be reiterated that the owner's right to exclusive use of the trademark is territorially limited - limits that depend on the type of registration - and only within these boundaries *ius excludendi* operate. "Relevant territory" means the boundaries within which the owner can prohibit the use of his trademark in the forms which will be outlined later.

Another important point concerns the fact that the use must take place "in the course of trade" or according to the Italian discipline "in the economic activity". This means that, in order to be infringing, the third party must use the mark to distinguish his business, his commercial activity. However, it is important to specify that there

¹²¹ Entitled to bring the action is the owner of the trademark and its exclusive licensee.

¹²² See Art. 20 I.P.C and Art. 9 EUTMR.

is no infringement when the use takes place “in the course of trade” but, at the same time, the use of the earlier registered trademark is not distinctive of the business in the traditional sense of the term¹²³.

Remaining in the wake of use, paragraph 3, Art. 9 EUTMR and paragraph 2, Art. 20 of the I.P.C. identify which are the prohibited uses. The third party, in the course of the commercial activity, may not use the sign by affixing it on the packaging of his goods, may not put them on the market or provide services distinguished by such sign, may not import or export the goods distinguished by the sign, may not use a similar or identical sign in any distinctive sign of which he is the owner (company, sign, domain name and also in the so-called atypical signs¹²⁴), may not use the sign in commercial correspondence or advertising, and finally may not use the sign in comparative advertising not in compliance with the requirements of Directive 2006/114/EC¹²⁵ on the subject.

The prohibited activities described constitute a merely illustrative and not exhaustive list, therefore any activity carried out by the third party in violation of the rights of the trademark owner could be considered illegal. As far as consent is concerned, it is sufficient to remember that the owner of a right is free to exercise it as he sees fit and if he gives his consent for others to use his trademark, no prosecutable conduct is integrated. After having contextualised the “where” and the “how” the illegal conduct may take place, it is necessary to go into more detail on the subject of the sign.

There are three scenarios which constitute the infringement: the use of an identical sign used for identical goods or services; the use of an identical or similar sign used for identical or similar goods or services, where the identity or similarity is likely to create a likelihood of confusion among the public; and finally, the use of an identical or similar sign used for identical, similar or unrelated goods or services, where the earlier mark has a reputation and where use of the sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the mark.

As can be seen, the hypotheses of infringement reflect those of the *relative grounds for refusal*, or, for the Italian law, the impediments provided for by Art. 12 of the I.P.C. on the subject of novelty. Even if the hypotheses are the same, there is a difference in their assessment.

In the case of grounds for refusal, a paper-based assessment is made, i.e., the rights and defences claimed by both parties are assessed and balanced in an abstract judgement. In the case of infringement, on the other hand, the assessment is *market-based*: on the one hand, the actual use of the paper is taken into consideration in the market of the previous brand and the next sign and, on the other hand, the behaviour of the average

¹²³ For example, the doctor who prescribes “medicine X or its generic equivalent” to the patient is using other people's trademark (brand) but is not doing so to distinguish its service. See RICOLFI M., *Trattato dei marchi: diritto europeo e nazionale*, 2015, Torino, Giappichelli Editore, p. 136.

¹²⁴ *Ibidem*, p. 135.

¹²⁵ EUROPEAN PARLIAMENT AND COUNCIL (EU), *Directive 2006/114/EC concerning misleading and comparative advertising*, 12 December 2006, in *Official Journal of the European Union*, L 376, 27 December 2006.

consumer¹²⁶. Advocate General Mengozzi, on this point, has stated that “compared to opposition proceedings involving hypothetical situations, infringement proceedings involve an ex-post market analysis”¹²⁷.

Let’s analyse the three hypotheses, one by one. The first, which envisages the use of an identical sign for identical or similar goods or products, is also called “*double identity*”¹²⁸. In this case, if the third party’s trademark is identical to the earlier trademark and used for identical goods, there is no need for any likelihood of confusion, the infringement is nevertheless integrated¹²⁹. But what is to be understood by “identical sign” is a doubt that raises several questions. The question is very relevant because depending on whether the subsequent sign is identical or similar, the form of protection granted to the owner is different. In fact, in the case of identity, the protection provided is that of let. A) of Art. 20 of the I.P.C.¹³⁰, whereas in the case of similarity the protection is that of Art. 20(b)¹³¹, and the difference is considerable: because in the first case the proprietor does not have to prove the likelihood of confusion between the signs, which is required in the second case. For this reason, the interpretation of “identity” must be strict¹³². The restrictive interpretation was the opinion of the European Court of Justice when it was asked for the correct interpretation of the term “identical” in the *LTJ Diffusion case*¹³³. The Luxembourg judges ruled that “the true definition of identity implies that the two signs must be equal in every respect”. There is identity when a sign reproduces “without any modification or addition, all the elements making up the registered trademark”¹³⁴. In any case, the assessment of identity must be made from the point of view of the average consumer who observes the signs as a whole, therefore “insignificant differences between the signs may not be noticed *by the average consumer*”¹³⁵. In doctrine, reference is made to the phenomenon of “trademark piracy” to explain how counterfeiting exists in any case and regardless of the risk of confusion in the public¹³⁶.

¹²⁶ See BENTLY L. and others, *op. cit.*, p. 1026.

¹²⁷ CJEU, case C- 561/11. *FEDERATION CYNOLOGIQUE INTERNATIONALE v. FEDERACIÓN CANINA INTERNACIONAL DE PERROS DE PURA RAZA*.

¹²⁸ See BENTLY L. and others, *op. cit.*, p. 1105.

¹²⁹ See RICOLFI M., *op. cit.*, p. 133 and also in accordance with BENTLY L. and others, *op. cit.*, p. 1106.

¹³⁰ Or letter a) para. 2, Art. 9 EUTMR.

¹³¹ Or letter b) para. 2, Art. 9 EUTMR.

¹³² BENTLY L. and others, *op. cit.*, p. 1029.

¹³³ CJEU, case C-291/00. *SA SOCIÉTÉ LTJ DIFFUSION v. SA SADAS*. Para. 50-51: “The identity criterion of the sign and trademark must be interpreted restrictively. Indeed, the very definition of the notion of identity implies that the two elements to be compared are the same in all points. Moreover, the absolute protection in the case of a sign identical with the trademark for goods or services identical to those for which it is registered, guaranteed by Art. 5(1)(a) of the directive, cannot be extended beyond the situations for which it is provided, in particular to those situations which are more specifically protected by Art. 5(1)(b) of the directive. It follows that there is identity between the sign and the mark when the former reproduces, without modification or addition, all the elements that constitute the second”.

¹³⁴ *Ibidem*.

¹³⁵ *Ibidem*.

¹³⁶ See RICOLFI M., *op. cit.*, p. 134. Think of the situation in which a Louis Vuitton bag is bought by the sea from a hawker at a price not comparable to that of a real Louis Vuitton. The buyer has no doubt that this is not an original bag, there is no risk of confusion or association with the French Maison, but counterfeiting occurs anyway, there is talk in these cases of confusion in re ipsa and consequent absolute protection. In relation to this issue, a sentence that left everyone speechless was that of the Court of Tempio Pausania (SS), in August 2017, which held that “selling fake handbags is not a crime if it does not create damage to the fashion house”. In fact, the accusation against a Senegalese seller was dismissed because the damage to the fashion houses would have been derisory with reference to the goods found in the possession of the accused. Applying the principle of tenuousness of the offence, the case was closed at the preliminary hearing. However, it remains an isolated judgment which gives open to discussion.

The second hypothesis is identified as “*likelihood of confusion*”. In this case, the constitutive elements of the case are three: the identity or similarity of the signs, the identity or similarity of the marked goods and/or services, the likelihood of confusion. The rules are provided for in Art. 20, paragraph 1, letter b) of the I.P.C.¹³⁷

The last hypothesis is instead that of “*dilution*”. In this case the object of Infringement is a well-known trademark, a trademark that enjoys a reputation within the reference territory. Any use of a trademark similar or identical to a well-known trademark is considered illicit. There is no limitation here to goods or services identical or similar because the enhanced protection of the well-known trademark is given by the fact that the holder may prohibit its use in any class of goods or services including if distant from those for which it has been registered: in fact, there is talk of ultra-commodity protection.

The last element of the case is the circumstance that, from the use of the well-known trademark, the infringer takes undue advantage of the distinctive character or the reputation of the trademark or if, as a result of the unlawful use, the distinctive character or the reputation per se is affected or damaged. The latter two illegal behaviours, likelihood of confusion and dilution, will be discussed in detail in Chapter 2.

1.6.4 Defences

As already been discussed in depth, the use by third parties of other people's registered trademarks constitutes an illegal, legally prosecutable offence. However, there are some hypotheses in which such use is justified by specific needs¹³⁸. The discipline is provided for in the I.P.C. in Art. 21, entitled “*limitations of trademark rights*”.

On the basis of this discipline, the owner of the trademark is not allowed to prohibit the use - when the use complies with the principles of professional correctness - of the name or address, if it is a natural person; of signs or indications that are not distinctive or that concern the species, quality, quantity, destination, value, geographical origin, the time of manufacture of the product or provision of the service or other characteristics of the product or the service; finally, it cannot be prohibited to use someone else's trademark for identify or refer to goods or services of the owner of such mark, in especially if the use of the above mentioned distinguishing sign is necessary to indicate the destination of a product or service, as in the case of accessories or parts of replacement.

Preliminary consideration concerns the requirement of “*professional correctness*”; as an essential element for all the hypotheses under examination that should be analysed in detail. The origin of the notion lies in the Paris Convention, which requires the Member States of the Union to introduce provisions which limit, or at least condemn, unfair competition¹³⁹. However, the provisions in question do not go further. More accurate specifications come from the European Court of Justice, which has indicated some situations that do not

¹³⁷ For European discipline see Art. 9 (2)(b) EUTMR.

¹³⁸ For European discipline see Art. 14 EUTMR. The Italian legislation has thus implemented the European provisions pursuant to *Decreto Legislativo 15/2019*.

¹³⁹ BENTLY L. and others, *op. cit.* p. 1132.

conform to professional correctness. In particular, it has held that a behaviour integrates the extremes of unfair competition if it is carried out in such a way as to give the impression that there is a commercial connection between the third party and the trademark owner; if the use causes the third party to take undue advantage of the distinctive character or reputation of the trademark; if the use is likely to discredit or denigrate the registered trademark or if the use consists in imitation or reproduction, of the product distinguished by the registered trademark¹⁴⁰.

After this brief examination of cases that cannot be attributed to professional correctness, the individual cases referred to in Art. 21 will be dealt with. The first of the activities provided for legitimises the third party to use the trademark of others when it consists of words or names that coincide with the name or address of the third party; in Anglo-Saxon doctrine, the term “*own-name-defence*” is used.

Moving on, then, to the exemption referred to in letter b) of Art. 21, in Anglo-Saxon doctrine, known as “*descriptiveness defence*”. This provision is linked to the impediments to registration and, in particular, to the impossibility of using non-distinctive or exclusively descriptive terms as components of the trademark¹⁴¹. If the registered trademark is composed of several words, some of which are descriptive, the owner cannot prevent others from using them. More specifically, the trademark in question will be divided into two: on the one hand, the distinctive part - unusable by others - and, on the other hand, the descriptive part - in the full public availability¹⁴². This exemption may also be used when a third party uses a descriptive trademark that has acquired distinctive character as a result of use. To better understand the hypothesis in question, the baby-dry case will be analysed again. Think about the possibility that a competitor uses the slogan “guaranteed to keep your baby dry”¹⁴³ in reference to baby nappies. The owner of the trademark - in this case Procter & Gamble - cannot oppose such use because, in the slogan, the slogan “baby dry” is used to describe the function performed by the good and not to refer to the registered trademark.

Continuing in the wake of the distinctive character of the sign, the use of a registered trademark - in this case, the trademark consisting of Opel's lightning bolt of lightning¹⁴⁴ - affixed to a scale model of cars if the brand is used exclusively to refer to the original model and thus make the reproduction as close to reality as possible. The last exception is the so-called intended purpose defence, a registered trademark may be used to indicate the destination of the good or service. The most common situations in which this exception is used are two: on the one hand, the case in which a third party sells spare parts for a particular type of product and, on the other, the case in which the third-party repairs goods of a particular trademark¹⁴⁵.

The European Court of Justice has held that the provision of Art. 14(c) seeks to reconcile “the fundamental interest of the protection of registered trademarks with that of the free movement of goods and the free use of services”¹⁴⁶.

¹⁴⁰ These are the clarifications of the CJEU, *case C- 63/97. BMW v. DENIK*.

¹⁴¹ See RICOLFI M., *op. cit.*, p. 147.

¹⁴² *Ibidem*.

¹⁴³ BENTLY L. and others, *op. cit.*, p. 1136.

¹⁴⁴ CJEU, *case C-48/05. ADAM OPEL AG v. AUTEK AG*.

¹⁴⁵ BENTLY L. and others, *op. cit.*, p. 1140.

¹⁴⁶ CJEU, *case C-63/97. BAYERISCHE MOTORENWERKE AG & BMW NEDERLAND PUMFREY BV v. DEENIK*.

A well-known ruling of the European Court on the legitimacy of the use of others' registered trademarks is the one that decides the Gillette case¹⁴⁷. The crux of the matter was the use of the Gillette trademark on the packaging of the blades produced by the defendant in order to indicate their compatibility with the shavers from the American manufacturer. The Finnish Court, before which the question had been raised, referred the interpretation to the CJEU. The Supreme Court considered that for the applicability of this rule was to assess whether the reference to the registered trademark was in turn necessary in order to make it clear to the public that the replacement asset referred to specific products, in this case Gillette shavers. If it had been possible to communicate to the market, in any other way, that these goods were replacement parts of products bearing the registered trademark without making explicit reference to it, then the referential behaviour would have been considered illegal. On the basis of this interpretation, the Finnish court considered lawful the affixing of the Gillette brand label on the packaging of the blades, because without this indication it would not have been possible for the consumers, to assume they are compatible blades.

A final reference should be made to the use of the registered trademark of others in the case of comparative advertising. Generally speaking, according to Art. 9, (3), f) EUTMR and Art. 20.3 I.P.C., it is forbidden to use the trademark of others for advertising purposes. However, following the enactment of the Directive on Misleading and Comparative Advertising (MCAD), it is permitted to use the latter brands to advertise one's own product, emphasising its merits and quality, provided that the conditions set out in the Directive are respected¹⁴⁸. Advertising which uses the registered trademark of others, but which respects the conditions laid down, is exempt from liability for infringement of the rights of the registered trademark¹⁴⁹.

1.6.5 Exhaustion of rights arising from trademark registration

The principle of trademark exhaustion is the principle according to which the owner of an intellectual property right cannot, once he has placed the goods on the market or has done so with his consent, prevent their circulation in other countries. This is what is stated in Art. 5 of the I.P.C. and to the Art. 15 of the European Directive 2436/2015. The exhaustion can be of three types: national, regional and international.

National exhaustion is the rule in the United States. After goods marked with the trademark have been placed on the market in the country of the owner, he/she cannot prevent further distribution or resale within that country. However, it may prevent the sale and import into and to another State.

Regional exhaustion is the one for which, once the holder has put them in commerce, goods bearing the trademark may not prevent their circulation in any of the regional states but can prevent the sale and export to Countries not belonging to the group. The best-known example of this typology is given by the European Economic Space.

¹⁴⁷ CJEU, case C-288/03. *GILLETTE CO. v. L.A-LABORATORIES LTD OY*.

¹⁴⁸ See Directive 2006/114/EC.

¹⁴⁹ BENTLY L. and others, *op. cit.*, p. 1144.

International exhaustion is instead the current typology, among others, in Switzerland. In this case, the trademark owner's right is exhausted in the moment in which the asset is put on the market in any other State. The principle of exhaustion is closely connected to the phenomenon of “parallel import”; phenomenon for which a good is commercialized simultaneously in different markets and different are also the prices applied in each State¹⁵⁰. Apparently, it may seem that products sold in the various markets are identical because the label on the packaging is not adapted to each country; this remains the same so as not to lose the reputation it has acquired over the years. However, even though the brand remains identical, the same cannot be said for the level of quality of the materials used. In fact, the different level of quality is one of the many factors influencing the final price. Another element that influences the “resale price” is the cost of transaction that the importer had to endure. If the owner sold the product, they imported from *country B* at the same price in *country A*, then there would not be profit margin for he.

Depending on the type of exhaustion chosen by the country, the discipline of the parallel imports is different. In case of national or regional exhaustion, the holder can prevent the import from a third country because in reference to this his right of exclusivity in the State has not been exhausted. On the contrary, as far as international exhaustion is concerned, the owner cannot oppose the import because once the first sale has taken place, his right to exclusivity has been exhausted in full.

For the rights of the trademark owner to be exhausted, two requirements must be met: the fact that the goods covered by the trademark are placed on the market and the consent of the owner.

As far as the placing on the market is concerned, this is substantiated by the first sale made, which is why talk about “rule of the first sale” or “first sale doctrine”. However, the question has been raised as to whether this condition is met if the goods are placed on the market free of charge. In the *eBay ruling*¹⁵¹, the European Court of Justice stated that testers and perfume samples could not be considered as if they had been placed on the market, because they were distributed free of charge. Nevertheless, there are those who are contrary to what the Court says¹⁵², it is argued, in fact, that the exhaustion of the right should be, not the consequence of the sale, but the consequence of any transfer of ownership of the good.

The second and final requirement for the operation of the exhaustion principle is the owner's consent to the sale. This is integrated both when the owner himself carries out the act and when the sale is made by a person entitled to do so (e.g., exclusive licensee). The owner's consent may be explicit or implicit and may also be given for conclusive facts, or if the owner behaves in such a way that there are no doubts about his will. As far as the figure of the licensee is concerned, one case of the CJEU has caused a lot of talk, namely the *Copad v. Dior case*¹⁵³.

Dior sold its lingerie through selective distribution agreements, according to which its products could only be supplied to specific retailers; at the at the same time, it was categorically excluded that the licensee could

¹⁵⁰ BENTLY L. and others, *op. cit.*, p. 1146.

¹⁵¹ CJEU, case C-324/09. *L'ORÉAL SA v. EBAY INTERNATION AG.*

¹⁵² BENTLY L. and others, *op. cit.*, p. 1149.

¹⁵³ CJEU, case C-59/08. *COPAD SA v. CHRISTIAN DIOR COUTURE SA.*

supply shops low level. The licensee in question, found himself in serious difficulty, had arbitrarily decided to supply these luxury products to a discount - precisely Copad - in violation of the license agreement. The Court of Justice stated that, in this case, Dior's right could not be considered exhausted because the sale had taken place in violation of the license agreement and therefore, indirectly, without the consent of the owner. The Luxembourg courts have identified the purpose of the principle of exhaustion: that of protecting the functions of the trademark (brand) including the indication of origin, the advertising function and the function of guaranteeing the quality of the product¹⁵⁴. The Court had, in this instance, extensively interpreted the concept of quality especially with regard to luxury products. The fact of selling Dior's lingerie in a discount store is to be considered detrimental to the aura of luxury of the product itself: how can you just imagine keeping the value of a good of this type if you can buy it in the bargain bin with other low-quality garments in a department store?

In European and Italian law, however, the principle of exhaustion has limitations. If there are valid reasons, the owner is entitled to oppose the further circulation of the goods. The legislative provisions provide that this type of opposition may take place “in particular when the state of the products is modified or altered after they have been placed on the market”¹⁵⁵.

In the category “modified or altered state” it is possible to include several situations including de-packaging and re-packaging, rebranding and product advertising¹⁵⁶.

The first situation to take into consideration is that of the altered product as indicated in paragraph 2 of Art. 5 of the I.P.C. and paragraph 2 Art. 15 EUTMD. This situation arises if, after the first marketing, the product is altered in some way and then put back on the market. This case has taken shape in a famous case in which, on the one hand, Sony and, on the other hand, the Tesco shops are opposed¹⁵⁷. The British chain had “altered” the PlayStations from France - a country where the trademark was registered - by inserting the adapter for the electrical sockets so that the consoles could work in England and then selling them on the English market. In this case, it was not clearly and unequivocally indicated that the adapters had a different origin than the console. If, hypothetically, the adapter had been found to be defective - in the absence of any indication of the origin of the instrument at all - liability for damages and any negative publicity would inevitably have affected Sony's reputation. This is one of the many reasons why the modification of the components of a product entitles the owner to oppose further marketing. This happens not only when the modification interferes with the trademark's ability to guarantee origin but also when it potentially damages the trademark's reputation¹⁵⁸.

There is another hypothesis of legitimate reason if the product is sold without the original packaging. This is because, without the packaging, it is not possible to identify the brand and therefore the producer of the good. An interesting case in terms of re-packaging is the famous Bristol-Myers v. Paranova case¹⁵⁹. This decision is

¹⁵⁴ BENTLY L. and others, *op. cit.*, p. 1150.

¹⁵⁵ See Art. 5 (2) I.P.C. and Art. 15 (2) EUTMD.

¹⁵⁶ BENTLY L. and others, *op. cit.*, p. 1151 and ff.

¹⁵⁷ HIGH COURT OF JUSTICE n. 3983/1999. SONY COMPUTER ENTERTAINMENTS v. TESCO STORES.

¹⁵⁸ *Ibidem*.

¹⁵⁹ CJEU, *joined cases C-429/93, C-436/93, C-427/93. BRISTOL-MYERS SQUIBB v. PARANOVA A/S, C. H. BOEHRINGER SOHN, BOEHRINGER INGELHEIM KG AND BOEHRINGER INGELHEIM A/S v. PARANOVA*

extraordinarily important because the Court has identified a number of principles which, if respected, make it legitimate to repackage the product. These principles are known as “Bristol-Myers Squibb Conditions” or as “Paranova Conditions”. In fact, Bristol-Myers sold drugs in some European Union countries and was the owner of a number of registered trademarks in Denmark. Paranova, a Danish pharmaceutical company, bought - at a lower price - drugs in Greece distributed by Bristol Myers and then resold them in Denmark after repackaging. The new packaging highlighted both the brand name of the manufacturer (Bristol-Myers) and the brand name of Paranova, as the importer and repackager, without in any way altering the original product. Bristol-Myers, at this point, was acting against Paranova for counterfeiting trademarks registered in the importing country, Denmark. The question reached the European Court of Justice¹⁶⁰, which, first of all, identified what the normative references were to resolve the question: specifically, Art. 7 of the First Directive 89/104 on trademarks (then in force) interpreted in the light of Art. 36 of the EC Treaty. On this basis, the Court argued that accepting the argument that the principle of exhaustion could not apply when the importer repackaged the product and re-packaged it, would imply a substantial change in the principles flowing from Art. 30 and 36 of the Treaty¹⁶¹. Therefore, the Court stated the “*Bristol-Myers Squibb Conditions*” or “*Paranova Conditions*”.

The first condition requires that it must first be ascertained that the exercise of the right by the owner of the trademark is aimed exclusively at artificially isolating national markets within the EU. In the judgment, it was specified that this type of objective was deemed to be pursued whenever the proprietor used different packaging for each State. Whenever such anti-competitive conduct is established, the conduct of the retailer repackaging is considered legitimate if it is necessary for the sale in the country of importation and if such activity is carried out in such a way that it is not likely to alter the original state of the product.

The second condition to legitimize the re-packaging is the non-alteration of the original state of the product. Here too, the Court pointed out that this requirement was met whenever the importer merely carried out operations on the outer packaging that did not involve any risk to the product contained therein. In addition, it is necessary to indicate on the new packaging the author of the repackaging and the name of the manufacturer. This information must be printed in such a way that a person with normal eyesight and a normal attention is able to understand them clearly. If in the repackaging activity a new element is added or modified, it must be made very clear that the additional object does not come from by the producer and that the latter is recognised as exempt from any type of responsibility.

Finally, the Court specified that it was not necessary to indicate that the re-packaging had taken place without the authorisation of the owner of the trademark (brand). Another condition is that the new packaging of the product must be suitable not to damage the reputation of the trademark and that of its owner. According to the Court, the reputation was damaged if the packaging was coarse, made of poor materials or in an

A/S AND BAYER AKTIENGESELLSCHAFT AND BAYER DANMARK A/S v. PARANOVA A/S.

¹⁶⁰ See *Sentenza 11 luglio 1996. Raccolta della giurisprudenza, 1996, p. I-03457.*

¹⁶¹ The principle that quantitative restrictions on imports or equivalent measures are prohibited between Member States and the principle that import, export and transit prohibitions justified on grounds of the protection of Intellectual Property must not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.

approximatively way. The last condition to re-enter into legitimacy is that, before to put the product on the market with the new packaging, the owner of the trademark is informed of this and, if he so requests, he must be provided with a sample of the produced in the new packaging. If the Bristol-Meyers Squibb conditions are respected, the owner cannot legitimately oppose to the circulation on the grounds that its right has been exhausted in accordance with the Directive.

In conclusion, the exhaustion of the trademark may be legitimately opposed by the proprietor if the trademark is used to advertise goods of the same nature but not of the same prestige, if such advertising is likely to infringe the reputation of the former¹⁶². Before the introduction of the Directive, the question of the choice of the type of exhaustion was left to the individual Member States, whose could freely decide how to regulate relations with the States¹⁶³. Originally the Commission wanted to apply the *International approach* in the European context, but later changed its mind¹⁶⁴¹⁶⁵. With reference to the subject dealt with here, EU Court of Justice's judgment of 16 July 1998 in the *Silhouette* case is of great importance¹⁶⁶. In this judgment the Court explained how the principle of International exhaustion of the individual MS would be in conflict with the principles of the market freedom imposed by the Treaty. The Directive in question, stated the Court, could not be interpreted as leaving it to the Member States to determine in their national law the exhaustion of the rights conferred by the trademark for products placed on the market in third countries. The only interpretation which respects the aims of the Directive, namely, to safeguard the functioning of the Internal Market and the free movement of goods and the freedom to provide services, is the one which is best reconciled with the application of the principle of regional exhaustion¹⁶⁷.

So far, the bipartition developed by the dominant doctrine on trademark protection is the following: on the one hand, there is the *classic trademark law*, where trademark protection is justified by the reduction of search cost and the intention to avoid, or at least limit, consumer confusion about goods and/or services; on the other hand, there is the so-called *dilution law*, which is an encouragement to invest in trademarks that create value and are functional to the protection of the IP goodwill.

It is in the hypothesis of the existence of a likelihood of confusion between two marks that the original model is found¹⁶⁸. As a matter of fact, some intellectuals have stated that “trademark law centres its analysis on consumer confusion”¹⁶⁹, nothing truer. The confusion that can be generated between similar trademarks is one

¹⁶² CJEU, case C-337/95. *PARFUMS CHRISTIAN DIOR SA v. EVORA BV*. The Luxembourg Court has specified that there must be a balance between “the legitimate interest of the proprietor of the trade mark to be protected against retailers who use his trademark for advertising purposes by using ways that could harm the reputation of the brand itself with the interest of the retailer to be able to sell the products in question using the current advertising methods in its sector of activity” and in any case “since they are luxury and prestige products, the retailer must not act in contempt for the legitimate interests of the trademark owner”.

¹⁶³ BENTLY L. and others, *op. cit.*, p. 1159.

¹⁶⁴ *Ibidem*.

¹⁶⁵ EUROPEAN COMMISSION, *Amended Proposal for a Council Regulation on the Community Trademark*, 31st July 1984. Available at: <http://aei.pitt.edu/8670/1/8670.pdf>.

¹⁶⁶ CJEU, case C-355/96. *SILHOUETTE INTERNATIONAL SCHMIED GMBH & CO. KG v. HARTLAUER HANDELSGESELLSCHAFT MBH*.

¹⁶⁷ COUNCIL (EU), *Directive 89/104/EEC to approximate the laws of the Member States relating to trade marks*, 21 December 1988, in *Official Journal of the European Union*, L 040, 11 February 1989. Maximum 1, Approximation of legislations.

¹⁶⁸ See AUTERI P. and others, *op. cit.*, p. 137.

¹⁶⁹ See LEMLEY M. A., MCKENNA M., *Irrelevant confusion*, *Stanford Law Review*, Vol. 62, 2010., p. 413.

of the most discussed issues in National and European courts. Trademark law is, in fact, aimed at preventing damage caused to consumers by the misleading or confusing use of trademarks by companies. This discipline finds its foundation in the preservation of the trademark's primary legally protected function - *the distinctive one* - and therefore remains inextricably linked to the principle of speciality¹⁷⁰. The latter principle establishes how confusability between signs is only relevant with regard to goods or services identical or similar to those for which registration has been granted.

1.7 Concluding remarks

The previous analysis demonstrated that Trademark protection is available for any sign which is capable of distinguishing the goods and services of one enterprise from those of others. These signs include, inter alia, words, including personal names, letters and numerals, figurative signs (“device marks”), colours and colour combinations, three-dimensional shapes, including the shape of the goods or their packaging. Following EU general principles, for a trademark to possess distinctive character it must serve to identify the product in respect of which registration is applied for as originating from a particular undertaking, hence, to distinguish that product from those of other undertakings. In addition to this, the distinctive character must be assessed by reference of the good in respect of which the registration has been applied for and by reference of the perception of them by the significant public. Overall, a trademark can be protected either on the basis of use. Nonetheless, use still covers a key role in many countries in which the act of trademark registration serves as a confirmation of the fact that the trademark right has been achieved through use leading to the consequence that in the eventuality of a trademark dispute, the first user would prevail on the first that has registered the mark. Different from registered trademark rights, protection of use-based trademark rights has not been harmonised in Europe and is thus subject to the laws of each Member State. Trademarks are IP rights constituting often some of the most important and valuable assets of their proprietors. Trademarks represent the goodwill of enterprise which makes use of them. Trademarks are essential in market economies, fostering market transparency, permitting their owners to create a direct link with consumers, allowing consumers to identify and memorise the products and services they prefer, thus contributing to a system of fair and undistorted competition.

The proprietor is entitled to prevent third parties from using in the course of trade:

— any sign which is identical with the registered mark in relation to goods or services which are identical with those for which the mark is registered.

— any sign where, because of its identity with, or similarity to, the registered mark and the identity or similarity of the goods or services covered by the mark and the sign, there exists a likelihood of confusion on the part of

¹⁷⁰ See RICOLFI M., *op. cit.*, p. 497.

the public; the likelihood of confusion includes the likelihood of association between the sign and the trademark.

— any sign which is identical with, or similar to, the registered mark in relation to any – identical, similar, or dissimilar – goods or services where the registered mark has a reputation in the Community and where use of that sign without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered mark.

Counterfeiting is deeply connected to the Trademark Regulatory framework, and therefore to registration as starting point. Trademarks registrations also include a time limit to stick to which limit can also be renewed when the time limit expires. The time limits differ in different legislations, it is set to no less than seven years for the TRIPs and to ten for EU. After having analysed International, National and European legislation, the next chapter will mainly focus on CJEU's role throughout the years, considering the correct implementation of both Directives and Regulations of reference (mostly carried out by MS requests for a preliminary ruling to the Court).

To conclude, “counterfeiting not only has an impact on brand turnover (which, in 46% of cases, admitted the impact in Mark Monitor’s Global Business Survey 2018), but also on the territory, thanks to the loss of potential jobs and revenues: in Lombardy alone, according to an elaboration made by Confcommercio on OECD and Indicam data, about 17.000 each year”¹⁷¹. Moreover, the Chamber of Commerce of Milan, Lodi and Monza-Brianza estimates that counterfeiting puts the work of 28.000 companies in Lombardy alone at risk, where the fashion-luxury sector reaches 17 billion in turnover¹⁷². The crime of counterfeiting is the expression of real organized criminal activities that generate a very negative impact on the economic and social fabric, both local and national, in terms of losses of turnover and tax revenue, but also lack of employment at the expense of the market, with serious repercussions on the safety of workers and consumers. To the extent that this phenomenon constitutes a clear multiplier of illegality, primarily by damaging IP and slowing down the competitiveness of engraved production systems, the contrast to the forgery industry simultaneously determines a monitoring of the offense profiles connected to. The legal good that the complex of phenomena falling under the notion of counterfeiting damages is therefore represented by *Intellectual Property*, the result of inventiveness and entrepreneurial ingenuity. Economic theory shows that there is a close link between economic growth and Intellectual Property, the protection of which offers the tools to reward the activity generated by human innovation. In our increasingly knowledge-based economies, the protection of it is crucial for promoting innovation and creativity, developing employment, and improving competitiveness.

¹⁷¹ See MARK MONITOR ONLINE BAROMETER, *Global Business Survey 2018, Brand Protection Challenges*, Clarivate Analytics, 2018. Available at: https://www.markmonitor.com/download/report/MarkMonitor_Online_Barometer-2018-US.pdf?elqTrackId=f36b781866e24054b73ac25b7a51c20d&elqaid=1171&elqat=2.

¹⁷² See RELAZIONE DELLA CAMERA DI COMMERCIO DI MILANO, MONZA-BRIANZA E LODI, *Contraffazione: 28mila le imprese a maggior rischio in Lombardia su 212mila in Italia*. Available at: <https://www.milomb.camcom.it/documents/10157/36135364/contraffazione-rischio-in-lombardia-comunicato-stampa-14-12-2018.pdf/24182055-37d8-4d52-8988-3193c8f51b8e>.

CHAPTER 2

CJEU ROLE IN TRADEMARK PROTECTION

SUMMARY: 1. The role of CJEU in harmonizing trademark law – 2. A sign identical or similar to the trademark: distinctiveness – 3. Identical or similar products or services: the concept of affinity – 4. Risk of confusion and that of association – 5. Further extensions of the concept of “confusion” – 6. CJEU extensions: Intermediary Liability and Indirect Infringement for Marketplaces in Europe – 6.1 L’Oréal v eBay – 6.2 Louboutin v Amazon – 6.3 Coty Germany v Amazon – 7. Concluding remarks

2.1 The role of CJEU in harmonizing trademark law

Although the Trademarks Directive (“EUTMD”)¹⁷³ came to life in 1989, its European parents could barely have foreseen the context that it would grow up with. Transposed into domestic laws in the early 1990s, it entered a world that was on the top of fundamental and faster changes. In fact, advances in computing and printing technology meant illicit traders were able to make counterfeits faster and more cheaply than even before. Set against this flood of innovation and globalization, EU trademark law has dealt with remarkably well. The EUTMD, the Community Trademark Regulation (EUTMR)¹⁷⁴, and judgments under them, have together made significant harmonizing steps, but that recent “new media” decisions have begun to muddy the waters.

For more than twenty years, the scope of EU trademark exhaustion has been hard struggle, as a rule between parallel traders, who seek to benefit price differences across European markets, and the trademark owners, who wish to maintain supervision of their branded goods. This tension is clear with reference to the case law, but EU has succeeded in harmonising the fundamental principles of trademark exhaustion (geographical scope, legitimate reasons to oppose further commercialisation, and so on). Approximation in the core rules of EU registered trademark infringements has been more difficult. This is not astonishing given the purposes of the EUTMD and the EUTMR. The first one broke new ground and expanded trademark protection in many MS, particularly for marks with a reputation; while the second one, of course, created an entirely new IP right. However, despite the MS’ differing starting positions, EU and above all the CJEU have come a long way towards harmonizing this area.

One of the first challenges facing was how to coordinate the role of confusion in cases where the allegedly infringing mark, and/or the goods and services sold under it, were merely similar to the claimant’s registered mark. Too broad an interpretation of “confusion” could have merely similar to the claimant’s registered mark.

¹⁷³ *First Council Directive 89/104 repealed by Council Directive 2008/95*, repealed and replaced by Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trademarks.

¹⁷⁴ *Council Regulation 40/94 repealed by Council Regulation 207/2009*, repealed and replaced by Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trademark.

Too broad an interpretation of “confusion” could have protected all trademarks against unfair competition; too narrow an interpretation might have left brand owner defenceless.

The EUTMD states that, “the likelihood of confusion includes the likelihood of association with the earlier trademark”¹⁷⁵. Although this formulation has been inserted at the request of the Benelux, it was at the time uncertain what the reference “association” meant¹⁷⁶. This judicial debate was resolved, of course, by the CJEU deciding that confusion was the appropriate criterion. Association is now only relevant insofar as it demonstrates confusion, with “confusion” interpreted to include situations when the public is misled into thinking that goods arise from economically or legally linked enterprises¹⁷⁷. But let’s go in order.

The Court of Justice has often expressed itself on the functions of the trademark, in particular in order to verify whether the use by a third party of a sign similar or identical to a registered trademark constituted an infringement of the exclusive right attributed to the proprietor of the trademark and whether it could therefore be prohibited¹⁷⁸.

Initially, the Court held that infringement was possible only in cases where the third party used the third party's sign as an indicator of origin, and therefore as a distinctive feature¹⁷⁹, but then, it expressly recognised the other functions of the mark. The exclusive right provided for in Article 5(1)(a) of the Directive was granted in order to enable the proprietor of the trademark to protect his specific interests as proprietor of the trademark, that is to say, to ensure that the trademark can perform its proper functions. The exercise of that right must therefore be reserved for cases in which the use of the sign by a third party affects or is liable to affect the functions of the trademark and, in particular, its essential function of guaranteeing to consumers the origin of the product. As regards the coordination of the functions of the trademark, the Court has never proposed a precise synthesis¹⁸⁰, on the one hand attributing to the distinctive function the role of the primary function of the trademark, and on the other hand on some occasions placing all three functions on the same level¹⁸¹. What

¹⁷⁵ See EUTMD, *supra* note 1, Art. 5(1)(b).

¹⁷⁶ *Opinion of Advocate General Jacobs in CJEU, case C-251/95, Sabel BV v. Puma AG, 1997.*

¹⁷⁷ See CJEU, case C-425/98, *Marca Mode CV v. Adidas.*

¹⁷⁸ See Art. 5 of the first Council Directive 89/104/EEC to approximate the laws of the Member States relating to trade marks, 21 December 1988, in *Official Journal of the European Union*, L 040, 11 February 1989.

¹⁷⁹ A well-known case is (the BMW case) CJEU case C-63/97, *BMW AND BMW NEDERLAND v DEENIK*. The dispute concerned the use of the BMW trademark by Mr Deenik in advertisements about his business: he operated a garage specialising in the sale of used cars bearing the BMW trademark and, in the repair, and maintenance of cars bearing the same mark, but was not part of the BMW dealer network. BMW considered that this use was unlawful and requested that it be prohibited. The Court of Justice ruled in particular in paragraph 38 that: “It is true that the scope of application of Art. 5(1) and (2) of the Directive depends on whether the use of the trademark serves to distinguish the goods or services in question in the sense that they come from a particular undertaking, that is to say, as a trademark, or whether the use pursues other purposes”.

¹⁸⁰ See RICOLFI M., *op. cit.*, p. 61.

¹⁸¹ For example, in Arsenal case cited above, para. 51: “In this perspective, the essential function of the trademark is to guarantee to the consumer or end user the identity of the origin of the product or service marked by the trademark, enabling them to distinguish, without possible confusion, this product or service from those of a different origin”; while in the judgement on the Google-AdWords case, *EU Court of Justice (Grand Chamber) 2010, cases C-236-238/08*, at paras. 75, 76 and 77 it is stated: “The exclusive right referred to in Articles 5(1)(a) of Directive 89/104 and 9(1)(a) of Regulation No. 40/94 was granted to the end user of the product or service marked by the trademark. The exclusive right referred to in Art. 5(1)(a) of Directive 89/104 and Art. 9(1)(a) of Regulation No 40/94 was granted in order to enable the proprietor of the trademark to protect his specific interests as proprietor of that trademark, that is to say, to ensure that the latter can fulfil its own functions. The exercise of that right must therefore be reserved for cases in which the use of the sign by a third party affects or is liable to affect the functions of the trademark. Those functions include not only the essential function of the trademark, which is to guarantee to consumers the origin of the goods or services, but also the other functions of the trademark, in particular that of guaranteeing the quality of the goods or services in question, and those of communication, investment or advertising. The advertising function is defined as “the use of the mark, by its proprietor, as a means

is certain, however, is that the distinctive function has taken on a different meaning compared to the past¹⁸², and in particular has been charged with a broader meaning: the message conveyed by the mark, for the truthfulness of which the owner is responsible, no longer concerns only the entrepreneurial origin of the goods, but also the specific characteristics of those goods.

Therefore, by requiring, even in the hypothesis of the dual identity of sign and product, that, in order to prohibit the use of the sign by the third party, the third party must actually interfere with the functions of the trademark¹⁸³, the Court of Justice places the pivot of the system of trademark protection on its functions, which, in particular, delimit its scope¹⁸⁴. The decisions of the Court of Justice are in perfect continuity with the market-oriented approach that has characterised the intervention of EU law in the field of trademarks from the outset, and therefore also with the justification¹⁸⁵ underlying such intervention: the European legislator intervened to balance the exclusive rights on the trademark in order to protect the free movement of goods¹⁸⁶ and freedom of competition¹⁸⁷, two cardinal principles of the European single market.

The trademark was created in response to the need, posed by a constantly growing and increasingly standardised market, for the identification and differentiation of products, and was therefore introduced by the legislator as an instrument at the service of the market: it contributes to the self-regulation of the market¹⁸⁸, since, through the identification of the goods and services offered on the market, it is able to select economic operators efficiently. In addition, the various interests¹⁸⁹, sometimes conflicting with each other, are positioned around the mark, and the legislator intervenes to balance them in order to ensure the proper functioning of the market. In particular, the interest of the owner of the mark to make its products recognisable and preferable (because they are marked) and the interest of the community, both consumers and competitors, in the truth of the mark that allows the public to make an informed choice, not distorted by a false representation of reality conveyed by the mark, and therefore does not compromise *fair competition*.

The market has therefore always been both the starting point for the legislator and the ultimate goal of his intervention, which is why his approach and that of the case law is market-oriented; and this approach is

of promoting sales or a commercial strategy”, paragraph 92 of the same judgment. On the other hand, the investment function of the mark is defined as its use by the proprietor “to acquire or maintain a reputation which is likely to attract and retain consumers”, *ECJ 22 September 2011, C-323/09, Interflora case*, par. 60.

¹⁸² See RICOLFI M., *op. cit.*, p. 63.

¹⁸³ *ECJ, 2007, C-17/06 Cèline case*, paragraph 26: “As recalled in paragraph 16 of the present judgment, the use, by a third party who has not been authorised to do so, of a sign identical with a registered trade mark in relation to goods or services identical with those for which that mark is registered may be prohibited, pursuant to Article 5(1)(a) of the Directive, only if it affects or is liable to affect the functions of that mark and, in particular, its essential function, which is to guarantee to consumers the origin of the goods or services”.

¹⁸⁴ See GALLI C., *I marchi nella prospettiva del diritto comunitario: dal diritto dei segni distintivi al diritto della comunicazione d'impresa*, in *AIDA*, 2007, p. 246.

¹⁸⁵ Identified in the second recital of Directive 89/104: “Whereas the laws currently applying to trademarks in the Member States display disparities which are liable to impede the free movement of goods and services and to distort the conditions of competition in the common market; whereas it is therefore necessary, with a view to the establishment and functioning of the internal market, to approximate the laws of the Member States”.

¹⁸⁶ See *Articles 26 and 28-37 TFEU*.

¹⁸⁷ See *Articles 101 and 102 TFEU*.

¹⁸⁸ See AUTERI P. and others, *op. cit.*, p. 16.

¹⁸⁹ See AUTERI P. and others, *op. cit.*, p. 14, 15, 16, 17.

expressed, in particular, in the enhancement of the actual use of the mark and of the perception that the public has of it¹⁹⁰, which we find in EU rules and judgments.

2.2 A sign identical or similar to the trademark: distinctiveness

The first element of the case is the fact that the subsequent sign is “identical or similar to the registered trademark”. The theme of identity has already been discussed in the previous chapter and it is, hereby, noted that “there is identity between the sign and the trademark when the former reproduces, without modification or addition, all the elements that make up the latter”¹⁹¹. However, the topic that needs further and specific study regards the similarity between trademarks. According to EU law, when two brands are similar? Do analogies or differences prevail? How should they be assessed: individually or globally?

The real starting point is the *Sabel case*¹⁹², ruled by the CJEU in 1997. The case concerned a dispute between the Dutch company Sabel and the German company Puma concerning the opposition to the registration of the mark of the former in Germany, as allegedly conflicting with the rights of the latter. The judgement of the European Court of Justice of 11 November 1997 had a very strong impact within the European framework. For the first time, issues, which had previously been put on the back burner, were prioritised. In facts, the Court first established how “the risk of confusion [should] be the subject of a global evaluation”¹⁹³ and, in this regard, it pointed out that the perception of the average consumer plays a key role in this evaluation.

In particular, the CJEU has held that, as part of this global appreciation, the greater the distinctiveness of the earlier mark, the greater the likelihood of confusion. This is a legal fiction that improves the scope of protection for distinctive marks. In practice, it may be the greater a mark’s distinctiveness, the less likely the public is to be confused as to origin, but the more likely an association is spring to mind. So, this appreciation test may have opened the door for distinctive marks (including those with a reputation) to be protected against mere association.

Following a reference from Germany’s Federal Court of Justice, the ECJ gave a preliminary ruling to the effect that:

The mere fact that two trademarks are conceptually similar is not enough in itself to conclude that there is a likelihood of confusion.

The likelihood of confusion must be assessed by taking into account all factors relevant to the circumstances of the case. An assessment of the visual, aural or conceptual similarity of the marks in question must be based on the overall impression given by the marks, bearing in mind their distinctive and dominant components¹⁹⁴.

¹⁹⁰ See CESARE GALLI, *op. cit.*, p. 247.

¹⁹¹ See *CJUE, case C-291/00. SA SOCIÉTÉ LTJ DIFFUSION v. SA SADAS*, para. 51.

¹⁹² See *CJUE, case C-251/95. SABEL BV v. PUMA AG RUDOLF DASSLER SPORT*.

¹⁹³ *Ibidem*, para. 22.

¹⁹⁴ COYLE J., Likelihood of confusion and trademarks, June 15, TRADEMARKROOM, 2015. Available at: <http://www.trademarkroom.com/blog/item/likelihood-of-confusion-and-trademarks#:~:text=Following%20a%20reference%20from%20Germany's,ruling%20to%20the%20effect%20that%3A&text=The%20mere%20fact%20that%20two,is%20a%20likelihood%20of%20confusion>.

In relation to the global appreciation, in Anglo-Saxon doctrine, this approach¹⁹⁵ had begun to be used to indicate that the assessment of similarity should be made all-round. When making comparisons, visual, phonetic and conceptual similarity must still be analysed, considering the mark as a whole and not dwelling on its individual elements. The general evaluation is explained by the simple reason why consumers do not always have such a clear memory of the mark that they can remember all the details; on the contrary, most of the time, they have a vague and confused overall memory.

Since the assessment of the risk of confusion must be made through the eyes of the consumer, national judges must not put aside the imperfect recollection¹⁹⁶ typical of the human mind; on the contrary, they have to get as far as possible into the part and make a judgement, which is compliant with that of the average consumer¹⁹⁷. With the scope of confirming the latter statement, CJEU's jurisprudence has repeatedly underlined how, in a concrete and real situation, the consumer does not have the possibility to make a direct comparison between the two brands and therefore the comparison takes place between what he has before and the memory of the other¹⁹⁸.

Before entering into the merits of the comparison and analysis of the three levels it should be borne in mind that the visual, phonetic and conceptual similarities reciprocally intersect, especially when it comes to complex trademarks, giving rise to quite interesting jurisprudential controversies that allow us to understand how the Courts deal with and assess differently the similarities between trademarks. Whenever the consumer buys a product on the basis of what he sees - as is usually the case in supermarkets or in all those places where products are displayed on shelves - the visual impression is of fundamental importance. In this type of comparison, both figurative and denominative elements play a predominant role - for example the graphics of the words, the similarity of the slogans and so on.

With regard to the comparison between word elements, and therefore the relevance also in terms of phonetic similarity, it is an established practice in the European courts to make the judgment of similarity through the comparison of the number of syllables of the marks. More specifically there is similarity if the number of syllables in common is higher than those that are not.

Another very common practice is to give more importance to the initial part of the trademark (brand) rather than the final one. For example, brands such as Seven and Seven for All Mankind¹⁹⁹ are similar to each other, whereas brands such as *Nutride and Tufftride*²⁰⁰ are dissimilar.

As rules of practice, these are the result of the repeated application and interpretation of the institutions by the Courts, but this does not detract from the fact that - as a system of civil law - the application of the rules must take place on a case-by-case basis; therefore, judges may always depart from the application of the previous ones, if they deem it appropriate.

¹⁹⁵ BENTLY L. and others, *op. cit.*, p. 1032.

¹⁹⁶ BENTLY L. and others, *op. cit.*, p. 1035.

¹⁹⁷ The theme of the average consumer and the risk of association will be discussed in more detail in the next paragraph.

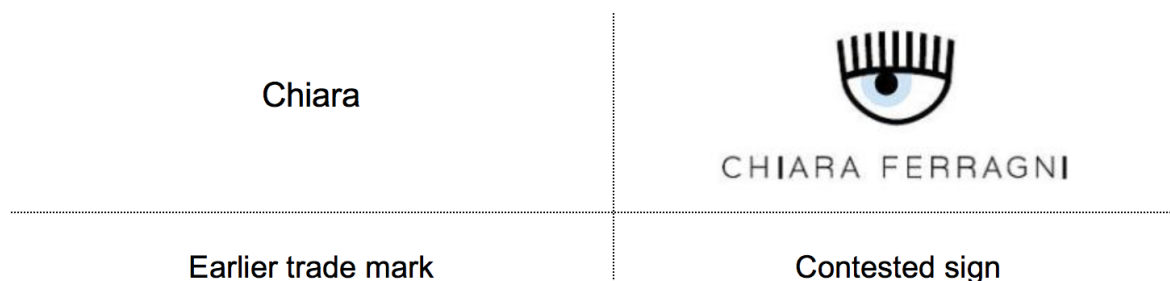
¹⁹⁸ CJEU, case C-342/97, *LLOYD SCHUHFABRIK MEYER v. KLIJSEN HANDEL BV.*, para. 26.

¹⁹⁹ JUDGMENT OF THE COURT (SECOND CHAMBER), case C-655/11P. *SEVEN FOR ALL MANKIND v. SEVEN SPA.*

²⁰⁰ JUDGMENT OF THE COURT OF FIRST INSTANCE (FOURTH CHAMBER), case T-224/10. *DURFERRIT GMBH v. OHIM.* "There is no likelihood of confusion between the word sign for the public concerned NU-TRIDE and the TUFFTRIDE brand".

As proof that this practice is not always applied, it is worth mentioning the very recent *case CHIARA FERRAGNI v. CHIARA*. The company CKL Holdings NV had opposed the registration of the figurative mark requested by Serendipity Srl, of which the fashion blogger is the owner, on the grounds that the latter presented similarities with the mark of the former, such as to generate a likelihood of confusion in the Benelux territory. The Board of Appeal upheld the opposition, with a decision which was appealed before the General Court of the European Union²⁰¹. The General Court referred to the well-established view that the assessment of similarity should be made on the basis of the overall impression given by each mark, taking into account their distinctive and dominant features.

In order to better analyse the issue, it is appropriate to illustrate the two brands: the first is a complex brand consisting of a figurative element - a stylised eye of colour blue - and from a denominative element - in the specific, the name and surname of the designer; the other, instead, only consists of a denominative element: the word Chiara.



The Court of First Instance addressed the question of comparison from all the relevant angles: from the point of view of the distinctiveness of the mark dominant elements applied for, from that of visual, phonetic and conceptual similarity. As regards the constituent elements of the mark applied for, the contested decision held the word element to be dominant, disregarding the fact that the figurative element was itself, on its own, distinctive and dominant as an “elaborate and original element, which [is] easily memorable. It cannot therefore be described as a mere figurative element or as purely decorative”. The judgment, in this way, contradicted the practice that counted as prevalent the word part of the complex brand, recognizing, to the contrary, the prevalence and dominance of the figurative element²⁰².

As far as visual similarity is concerned, it is first of all well established that there is no obstacle to comparing a word mark to a complex one, since even the latter, given as a whole, can give rise to a “visual impression”. The Board of Appeal had made a comparison - in this one location considered to be incorrect - based on various rules of practice spread in jurisprudence: the one for which the denominative element remains imprinted in the consumer's mind in a more effective way than the figurative one, and the one for which the

²⁰¹ *General Court of European Union, Case T-647/17, SERENDIPITY and others v. EUIPO.*

²⁰² In the same sense, *Italian Supreme Court, Civil Section, judgement 1249/2013*: “it does not seem logical from a logical point of view to agree with the absolute prevalence of the part of the trademark containing the name compared to other figurative parts of the same. There is no abstract hierarchy between the distinctive elements that appear in a trademark, being able in several cases to have the figurative elements an even more distinctive character than the denominative ones for which they must in any case be protected”.

initial part of the denominative element is more important than the final one²⁰³. The Luxembourg courts disagreed with the complainants and agreed with them and on the relevance of the figurative element as “dominant at least how much that denominative” is in terms of incorrect evaluation of the denominative element.

The plaintiffs, in order to refute the commission's analysis, relied on the second word “Ferragni” from several points of view. Following precedents guidelines had been considered on the one hand, the number of syllables and letters inside the term “Chiara” and the term “Ferragni”, giving precedence to the latter as a longer word - eight letters against six -; on the other hand, importance was given to the fact that the latter term was a surname, among other things uncommon - as the name “Chiara” can be considered. The Court, in this regard, concluded by considering the degree of visual similarity as weak, above all because of the presence of the figurative element which the commission had ignored.

Also, in reference to the phonetic similarity, the commission had made a wrong assessment, claiming that “Chiara” and “Chiara Ferragni” were “phonetically similar at an above average level”²⁰⁴. According to the Court, the mark applied for is not only a longer sound, intrigues and remains in the memory thanks to the second element that obviously is missing in the front mark. Therefore, the phonetic differences between the marks are certainly greater than the similarities, so the level of similarity was considered tenuous instead of “above average”. Finally, with regard to conceptual similarity the EUIPO considered that the comparison is neutral because, as names, “none of the conflicting trademarks has any meaning”.

However, the applicants have not missed the opportunity to contest the decision of the commission, also benefiting from the endorsement of the Court. In the case in point, it is claimed that the mark applied for is well-known and that it refers to an existing and well-defined person - the well-known Chiara Ferragni with more than 22 million followers on Instagram - and for this reason a semantic content of the brand exists and is precise. This reasoning is valid as long as the target audience associates the term “Chiara” a female name, because in such a case she could not identify in “Chiara Ferragni” a name and a surname. Regarding, on the other hand, the hypothesis that the reference public does not find you in the brands a first name and a surname respectively, however the comparison would be neutral because they would be denominative elements without semantic content.

The Court annulled the decision of the Board of Appeal on the grounds that it did not there was a likelihood of confusion between the marks as the similarity between themselves was not capable of generating confusion in the target audience. With this judgment, of February 2019, it became clear how the assessments that the judges make on the judgement of similarity differ in the following cases: practices that have been successful and that have been decisive in some circumstances are unfounded in others. Once it is established that the

²⁰³ In fact, it can be read that “there was an average degree of similarity between the signs, as the word element ‘Chiara’ of the earlier mark coincided with the first of the two-word elements of the mark applied for, on which consumers tended to concentrate”. Furthermore, the appellants reiterated that “the Board of Appeal, by carrying out the visual comparison, did not give the figurative element due relevance”.

²⁰⁴ For case law in line with the reasoning of the Board of Appeal, see *EU TRIBUNAL, Case T-536/12. AROA BODEGAS SL v. UAMI AND BODEGAS*, para. 47.

assessment is on case-by-case basis, it should not be considered surprising that the analysis of visual similarities is not a matter of law and as such is not subject to review by the higher courts in the event of an appeal²⁰⁵.

In the recent jurisprudential case involving Chiara Ferragni, the issues of visual and auditory similarity have been addressed by European judges without, however, giving too much importance to the third level of judgement, that of the conceptual similarity.

Specifically, with regard to the latter degree of comparison, the jurisprudence has never been unambiguous. Starting from the definition, the conceptual comparison is about the semantic meaning of the brand. It is possible that a mark has a clear and univocal meaning - think of the mark made up of a jumping cat: there is no doubt that there is a reference to nature and to the specific animal - or it is possible that a mark means absolutely nothing - as in the case of an invented word used to distinguish a product.

In order to be relevant for the comparison in question, the semantic meaning of trademarks does not necessarily have to be linked to the characteristics of the product to which it refers, it is sufficient that it has a meaning for itself and that this is evoked in the mind even in contexts other than its own reference²⁰⁶. The use of the criterion of conceptual similarity between two marks, such as it has already been said, it has not always been linear. Sometimes, EU jurisprudence has held that the similarity phonetics and visual between two brands can be “neutralized” by differences sufficiently significant on a conceptual level²⁰⁷.

Other times, more than giving importance to conceptual differences, it has given greater weight to analogies, and in this sense, it has been considered that a remarkable similarity can also exist for trademarks composed exclusively of elements with little distinctive character or, again, without meaning²⁰⁸. In this respect, however, it must be said that there was an evolution: if initially two brands with no perceptible meaning were considered to be parts of the mark which are not similar, now the parts of the mark which are meaningless have no similarity nor differences and therefore the result on a conceptual level remains neutral.

The twofold meaning of the semantic level has created quite a few problems in the dispute resolution from the point of view of system coherence, only apparent problems if we assume, as we did previously, that the judgement of confusability must take the form and adapt to the individual case. In general, the positive outcome of the assessment of semantic affinity can endorse the results already obtained from the visual and phonetic comparison.

On the contrary, a merely conceptual similarity is not sufficient for establishing the similarity between two marks which are very much distant from each other from a visual and a phonetic perspective. The latter circumstance occurred in the Sabel case, the Court of Justice denied the existence of the risk of confusion solely because of the semantic identity of the two trademarks. Considering them as a whole, these appeared,

²⁰⁵ See RICOLFI M., *op. cit.*, p. 556.

²⁰⁶ See RICOLFI M., *op. cit.*, p. 564

²⁰⁷ CJEU, case C-361/04. *PICASSO v. OHIM*. Para 20: “where the meaning of at least one of the two signs considered is clear and determined, so that the relevant public can immediately understand it, the conceptual differences found between these signs may neutralise the visual and phonetic similarities existing between them”.

²⁰⁸ See RICOLFI M., *op. cit.*, p. 567.

in the eyes of the Court, different from each other, and it was not surprising that both referred conceptually to a jumping cat. However, the European courts took the opportunity to state that “the greater the likelihood of confusion, the more relevant the distinctive character of the earlier mark. Therefore, it cannot be excluded that the conceptual similarity resulting from the fact that two marks use images which are consistent in their semantic content may create a likelihood of confusion if the earlier mark has a particular distinctive character, both intrinsically and because of the reputation it enjoys with the public”²⁰⁹.

When assessing the similarity between two marks, the focal point is constituted by the distinctive and dominant components rather than the descriptive ones. As already stated, the similarity between descriptive elements is considered neutral, what counts instead is the so-called distinctive similarity²¹⁰. In this evaluation, then, it is firstly noted the intrinsic distinctiveness of the brand and only after the distinctive character, related to the use, is pointed out.

Going back for a moment to the case of Chiara Ferragni vs. Chiara, the figurative element had an intrinsic distinctive character, as confirmed by the same Court. So, it is clear that the function of origin is evident. Since the digital entrepreneur is known throughout the world and the connection between her and the stylized eye is immediate, the distinctive character is strengthened because of the use that the fashion blogger has made and still makes of it. If, in the Sabel case, the previous brand had had a certain notoriety compared with the relevant public, the assessment of semantic similarity would have meant something completely different, as stated by the Court.

In the case of a trademark with a reputation, the average consumer could be confused in relation to the origin of the products in question. Therefore, the consumer could assume that there is even an economic link between the companies with a possible risk of confusion. Otherwise, problems arise when, as a result of the assessment in different respects, the results are discordant²¹¹. It could happen, for example, that two brands are similar at an auditory level, but at the same time different at the visual or conceptual level. In these cases, the importance given to the various levels of similarity varies according to the circumstances and in particular according to the goods and/or services characterised by the mark. For example, if the issue concerns two trademarks referring to catering activities, surely the aural similarity will prevail over the visual one²¹². This because in catering the word-of-mouth recommendation is the key to a successful business and it is important that there is no risk of confusion - especially at the hearing level - between competitors.

These differences in results are, however, balanced against each other, depending on of cases. The fundamental role is also covered by the interdependence that exists between brands and marked products, as will be analysed below.

2.3 Identical or similar products or services: the concept of affinity

²⁰⁹ See CJEU, SABEL v. PUMA, cit., para. 24.

²¹⁰ BENTLY L. and other, *op. cit.*, p. 1038.

²¹¹ AUTERI P. and others, *op. cit.*, p. 140. In the same sense, BENTLY L. and others, *op. cit.*, p. 1033.

²¹² In this sense the European Court of Justice has held that: “mere aural similarity may make marks so similar as to be likely to cause confusion”, CJEU, case C-342/97. LLOYD SCHUHFABRIK MEYER v. KLIJSEN HANDEL BV.

The second element necessary for the integration of the risk of confusion is the use of the subsequent trademark, as described above, “for identical or similar goods or services”.

As far as the concept of identity is concerned, there are no major problems of interpretation. Obviously, the situation in question involves two marks that are used for the same goods and/or services without any addition or limitation. In the same way, all those cases where the goods and/or services of the earlier mark partially coincide with the whole of the goods and/or services covered by the next one (overlapping case) are covered²¹³. It is therefore possible to distinguish hypotheses of total identity and partial identity among the goods and/or services which are the subject of the judgement of similarity.

While the terminology used at European and national level perfectly coincides with regard to the concept of identity, the same cannot be said for the second relevant element here. In fact, in the I.P.C.²¹⁴, next to identity, there is the concept of “affinity” between goods and/or services, while in the text of the Directive²¹⁵ there is a reference to “similarity”. Although the two terms do not fully coincide, the meaning does not substantially change.

The concept of affinity, as enshrined in Italian law, has been shaped over the years by the national jurisprudence in an evolutionary process that develops in three stages²¹⁶. In the first phase, the discriminating factor to identify the extent of protection was the fact that the goods belonged to the same industry²¹⁷. The concept of belonging was also understood in a potential sense: in fact, if the goods distinguished by the subsequent trademark were within the scope of hypothetical expansion of the business of the proprietor of the earlier trademark, would have been to be considered similar and, therefore, the latter could inhibit the use of the trademark next. The parameter was strongly subjective: it was based on the characteristics and ambitions of the individual company. Beginning in the mid-twentieth century, there was a first change. Products were considered similar if, due to their intrinsic nature, their destination to the same clientele and the satisfaction of the same needs, they could be linked to the product distinguished by the brand. Then, there was a total change of direction: they had moved on from a subjective approach (same industry) to an objective one (product reference)²¹⁸, affinity at this time was empirically identified.

The last approach derives from a criticism of the previous one: the extension of protection had to be identified in a legal manner. Therefore, two assets and/or services were to be considered similar to each other if and to the extent that they had a rate of commodity proximity such as to give rise to reasonable doubt in the public

²¹³ UAMI, *Direttive concernenti l'esame effettuato presso l'ufficio per l'armonizzazione nel mercato interno (marchi, disegni e modelli) su marchi comunitari*. Parte C Sezione 2 Doppia identità e rischio di confusione, cap. 2 Raffronto fra prodotti e servizi, 2017. Available at: https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/law_and_practice/decisions_president/ex15-7_it.pdf, pag. 342 ff.

²¹⁴ See Art. 20 I.P.C.

²¹⁵ See Art. 10 EUTMD.

²¹⁶ RICOLFI M., *op. cit.*, p. 625 and ff.

²¹⁷ See DI CATALDO V., *Capacità distintiva ed estensione merceologica della tutela*, Rivista di Diritto Industriale, 2007, n. 27.

²¹⁸ See previous note.

that these came from the same company. At the end of the accounts, the possibility of confusion about the origin was considered to be jurisprudence is the most appropriate criterion for assessing affinity.

As regards, on the other hand, the notion of “similarity” within the meaning of the European discipline, the assessment of its degree “is at the point of balance between two poles: the application of a series of objective factors, relating to the intrinsic characteristics of the goods, and the use of criteria more inspired by the parameter of the risk of confusion as to the origin”²¹⁹. In general, the discipline was developed for the first time by the CJEU in the *Canon judgment* and, subsequently, national courts have begun to comply with this approach.

In relation to the comparative judgment, the Court of Justice has reaffirmed the overall assessment on this occasion as well. Indeed, in Canon's judgment, the Court stated that “in order to assess the similarity between the goods or services in question, account must be taken [...] of all relevant factors characterising the relationship between the goods or services. These factors include, in particular, their nature, their purpose, their use and their competitiveness or complementarity”. In the same judgment, the Court went on to state that “the distinctive character of the earlier mark, in particular its nature, purpose, use and competitiveness or complementarity”²²⁰. In the same judgment, the Court went on to state that “the distinctive character of the earlier mark, in particular its reputation, must be taken into account in assessing whether the similarity between the goods or services covered by the two marks is sufficient to cause a likelihood of confusion”²²¹. This position, taken by the Luxembourg courts, shows how the assessment of similarity between goods and/or services is based on different factors, the enumeration of which in the judgment is merely an example.

The identification of other factors in addition to or instead of those indicated depends on the specific case. Additional factors can include: the distribution channels, the target audience, and the usual origin of the products and/or services²²².

The main relevant factors will now be briefly explained. In particular, it is not required that all of them will be cumulatively applied in every circumstance. However, the most appropriate ones will be used, depending on the types of goods and/or services in question.

As far as nature is concerned, we are referring to the essential qualities or the characteristics that allow to recognize the good and/or service. However, the jurisprudence has not been unanimous on the matter: sometimes it is interpreted in a restrictive way, sometimes it is interpreted in a so all-encompassing that it loses any classification power.

As far as the destination of the good and/or service is concerned, the reference is essential for the satisfaction of the need. The use of this second factor could create a detachment between two goods which, for example,

²¹⁹ See RICOLFI M., *op. cit.*, p. 628.

²²⁰ CJEU case C-39/97. *CANON KABUSHIKI KAISHA v. METRO-GOLDWYN-MAYER*, para. 23. In the same sense, *Supreme Court of Cassation, Civil Section I, Order No 31938/2019*: “in assessing whether there is identity or similarity of the goods and services in question, account must however be taken of all relevant factors characterising the relationship between those goods or services, i.e., their nature, their purpose, their use and their competitiveness or complementarity”.

²²¹ CJEU, *CANON v. METRO-GOLDWYN-MAYER*, *cit.*, para. 24.

²²² See *supra* note no. 212.

are very similar in nature. European law goes beyond the analysis of these three factors and continues the analysis assessing whether the goods in question are in a relationship of complementarity or mutual competition.

The European Court of Justice finds complementarity between goods if “there is a close correlation between them, in the sense that one is indispensable or important for the use of the other, so that consumers can assume that responsibility for the production of these products or the provision of these services lies with the same company”²²³. Based on this definition, two goods, in order to be complementary, must be used together and, therefore, intended for the same public. It is clear that if the consumer buys an item of clothing under a certain brand name and subsequently finds a similar brand that distinguishes complementary goods - e.g., handbags, shoes, etc. - they must be used together. - the immediate idea is that it may be the same company that has implemented a brand extension policy, typical of conglomerate companies in the fashion industry.

The last relevant aspect of complementarity is the introduction by European case law of the notion of “aesthetic complementarity”²²⁴. In the *Sergio Rossi case*²²⁵, the Court stated that two assets can be considered complementary only if there is a “real aesthetic need”, such as to arouse the following in the public a certain sensation if they do not match each other.

Finally, the competitiveness between goods and/or services manifests itself when one good can replace the other one. So, they must have the same or a very similar destination and they must be offered to the same actual and potential customers.

When talking about competing goods, it is common to refer to them as “interchangeable” goods and/or services²²⁶. As mentioned above, one component, that should not be underestimated, is the reputation of the earlier mark for the purposes of the existence of likelihood of confusion between similar goods and/or services. In the *Sabel case*, the Court had the opportunity to affirm this principle²²⁷, which was later reiterated in the *Canon's judgment*²²⁸. This assumption is based on the consideration that only trademarks that have a strong distinctive character - it is not necessary to reach the level of repute that would bring the third type of conflict²²⁹ into play - have a market force, extendable to other sectors²³⁰. When this happens, and therefore when the policy of diversification is profitably applied, it is normal and correct that the idea that different goods and/or services have the same origin is born in the public and that the strength of the previous brand strengthens the new one.

²²³ See *FIRST GRADE OF THE EUROPEAN UNION TRIBUNAL T-202/03. ALECAN SAN v. OHIM*, para. 46.

²²⁴ See *BENTLY L. and others, op. cit.*, p. 1043.

²²⁵ See *CJEU, case T-169/03. SERGIO ROSSI SPA v. OHIM*.

²²⁶ See *supra note no. 212*.

²²⁷ See *CJEU, SABEL v. PUMA, cit.*, para. 24: “it should be noted that the higher the likelihood of confusion, the more relevant the distinctive character of the earlier mark”.

²²⁸ See *CJEU, CANON v. METRO-GODWYN-MAYER, cit.*, para. 24: “the distinctive character of the earlier mark, in particular its reputation, must be taken into account in assessing whether the similarity between the goods or services covered by the two marks is sufficient to cause a likelihood of confusion”.

²²⁹ See *RICOLFI M., op. cit.*, p. 646.

²³⁰ See *CABRAL LUIS M. B., Stretching Firm and Brand Reputation*, *Rand Journal of Economics* vol. 31, no. 4, 2000, 2021, pp. 658-673.

The assumption of commonality of origin, however, becomes a bad thing for the earlier distinctive mark when the subsequent one has nothing to do with the first one, and here the problem of assessing the risk of confusion between goods and/or services with similar brands. The likelihood of confusion has always been considered subsequent to the assessment of similarity, because only if the latter exists then the distinctive character of the earlier mark could make the likelihood of confusion more plausible²³¹.

It must be pointed out that later does not mean separate from the comparison of similarity between trademarks and reference goods and/or services. Last but not least, the case-law pushes in this direction. In the Canon judgment, the Court has stated that “it is essential to interpret the notion of similarity in relation to the likelihood of confusion, the assessment of which in turn depends in particular on the reputation of the trademark on the market and the degree of similarity between the trademark and the mark and among the marked products or services”. Nevertheless, the judgement of confusability, based on the distinctive character of the earlier mark, remains even after the comparison of the similarity of the marks and/or goods and services. However, the CJEU invite to address these different factors as a whole. After outlining the extremes of similarity and affinity, it is appropriate to make a conclusive specification on how to compare assets and/or services. As has always been said, the analysis of the relative grounds for refusal in place of opposition to registration is a paper-based comparison. The office is based on what emerges from the intellectual property registers: they are compared the goods and/or services of the earlier registered trademark and those identified in the application for registration of the next trademark.

In a counterfeiting context, the analysis is market-based. The object of comparison is the way in which the brand name applied for and the goods or services, covered by the earlier mark, are actually marketed.

In support of the above, it is possible to refer to the Specsavers case²³². The case was first heard before the High Court of Justice of England and Wales, then before the Court of Appeal, and then before the Court of Justice of European Union to give a ruling on certain preliminary questions.

This is the fourth one presented here: in particular, the English Court had raised the question whether, although the trademark, was registered in black and white but actually used in colour in the market, the use by a competitor of a trademark similar in shape and colour was counterfeit²³³. The Court of Justice considered that, although the earlier mark had been registered in black and white, what it found for the purposes of this case was how the mark had actually been used and whether or not it had acquired distinctive character among the public²³⁴.

In accordance with the above-mentioned statement, it is not surprising that the Nice Classification is totally irrelevant for the purposes of the assessment of identity or similarity between the goods. The use of this Convention is useful in the context of registration and at most when opposing registration, by virtue of the *paper-based approach*. There is no doubt that the above classification, which is a mere administrative matter,

²³¹ See *EC FIRST GRADE TRIBUNAL, case T-105/05. ASSEMBLED INVESTMENTS LIMITED v. OHIM.*, para. 29.

²³² See *CJEU, case C-252/12. SPECSAVERS INTERNATIONAL HEALTHCARE LTD, SPECSAVERS BV, SPECSAVERS OPTICAL GROUP LTD, SPECSAVERS OPTICAL SUPERSTORES LTD v. ASDA STORES LTD.*

²³³ *Ibidem*, para. 16.

²³⁴ *Ibidem*, para. 37-38.

is not functional to the judgement of similarity at the time of counterfeiting, which is a concrete judgement, *by the market point of view*²³⁵.

After having dealt in detail with the judgment of similarity between trademarks and goods and/or services, it is necessary to make a brief mention to the interdependence that exists between them in order to integrate the likelihood of confusion. On several occasions, the European Court has had occasion to reiterate how it operates this complementarity: “a slight degree of similarity between the designated goods or services may be offset by a high degree of similarity between the marks and vice versa”²³⁶.

In Italian jurisprudence, there are traces of this principle and from last one was reiterated by the Court of Cassation in 2019, in the following terms: “As far as trademark protection is concerned, the judgement on confusability must be made by the judge on the merits by ascertaining not only the identity or at least the confusability of the two signs, but also the identity and confusability between the products, based at least on their affinity; such judgements cannot be considered independent of each other, but are both instruments that allow the so-called 'confusability between companies' to be ascertained”²³⁷.

This interdependence is also based on the holistic way in which consumers make purchases²³⁸: at the moment of the choice of consumption all perceptible information is learned and then processed at the subconscious level where, for example, the slight similarity between trademarks is mixed with the great similarity between goods and/or services from them distinguished, making the judgement a whole. This does not take away that the two required comparisons should be kept separate from a logical point of view, but it is clear that, if one considers the issue from the point of view of the average consumer, the results achieved on the two plans will inevitably be linked between them.

In other cases, the Court of Justice indicated that the requirements for the existence of a likelihood of confusion were, on the contrary, cumulative. Each element must therefore be satisfied before analysing the next element²³⁹.

It is important to understand how to coordinate these two - apparently conflicting - criteria for assessing likelihood of confusion, should the factors be assessed cumulatively, or can they be balanced against each other? It has been argued that cumulation must be satisfied before applying the principle of interdependence. In order to clarify the latter principle, it must first be remembered that to assess the level of similarity between trademarks and goods and/or services, a hierarchical scale consisting of three levels is used: strong or high, medium and weak or low. With the scope of satisfying the principle of cumulation, it is sufficient that the similarity of the first factor analysed is at least minimal. This is the only way to move on to the analysis of the next factor and assess the degree of similarity.

²³⁵ See RICOLFI M., *op. cit.*, p. 622 and in the same sense, BENTLY L. and others, *op. cit.*, p. 1042.

²³⁶ CJEU, CANON v. METRO-GOLDWYN-MAYER, *cit.*, para. 17.

²³⁷ Italian Supreme Court of Cassation, Civil Section I, Order no. 31938/2019.

²³⁸ ILANAH F., GANGJEE D., *The confusion test in European Trademark Law*, Oxford University Press, 2019, p. 9.

²³⁹ *Ibidem*, p. 163.

Once the level of similarity of each factor has been identified, the principle of interdependence can be applied²⁴⁰. From this it can be deduced that these criteria are not alternative, but rather successive and both are necessary in order to assess similarity in a way that optimal.

2.4 Risk of confusion and of association

The likelihood of confusion assessment is a method that is applied in situations of conflict between trademarks in proceedings before the Office, the General Court and the Court of Justice, as well as in infringement proceedings before the courts of the European Union. However, neither the Regulation nor the Directive contain a definition of likelihood of confusion, nor do they indicate precisely what “confusion” refers to.

The CJEU has dealt with this issue over and over again and from different points of view. The first occasion was in 1997, with the Sabel case, in which the meaning of the risk of confusion was explained and, on the contrary, deepened and solved the problem inherent in the relationship between this and the risk of association. Only in 1998, in the Canon case, a simple - albeit vague in some respects - definition of what is meant by likelihood of confusion was provided. The maximum is “a likelihood of confusion exists where the public may be mistaken as to the origin of the goods or services in question”.

After a first analysis, it is reasonable to include in the risk of confusion the classic hypothesis in which consumers confuse the goods distinguished by the junior trademark with those of the earlier trademark (senior trademark). With the evolution of commercial practices and the development of new business models, the meaning of likelihood of confusion has, however, broadened.

Now, it is not only the origin of the goods and/or services that can be confused, but also the possibility that consumers do not directly confusing the two trademarks, because of their similarity, believe that there is an economic link between the businesses²⁴¹. This economic link between the owners of different trademarks could be understood as a brand extension hypothesis, where the trademark owner - in order to differentiate the offer - registers the same trademark or similar trademark also for different goods or services; or the link could exist when a partnership, an agreement - for example in reference to a *capsule collection*²⁴² - is created between two different companies. If you want to make a comparison with overseas discipline, the difference about what can be confused is abysmal.

The Lanham Act, in section 43(a)²⁴³, provides that “is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person”²⁴⁴. It is

²⁴⁰ *Ibidem*.

²⁴¹ *Ibidem*, p. 5.

²⁴² *Ibidem*, p.164. There is also talk of “sponsorship confusion” or of “likelihood of commercial association”.

²⁴³ MARX G. S., *Section 43(A) Of the Lanham Act: A Statutory Cause of Action for False Advertising*, 40th Washington & Lee Law Review 383, 1983. Available at: <https://scholarlycommons.law.wlu.edu/wlulr/vol40/iss2/2>.

²⁴⁴ *See U.S. Code*, Title 15, commerce and trade, chapter. 22, trademarks, subchapter III, general provisions. Section 1125, false designation of origin, false descriptions and dilution forbidden. Available at: <https://www.law.cornell.edu/uscode/text/15/1125>.

clear that the possibility of the target audience to be confused is not limited only to the origin or the economic link but goes under several headings and it is obviously easier to integrate an infringement hypothesis. From the consumer's point of view, another situation that could be created is that of finding oneself in front of a good distinguished by a brand that vaguely reminds one of another products. Is the association that is made such as to generate confusion between the two brands? This is the question that the judges had to answer in the infringement proceedings for the purposes of applying the protection in question. In the Sabel case, the relationship between the risk of association and the risk of confusion has once and for all been defined. First of all, it should be recalled that it was the governments of Belgium, Luxembourg and the Netherlands who insisted on introducing the concept of “risk of association” into the text of the directive. However, it has to be said that the Benelux countries considered that this concept should be interpreted and applied by European courts in the same way as they interpreted and applied Art. 13A of the Uniform Benelux Law on Trademarks²⁴⁵. Indeed, in this region, for the purposes of delimiting the extent of the exclusive right conferred on the proprietor of the mark, the notion of likelihood of confusion is not used but that of similarity between the marks. In confirmation of this, a study of the case law of the Benelux Court of Justice shows that mere similarity between a mark and a sign is in itself capable of creating a connection between the goods and/or services in the relevant public. Moreover, such a connection is harmful both when it leads to the belief that the goods have identical origin and when there is no likelihood of confusion as to the origin of the goods. According to this interpretation, the mere fact that a sign brings to mind another trademark could lead to an undue transfer of the goodwill of the latter to the first, or even dilute the image. However, this orientation by the Benelux Court has been contradicted by European case laws, already in the aforementioned Sabel case. Point 18 of the judgment in question is of fundamental importance because it defines the scope of the then Art. 4 of the Directive²⁴⁶. It has been specified that this provision applies only where the identity or similarity of the goods or services covered by the two marks “gives rise to a likelihood of confusion on the part of the public which also involves a likelihood of association between the trademark and the earlier trademark”. The Court, getting to the heart of the matter, specified that “the concept of likelihood of association is not an alternative to the concept of likelihood of confusion, but it serves to specify its extension”. It is clear that the risk of association alone is not sufficient to generate confusion among the target audience. For the existence of the second type of conflict, the identity or similarity between the marks and the similarity or affinity of the goods and/or services must be such as to give rise to a likelihood of confusion among the relevant public as to the origin or, possibly, the existence of an economic link between the companies. A simple reference to a competing trademark is therefore not sufficient. In order to conclude the discussion of the risk of association, it is appropriate to remember how some people believe that there is a tripartite nature and that there is such a risk, in particular the distinction would be of the type: risk of direct confusion, risk of indirect confusion or association and, finally, risk of association proper.

²⁴⁵ Uniform Benelux Law on Marks (of March 19, 1962, as amended on November 10, 1983).

²⁴⁶ Now, Art. 5, EUTMD 2426/2015.

This specification was first mentioned in the Sabel judgment²⁴⁷, which defined the risk of direct confusion as the case where the public confuses the mark and the subsequent sign; by indirect confusion or association risk it meant the case where the public makes a connection between the owners of the mark or mark by confusing them; finally, the Court held that there is a risk of association proper when the public makes a connection between the mark and the mark: in particular, the perception of the mark must evoke the memory of the mark, without, however, confusing it²⁴⁸. This argument was then taken up in the *L.A. Sugar judgment*²⁴⁹ in which they are details have been clarified.

As far as “direct confusion” is concerned, this does not involve any process of reasoning, “it is a simple matter of mistaking one mark for another”²⁵⁰. On the other hand, the “indirect confusion” is substantiated when the consumer, having previously recognized that the brands are different, makes a mental reasoning that, consciously or unconsciously, brings the thought back to the first. On the basis of the above, in order to establish whether or not there is a likelihood of confusion, a number of factors must be assessed globally: the similarity between signs - including the distinctive and dominant elements of each mark -, the similarity between goods and/or services, and, finally, the relevant public must be considered. Usually, the concept of “relevant public” and that of “average consumer” are used interchangeably, because the latter is considered as the representative prototype of the former.

The starting point is, again, the Sabel case. The likelihood of confusion must be considered from the point of view of the average consumer of that type of product: “the perception of trademarks by the average consumer of the type of product or service in question plays a decisive role in the overall assessment of the likelihood of confusion”²⁵¹. The theme, however, has not been left in this embryonic phase, it has been developed in other pronouncements, the one that most deserves to be explored is the one concerning the Lloyd case²⁵². Point 26 of the judgment states that “the average consumer is presumed to be normally informed and reasonably observant and circumspect”. Put this way, the behavioural characteristics of the average consumer may seem vague and indefinite, so they need to be clarified.

By referring of a normally informed person, mention is made to his or her degree of experience, on the basis of which he or she should have acquired some knowledge of the products in question. The same reasoning applies to attention and prudence: the reference is to the level of attention that the consumer places in the action of buying, taking into account all relevant aspects of the case. The discourse must be declined differently according to the type of consumers to whom it refers: there is the distinction between professional and

²⁴⁷ CJEU, SABEL v. PUMA, *cit.*, para. 16.

²⁴⁸ *Ibidem*.

²⁴⁹ *L.A. SUGAR LTD v. BACK BEAT INC. O/375/10 Trademarks Registry (Appointed Person)*.

²⁵⁰ *Ibidem*, para. 16.

²⁵¹ CJEU, SABEL v. PUMA, *cit.*, para. 23. Also repeated by the CJEU case *C-342/7, LLOYD SHUHFABRIK v. KLIJSEN HANDEL BV*, para. 25.

²⁵² *Ibidem*.

occasional customers, in the former case obviously the level of experience and attention will be higher than that of occasional consumers²⁵³, or better defined as belonging to the general public.

The courts have always accepted the observation that the characteristics of the average consumer may vary according to the type of good and/or service and must be identified and parameterised on a case-by-case basis²⁵⁴. There is no doubt that for some products - for example, luxury or otherwise expensive products - the consumer of reference is particularly attentive and prudent²⁵⁵. On the contrary, for consumer goods, it is more likely that the purchases will be made on impulse and without too much thinking. In more detail, when a significant part of the reference public is induced into confusion on the origin of the products or on the existence of an economic link between the companies, we can talk about the presence of a risk of confusion. One of the major problems, in terms of average consumer, regards the “choice” of the reference public, which must be confused: which trademark should be taken into consideration, the previous or the subsequent one? This dilemma has been answered by the Luxembourg courts, that observed that “the relevant public for the assessment of the likelihood of confusion is composed of users who could use both the goods and/or services covered by the earlier mark and those covered by the mark for which registration is sought”²⁵⁶.

Another issue, related to the relevant public, concerns the country of origin or, more generally, the language spoken and known by that country. The situation that could occur is that a descriptive word in a certain language seems - to those who do not know it - a fancy word and, therefore, a perfectly valid trademark. The question arises especially for contexts such as the European Union where the official languages are a plurality, and the European trademark must be non-descriptive of the product throughout the Union. It would be absurd to think that the average Mediterranean citizen can know - among the many Slavic languages - Croatian and in particular the translation of the word “pivo”. If, in fact, this term was registered for a type of beer, the average consumer could consider it a fancy mark, without knowing that in Croatian this term means “beer” and as it is descriptive of the product. reference asset could not be registered as a trademark. All this is to say that, for the analysis of the target audience, in multilingual contexts, the idiom is also of fundamental importance.

2.5 Further extensions of the concept of “confusion”

The risk of confusion does not only arise at the time of purchase of the good and/or service. In facts, it may occur at an earlier or later time. In this regard, in the United States²⁵⁷, since the last century, the so-called initial interest confusion and the so-called post-sale confusion, which indicate those psychological situations

²⁵³ See MEHMETI G., *Nota di commento: la valutazione globale del rischio di confondibilità; i simili prefissi non sono sufficienti. Il pubblico di riferimento*. Para. 8

²⁵⁴ BENTLY L. and others, *op. cit.*, p. 1043.

²⁵⁵ In support of this *CJEU, case C-361/04. PICASSO C. OHIM*, para. 39: “Account should be taken of the fact that, given the nature of the products concerned and, in particular, their price and their highly technological nature, the average consumer pays a particularly high degree of attention when purchasing such products”.

²⁵⁶ *CJEU, case ET-328/05. APPLE COMPUTER v. OHIM E TKS-TEKNOSOFT (QUARTZ)*, para. 23.

²⁵⁷ See SIRONI G. E., *La percezione del pubblico nel diritto dei segni distintivi*, Milano, Giuffrè Editore, 2013, p. 273.

of confusion into which the consumer, could pour before and after the purchase, have already opened the way. The phenomenon, that falls under the concept of initial interest confusion, is characterized by the fact that the consumer, before the purchase is attracted by the good in question because he confuses it with that of another producer. However, before the purchase, this confusion disappears and the buyer recognizes that, in reality, he deals with products of different origin.

The initial confusing interest may, in some circumstances, cause damage to the owner of the earlier trademark in favour of the later trademark. This is because, after being initially confused about the origin of the product, the consumer, once he has reached the end of the purchasing decision making process, decides to buy the confused product despite the fact that it is not what he actually believed it was. This type of decision is supported by the fact that the buyer has borne costs, which can be defined as sunk costs - as such irrecoverable²⁵⁸ - to reach that decision. Therefore, whenever the cost of restarting the decision-making process ex novo is considerable, then it can be said that a risk of initial association between the goods actually involves a risk of confusion, since the decision-making process has been irremediably affected by the initial error of perception²⁵⁹.

In part, this reasoning is also accepted by EU case law. In the *Interflora* case, the Court states that “there is an infringement of the [origin] function where the advertisement does not allow or only hardly allows the normally informed and reasonably attentive internet user to know whether the goods or services to which the advertisement refers come from the proprietor of the trademark or from an undertaking economically connected to it”.

Therefore, if the consumer is initially confused about the origin of the reference goods and/or services, specifically believing that that particular product was in fact another, the risk of confusion and, consequently, the lesion of the earlier trademark is integrated. Obviously, if it is clear or in any case easily intuitable that the product in question is not the one originally thought of and the minimum is the “waste of time” to retrace one's steps, no risk of confusion and no violation of the rights of others exists.

Regarding the post-sale confusion, this was born overseas, too. This concept was introduced by a reform of the Lanham Act to the work of the American legislator. The original text made trademark protection conditional upon the use of the infringer's sign being likely to create confusion, cause error or deceive buyers as to the source of origin of the goods and/or services²⁶⁰. Thus, the only confusion that could affect the rights of the owner of the earlier trademark was the one existing at the time of purchase, thus clearly limiting the likelihood of confusion.

In 1955, an amendment was made at the instigation of the American courts, which failed to include the hypotheses of post-sale confusion in the case of counterfeiting and brought them within the perimeter of unfair competition²⁶¹. The above amendment eliminated the reference to “buyers”, thus extending the scope of

²⁵⁸ Example: the time taken to carry out the search that led to the purchase.

²⁵⁹ See *RICOLFI M.*, *op. cit.*, p. 1222. Reference to the so called *switching back cost*.

²⁶⁰ Section 32(1), Lanham Act.

²⁶¹ See *SIRONI G. E.*, *op. cit.*, p. 274.

confusion to cases in which persons other than the buyer were to be confused. Despite the intervention of the novel, it was not until the 1980s that the existence of post-purchase confusion²⁶² began to be recognised in jurisprudence. It is, at this point, necessary to give a definition of post-sale confusion.

First of all, it should be clarified that it occurs when the risk of confusion occurs after the purchase: in this case, confusion regarding the origin of the buyers at the time of purchase is not relevant. On the contrary, the perception of third parties is really important, because they might have doubts regarding the origin of the products, after seeing the goods worn or in any case brought by others²⁶³.

In the European context, the configuration of such confusion has long been recognised by ECJ jurisprudence. The Arsenal case²⁶⁴ is a sensational episode in which the Court found its extremes. The case involving the English football team revolved around the sale by Mr Reed of unofficial fan bands. The Court imposed its ruling on the ground that, although there were disclaimers on the defendant's stall indicating that they were not official merchandising products, in any event - given the identity of Mr Reed's brands and products and those distributed by Arsenal – “it cannot be ruled out that certain consumers, in particular if the products are presented to them after they have been sold by Mr Reed and removed from the kiosk where the warning appeared, might interpret the sign as indicating Arsenal FC as the company from which the products originated”. In this judgment, in addition to recognising a hypothesis of double identity, the Luxembourg courts affirmed that the deviation of the source of origin of a product could be integrated even after the purchase, particularly in the eyes of third parties who had no count of what the sales methods had been, thus creating post-sale confusion. The Court's reasoning seemed impeccable and linear, however, the same seems to address the issue differently in the Picasso ruling²⁶⁵.

The Court, with this judgment, confirmed what had previously been decided by the General Court when opposing the registration of the word mark Picaro on the grounds that it could be confused with the Picasso mark owned by the appellants. Both signs referred to the class of goods number 12 of the Nice Convention - in this case: cars and their parts.

The Court of Second Instance, echoing the reasoning of the General Court, stated that in the present case it was not possible to make a direct comparison with the Arsenal case. The reasons were clear: first, the goods in the latter case were identical and the level of attention paid at the time of purchase to goods in that category is notoriously very low.

On the contrary, in the present case, there was only a similarity between the marks and, moreover, it was irrelevant that at a time after the purchase the relevant public could show a lower level of attention, giving instead importance to the “particularly high level of attention paid by the average consumer when he is about to make, and makes, his choice between different goods”²⁶⁶. The Court, therefore, confirmed the first instance

²⁶² *Ibidem*.

²⁶³ ALLEN M. J., *Who Must Be Confused and When: The Scope of Confusion Actionable under Federal Trademark Law*, The Trademark Reporter n. 81, 1991, p. 209.

²⁶⁴ CJUE, Case C-206/01, *Arsenal Football Club plc v Matthew Reed*, ECLI:EU:C:2002:651, 12 November 2002.

²⁶⁵ CJEU, case C-361/04 P. *CLAUDE RUIZ-PICASSO, PALOMA RUIZ-PICASSO, MAYA WIDMAIERPICASSO, MARINA RUIZ-PICASSO, BERNARD RUIZ-PICASSO v. UAMI*.

²⁶⁶ *Ibidem*, para. 42.

ruling rejecting the opposition on the grounds that there was no risk of confusion between the trademarks and did not even consider a hypothesis of post-purchase confusion to be possible. In conclusion, on the basis of this ruling, it can be considered that one of the situations in which post-sale confusion comes to the fore is the hypothesis in which the purchase can be repeated.

In particular, in the latter case, the Court recognised the discriminatory nature of the level of attention that the consumer pays when making certain purchases, believing, on the one hand, that the purchase of a scarf from the heart team is made with little attention and, on the other - the diametrically opposite case - the purchase of a car that requires a high degree of attention as an occasional and onerous expense.

According to the Anglo-Saxon doctrine, we speak of dilution law to indicate that legislation aimed at protecting trademarks that enjoy a reputation - or specifically "famous" in American law - from unauthorised use by other parties which results in the dilution of the value of the trademark deriving from its reputation.

In American doctrine, two types of dilution are distinguished, which sometimes leads to difficulties in the exact identification of the type and extension of the protection granted in the specific case.

In any case, the categories identified are those of dilution by blurring and dilution by obfuscation. Blurring is the blurring or watering down of the distinctive character of the well-known mark caused by the association that the consumer makes between the marks because of their similarity²⁶⁷. On the other hand, obfuscation is the type of damage caused by the association between the marks that damages the reputation of the well-known mark²⁶⁸.

In the European legal system - and therefore reflected in the Italian legal system - trademarks with a reputation are also entitled to a wider protection than ordinary trademarks. This is in addition to the offence in all cases in which a third party uses the well-known trademark without due cause and takes unfair advantage of its distinctive character or reputation or is detrimental to these elements individually.

In the latter cases, we speak respectively of dilution and corrosion of the brand, while the hypothesis in which the third party takes undue advantage is identified as parasitism.

The rationale behind this protection lies in the fact that a brand that has reached high levels of fame within the reference territory has acquired a goodwill value simply because it is known. The owner of the trademark, in order to achieve this status, has inevitably employed energy, ideas and money and it is right that he should derive from this situation, exclusively, all the advantages. The possibility that others may unduly use the well-known trademark or, in any case, that they may derive undue benefits from its use, since time immemorial, is not well seen nor let alone socially accepted. In this regard, one of the greatest trademark law scholars, Frank I. Schechter, has taken over and elaborated the reaping sowing principle, according to which only the person who "cultivated" the brand and gave it value, has the right to "harvest" its fruits²⁶⁹. In fact, this discipline has

²⁶⁷ LONG C., *Trademarks and Unfair competition*, Oxford University Press, 2018.

²⁶⁸ *Ibidem*.

²⁶⁹ In the same sense, LONG C., *op. cit.*: "if consumers' opinions are positive, trademark holders stand to reap the benefit, but this requires trademark holders being able to control the way in which the mark is used. Conferring on trademark holders the power to exclude third parties from no confusing use of the marks allows mark owners to reap the benefits of their investment in the attributes of the product".

its focus, not so much on the consumer, but actually on the producer and the efforts made by the latter. Dilution law seeks to prevent a trademark's value from diminishing as a result of unjustified use by third parties. Starting from the assumption that the discriminating element for the applicability of this type of protection is the reputation of the trademark, the other relevant elements are the use of the well-known trademark and the subsequent trademark, the lack of a right motive and, finally, the undue advantage deriving from the distinctive character or reputation or, alternatively, the prejudice caused to the latter two factors taken individually.

The first time there was talk of a “well-known trademark” was in 1883, with the Paris Union Convention on Intellectual Property. Art. 6 bis²⁷⁰ regulated the well-known trademark from the perspective of registration: in particular, the existence of a well-known trademark in a Unionist country prevented the registration of a subsequent one in a different country which consisted of the “reproduction, imitation or translation” of the former. In this regard, among the various interpretations of the article in question, the concept of “reflex reputation” has developed precisely to indicate the fact that the earlier trademark has reached such a high level of fame in the country of origin that it is recognised and known “reflexively” in other countries as a result of advertising investments, the appearance of the trademark in the international film or press or because it is used by public figures of great renown and followed all over the world²⁷¹. Therefore, the impediment to registration was not due to the use of the trademark in the requesting country but to the fact that, thanks to the development of globalisation, it was known by the public of reference even if not directly marketed there. However, the concept of notoriety under the Paris Convention runs parallel to that of reputation as interpreted in the European Regulation and the I.P.C.

Starting from this basis, how did we arrive at the ultra - commodity protection so widespread and discussed today? In order to fully understand the extended protection of famous, well-known or renowned brands - as the case may be - it is necessary to recall the functions of the brand described in the first chapter. In particular, alongside the distinctive one, here we highlight the "new" functions, the qualitative, evocative, communicative and equally all those elements that are able to generate the well-known aura of luxury of the brand.

In line with what has recently been stated, for years now we have also been talking about so-called evocative and defined brands such as those signs that have “acquired a symbolic value and therefore evoked a particular image (class, refinement, elegance, etc.)”²⁷² contributing to the creation of the consumer's personal identity.

Moreover, in support of the importance of the qualitative function, the Italian Supreme Court of Cassation stated that: “the famous or highly renowned brand, unlike the ordinary one, is used by the public to link to the brand not only a product, but a product of satisfactory quality, which implies a particular consideration for the

²⁷⁰ *Paris Convention for the Protection of Industrial Property (WIPO)* of March 20, 1883, as revised at Brussels on December 14, 1900, at Washington on June 2, 1911, at The Hague on November 6, 1925, at London on June 2, 1934, at Lisbon on October 31, 1958, and at Stockholm on July 14, 1967, and as amended on September 28, 1979.

²⁷¹ AUTERI P. and others, *op. cit.*, p. 109.

²⁷² See LEONINI F., *Marchi famosi e marchi evocativi*, Milano, Giuffrè Editore, 1991, p. 130 and ff., and also CUONZO G., *Marchio Krizia – Contraffazione di marchio. Irrilevanza della categoria dei marchi dei c.d. creatori del gusto e della moda*, *Rivista di Diritto Industriale*, 1991, p. 43.

producer and the correlative tendency of consumers to buy other products that are placed on the market with the same brand, in the reasonable belief that the new products will also be of excellent quality”²⁷³.

Finally, as proof of the fact that the consumer may have doubts as to whether a commodity that is somehow distant from the one usually distinguished by the well-known trademark is connected to it, there are those who have stated that “the fame, celebrity of the trademark and the evocative-evocative value that it can acquire as a result of its use contribute to increase the possibility that different products, distinguished by the same sign, are erroneously attributed by consumers to the same company”²⁷⁴.

The regulation of trademarks enjoying a reputation was introduced in Italy by Legislative Decree no. 480 of 4 December 1992²⁷⁵, which implemented the then current Directive 89/104/EEC (now EU Directive 2015/2436²⁷⁶).

The first relevant provision of the Directive is the one corresponding to the current Art. 5 which regulates, in paragraph 3(a)²⁷⁷, the impossibility to register a trade mark which is identical or similar to an earlier registered trade mark having a reputation in the Member State for goods and/or services, even if not similar, where, from the use of the later one, the proprietor without due cause could take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark. Similarly, Art. 10²⁷⁸ provides that the proprietor of the earlier trademark with a reputation may prevent third parties from using a similar or identical trademark even for goods which are not similar by virtue of the rights conferred on him by registration.

The invalidating power of well-known trademarks therefore operates both in the registration and invalidity phases due to lack of novelty²⁷⁹, and in the counterfeiting phase to prevent others from using a trademark similar or identical to their own for even unrelated products.

Provisions similar to the Community ones were first included in the Trademark Law of 1942²⁸⁰ and then, with the issuing of Legislative Decree no. 30 of 10 February 2005²⁸¹, transferred to the Industrial Property Code. The discipline of trademarks known or enjoying a reputation is also regulated in the International legal scenario. In 1996 with a Protocol of Amendment signed in Geneva, Art. 16 of the TRIPs was amended. In

²⁷³ Translation of the *Judgment of 24 March 1983, no. 2060, Olio Sasso case*.

²⁷⁴ *Ibidem*.

²⁷⁵ *Decreto Legislativo del 4 dicembre 1992, n. 480* “Attuazione della direttiva n. 89/104/CEE del Consiglio del 21 dicembre 1988, recante ravvicinamento delle legislazioni degli Stati membri in materia di marchi di impresa”.

²⁷⁶ *Directive (EU) 2015/2436* of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trademarks.

²⁷⁷ “Furthermore, a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where: (a) it is identical with, or similar to, an earlier trade mark irrespective of whether the goods or services for which it is applied or registered are identical with, similar to or not similar to those for which the earlier trade mark is registered, where the earlier trade mark has a reputation in the Member State in respect of which registration is applied for or in which the trade mark is registered or, in the case of an EU trade mark, has a reputation in the Union and the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trademark”.

²⁷⁸ *Directive (EU) 2015/2436, see Article 10 “Rights conferred by a trademark”*.

²⁷⁹ See VANZETTI A., DI CATALDO V., *op. cit.*, p. 198.

²⁸⁰ REGNO D’ITALIA, *Regio Decreto 21 giugno 1942, no. 929, “Testo delle disposizioni legislative in materia di brevetti per marchi d’impresa”*, in *Gazzetta Ufficiale del Regno d’Italia*, no. 203, 29 August 1942.

²⁸¹ I.P.C., *REPUBBLICA ITALIANA, Decreto Legislativo 10 febbraio 2005, no. 30, “Codice della proprietà industriale, a norma dell’articolo 15 della legge 12 dicembre 2002, no. 273”*, in *Gazzetta Ufficiale della Repubblica Italiana*, no. 52, 4 March 2005.

particular, Art. 16, paragraph 3²⁸² of the agreement made official in Marrakech, in addition to extending the scope of application also to unrelated goods and/or services, provides that, in order to refuse registration, there must be a link between the same goods and/or services and the owner of the registered trademark and, finally, provides that there must be a risk that such use may prejudice the interests of the latter. At this point, the differences between the Paris Convention and its meaning of repute, on the one hand, and the European and international regulations with their sense of repute, on the other, are obvious: the Unionist discipline requires, for the refusal of registration, that there must be a likelihood of confusion between the signs and that the subsequent one be used for goods identical or similar to those for which the former is used.

On the other hand, the international discipline dictated by TRIPs - as well as the European one and consequently the Italian one - requires neither a likelihood of confusion - the existence of a link is sufficient - nor that the goods in question be identical or similar - because there is ultra-mereological protection.

After having exposed the meagre normative references, the merits of the issue will be analysed and the identification of the definition of “reputation” will be addressed.

Briefly, it is worth remembering that, also in this case, Italian terminology differs from European terminology: in the first case we refer to the concept of “fame”, while in the second to that of “notoriety”. The Italian legislator therefore decided to align itself with the translations of other member states, in particular taking as its starting point the French translation which referred to trademarks enjoying “renommée”²⁸³. Although the terminology used is different, the substance remains unchanged.

At this point, it might seem legitimate to try to understand what the minimum threshold of reference is for a trademark to be regarded as having a reputation. Unfortunately, the first critical points are encountered here: the legislator does not indicate what is the quantitative data necessary to assess the reputation, thus leaving room for the most disparate interpretations. Today's widely accepted interpretation is that this type of “extended” protection should be granted not only to famous brands in the proper sense of the word but also to brands that are simply known to the relevant public - this is the case for highly specialised sectors or niche products. Therefore, all those trademarks that are known sufficiently well that the appropriation of the trademark by others may lead to an undue advantage for the usurper or a prejudice for the owner of the “copied” trademark are included in this case²⁸⁴.

All of the above has also been confirmed by the Court of Justice of the European Union in the General Motors case²⁸⁵, recognising the need for a “broad interpretation” of the term notoriety²⁸⁶. In particular, the Court has been called upon to give a preliminary ruling on the question whether, on the one hand, the expression 'enjoys

²⁸² TRIPs Agreement adopted in Marrakesh on the 15th April of 1994 on Trade-Related Aspects of Intellectual Property Rights ratified by Italy by *Law No. 747 of 29 December 1994*.

²⁸³ See VANZETTI A., *Commento alla Direttiva del 21 dicembre 1988 sul ravvicinamento delle legislazioni degli Stati membri in materia di marchi d'impresa* in *Le nuove leggi civili commentate*, Padova, CEDAM, 1989, p. 1443 and ff.

²⁸⁴ See SENA G., *Il diritto dei marchi*, Milano, Giuffrè Editore, 2007, p. 151 ff., VANZETTI A., DI CATALDO V., *op. cit.*, p. 258, VANZETTI A., GALLI C., *La nuova legge marchi*, Milano, Giuffrè Editore, 2001, p. 24 and ff.

²⁸⁵ CJEU, case C-375/97. *GENERAL MOTORS CORPORATION v. YPLON SA*.

²⁸⁶ See SIRONI G. E., *op. cit.*, p. 289.

a reputation' is to be interpreted and, on the other, whether the above condition must be satisfied for the whole of the territory or whether it is sufficient that the reputation exists only in part of it.

As regards the first part of the question, the Court held that it was sufficient for the requirement of reputation to be satisfied that there should be 'a certain degree of knowledge in the public of the earlier trademark, because only if there was a sufficient degree of knowledge to that effect would the relevant public, placed before the later trademark, be able to compare them and, as a result, an injury to the former could occur²⁸⁷. Moreover, in confirmation of what has been stated above, the Court itself considered it unthinkable to set a minimum threshold for the relevant public knowing the mark for the purposes of establishing its reputation²⁸⁸. However, the mark for which protection is sought must be known by a significant part of the public concerned by the goods or services covered by that mark²⁸⁹.

In conclusion, the Court referred the matter to the national courts and their assessment of a trademark's reputation: the Luxembourg courts reiterated that, for the purposes of that analysis, all the relevant elements of the case must be taken into account, in particular, the market share covered by the mark, the intensity, the geographical scope and duration of its use, and the extent of the investments made by the proprietor to promote it²⁹⁰.

As far as the second part of the question is concerned, the judges went on to say that, since the letter of the European provision was uncertain and unclear as to the extent of the reputation, it could not be required to exist throughout the territory of the Member State, and it was sufficient that only a substantial part of it existed. In order to have a more complete picture of the territorial extent of the trademark's reputation, it is worth mentioning the *Pago* case²⁹¹, ruled by the Court of Justice in 2009.

The issue addressed here concerns the interpretation of the periphery "substantial part of the Community". At this point, can only one Member State be considered a substantial part of the relevant territory?

According to the Advocate General's conclusions, the term "substantial" was interpreted on the basis of the "common sense", so that if the trademark was known only in a very small and economically weak State of the Union, it could not be considered to be known in a substantial part of the relevant territory²⁹².

Point 41 of the AGO²⁹³ made clear that in order to constitute a substantial part of the Community, national borders were not relevant; on the contrary, the reputation in a substantial part of the relevant territory had to be established by an assessing all the relevant circumstances of the case, taking into account: (a) the public concerned with the goods or services covered by the mark and the percentage of that public that knows the mark and, (b) the importance of the area in which the reputation exists, as defined by factors such as its geographical scope, population and economic importance.

²⁸⁷ CJEU, *GENERAL MOTORS CORPORATION v. YPLON SA*, *cit.*, para. 23.

²⁸⁸ *Ibidem*, para. 25.

²⁸⁹ *Ibidem*, para. 24.

²⁹⁰ *Ibidem*, para. 27.

²⁹¹ CJEU, *case C-301/07. PAGO INTERNATIONAL GMBH v. TIROLMILCH REGISTRIERTE GENOSSENSCHAFT MBH*.

²⁹² In the present case, the reference State was Austria and was considered by the courts to be sufficient to supplement the requirement of the "substantial part" of the territory of the Union.

²⁹³ *Advocate General Opinion in Pago case*.

2.6 CJEU expansionism: Intermediary Liability and Indirect Infringement for Marketplaces in Europe

CJEU has continuously expanded the scope and reach of trademark protection in the EU. “With the challenges arising in the digital environment, however, this expansionist approach becomes more and more questionable”²⁹⁴. At a time when e-commerce, for obvious reasons, has played and is playing a fundamental role, and with a view to increasing online sales, it is clear that the sale of products bearing counterfeit trademarks through these tools will, in time, become more possible and that the tools for combating counterfeiting of distinctive signs cannot disregard a clear division of responsibilities between the actors in an online sale.

“Counterfeiters often act through intermediaries, including online marketplaces, social media companies, and internet service providers (“ISPs”), that may not be aware that their services are being used for infringing activities. Recently, the extent of these intermediaries’ liability has been one of the most pressing issues facing courts, practitioners, and rights holders all over the world”²⁹⁵. The intrinsic characteristics of the Internet, which is a global tool with a strong supranational impact, its constant expansion and evolution, as well as the intangible dimension of e-commerce itself, make it extremely difficult to implement effective ways of combating the commission of offences via web. Questioning whether it is potentially performing direct acts of infringement (‘primary’ or ‘direct’ liability) is the first step for an intermediary to take. There has been a modernization of European trademark legislation since the explosion of online commerce. Nevertheless, neither of the relevant enactments (EUTMD and EUTM) provides a liability regime for intermediaries other than that applying to other actors. So, the analysis follows general principles flowing from that harmonized European legislation, as expanded by case law. Moreover, the landmark decision concerning online marketplace liability for using a trademark is *L’Oréal v. eBay*²⁹⁶ and was the subject of the Belgian *Louboutin* case.

The E-commerce Directive²⁹⁷ limits the liability of intermediaries by providing certain safe ports (for caches, mere conduits and hosts), which apply to information society service providers. These are providers of “any service normally provided for remuneration, at a distance, by electronic means and at the individual request of a recipient of services”²⁹⁸. The CJEU has, through its judgments, highlighted which kinds of businesses are qualified as hosting intermediaries. Up to now, various kinds of platform hosts, online auction sites such as

²⁹⁴ SENFTLEBEN M., *Adapting EU Trademark Law to New Technologies - Back to Basics?* (June 30, 2011). CONSTRUCTING EUROPEAN INTELLECTUAL PROPERTY: ACHIEVEMENTS AND NEW PERSPECTIVES, GEIGER C., Edward Elgar Publishing, 2013. Available at: <https://ssrn.com/abstract=1875629>.

²⁹⁵ NATTER B., DULKOWSKA N., *Intermediary Liability and Indirect Infringement for Marketplaces in Europe and the United States*, July 11, 2020. Available at: <https://www.jdsupra.com/legalnews/intermediary-liability-and-indirect-35670/>.

²⁹⁶ *L’Oréal SA, Lancôme parfums et beauté & Cie, Laboratoire Garnier & Cie L’Oréal (UK) Limited v. eBay International AG, eBay Europe SARL and eBay (UK) Limited* (Case C-324/09).

²⁹⁷ See *Directive 2000/31/EC*.

²⁹⁸ ARIES N., Bird & Bird LLP, *International Comparative Legal Guides, Trade Marks 2020*, Global Legal Group, 2020. Available at: <https://www.twobirds.com/~media/pdfs/iclg-trade-marks-2020.pdf?la=en&hash=C5B5C24EBEA34740C6BD243B3DCA9DCA68551F31>.

eBay and online marketplaces such as Amazon have been qualified as intermediaries. A broad approach makes sense when considering that an overly restrictive definition might not adequately allow for emerging and developing technologies.

Furthermore, an intermediary could find itself subject to injunctive relief in Europe even where it has no liability itself, whether primary or secondary, and even where a safe port applies. The Enforcement Directive²⁹⁹ states that: “rightsholders should have the possibility of applying for an injunction against an intermediary whose services are being used by a third party to infringe the rightsholder’s IP right”³⁰⁰. An example of this is an injunction against an internet service provider, obliging it to prevent its customers accessing websites which infringe IP.

2.6.1 L’Oréal v eBay

As regards the position of Internet service providers, one of the first cases in which the Court found itself examining the position of an online marketplace in the context of a trademark infringement, as well as clarifying the aforementioned concepts of “knowledge” and “control”, is the case (already cited above and also referred to by the Court itself in the decision in question) L’Oréal v. eBay. In this case, the Court, in its interpretation of Art. 14 of Directive 2000/31/EC, recalled that the exemption from liability provided for in that provision is applicable to the network intermediary only “on condition that he has not been actually aware that the activity or information is unlawful”, or that he has not played “an active role in giving him knowledge or control” of the data stored by its users, not occupying a “neutral” position with respect to such information³⁰¹.

In the same judgment, the Court then clarified that “the third sentence of Art. 11 of Directive 2004/48³⁰² must be interpreted as requiring Member States to ensure that the national courts having jurisdiction for the protection of intellectual property rights may order the operator of an online marketplace to take measures which contribute not only to bringing to an end infringement of those rights by users of that marketplace, but also to preventing further infringements of the same nature. Such injunctions must be effective, proportionate, dissuasive and must not create barriers to legitimate trade”³⁰³. These principles, and in particular those expressed in relation to injunctions applicable by national courts to Internet service providers, were then declared “valid” and they were applied by the same Court in the subsequent decision Tommy Hilfiger v.

²⁹⁹ Directive 2004/48/EC.

³⁰⁰ *Ibidem*, recital 23.

³⁰¹ See *supra* note no. 295, Recitals 113 and 119. The Court, which had already dealt with these issues, indeed, in its previous *CJEU* decision, *Joined Cases C-236/08, C-237/08 and C-238/09, Google France and Google v. Louis Vuitton and others* (2010), confirmed the principles expressed therein several times; see, among others: *CJEU, C-521/17, Coöperatieve V.S.U. v. D.M. (2018)* and *C-484/14, McFadden v. Sony Music* (2016).

³⁰² Corrigendum to Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of IP rights (OJ L 157, 30.4.2004). Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32004L0048R%2801%29>.

³⁰³ *CJEU, C-324/09, cit.*, Recital 144.

Delta³⁰⁴ also to providers of “offline” intermediation services, such as (in the case before the Court) the provision of a leased space in a shopping centre where counterfeit products are sold.

This decision, which for the first time investigated the issue of so-called *landlord liability*³⁰⁵ in Europe, clarified that: “the fact that the provision of points of sale concerns an online market space or a physical market space such as a market area is irrelevant in this regard (i.e.: in order to establish whether the National court can adopt injunctive measures in the sense specified in the L’Oréal judgment). In fact, it does not appear from Directive 2004/48, because its scope of application is restricted to e-commerce”³⁰⁶.

L’Oréal brought four lawsuits against eBay for trademark infringement, negligence, and violation of its selective distribution networks in France, Belgium, England, and Spain, occurring through various listings that infringed L’Oréal’s marks. Among other things, L’Oréal pointed to the fact that eBay was bidding on keywords containing L’Oréal’s registered marks and producing adverts that linked to items for sale on the eBay website. The UK court referred several questions to the CJEU as to the “use” that eBay was making of the L’Oréal trademarks and its liability for that “use”.

Maybe unsurprisingly (given the prior finding in *Google France case*³⁰⁷), the CJEU held that in the background of liability for trademark infringement under the EUTMD and EUTMR, an online marketplace is not “using” a trademark under circumstances when an end user has placed an offer for sale on the marketplace and that offer includes the rights holder’s trademarks. In this case, it was the seller who was “using” those signs, rather than the website operator. In those circumstances, the CJEU has affirmed that online marketplace did not have primary liability. There might be questions of secondary liability, but eBay would be shielded from that if it came within the hosting defense.

On the hosting defense question, the CJEU held that the E-commerce Directive would manage the operator of an online marketplace a hosting safe port in circumstances where the online marketplace had not played “an active role” in relation to a particular listing, of such a kind as to give it knowledge or control of that listing. The ECJ found that the operator does not use L’Oréal’s marks within the meaning of EU trademark law because it does not use them for its own commercial communication. Rather, for the purposes of the infringement provisions, use “is made by the sellers who are customers of the operator of that marketplace and not by that operator itself”³⁰⁸. As a consequence, the ECJ held that while intermediaries are normally entitled

³⁰⁴ CJEU, C-494/15, *Tommy Hilfiger v. Delta* (2016).

³⁰⁵ The Anglo-Saxon term landlord liability refers to the indirect liability of the landlord for acts of infringement of intellectual property rights committed by tenants inside the leased premises. In particular, the case of *Tommy Hilfiger v. Delta*, which was referred to the Court for a preliminary ruling, raised the question whether a national court can order the termination of the lease between the landlord and the lessee-contractor, or whether the legislation in force provides further, less intrusive means to achieve the same result. From this point of view, it can be observed that, on the one hand, since counterfeiting is qualified as a crime, the termination of the contract could certainly appear justified, but on the other hand in cases where the counterfeiting activity is quantitatively limited an instrument as invasive as the termination of the contract could appear disproportionate to the offence, both for the landlord-intermediary and the lessee-contractor. In this perspective, an alternative could be that the Judge orders a positive injunction (basically an “obligation to do”) to the landlord-intermediary, i.e., an obligation to put in place everything necessary to prevent the violation, supported by a penalty, thus leaving the intermediary the possibility to choose between possible remedies to end the violation.

³⁰⁶ CJEU, C-494/15, *cit.*, maximum recital 1.

³⁰⁷ *Google France SARL and Google Inc. v Louis Vuitton Malletier SA* (C-236/08).

³⁰⁸ *Ibidem*. See also *supra* note no. 294.

to the hosting provider exemption, they must limit their actions to “providing an intermediary service, neutrally, by a purely technical and automated processing of data”³⁰⁹. Intermediaries are not entitled to this exemption if they “play an active role of such a kind as to give them knowledge of, or control over, those data”³¹⁰. The ECJ stressed that eBay was subject to a duty of care to make sure its platform was not used for unlawful purposes, which means that rights holders can always enjoin intermediaries to persuade to not or avoid existing infringement. In fact, online intermediaries could be required not only to stop the infringement but also to ensure that further infringement was prevented, provided the injunction was effective, proportionate, dissuasive and did not create barriers to legitimate trade. Moreover, the order would also have to stop short of a general duty to monitor all the data of all of its customers (prohibited by Art. 15 of the Ecommerce Directive)³¹¹.

In the present case, the Court acknowledged that eBay “processes the data entered by its customer-sellers. The sales in which the offers may result take place in accordance with terms set by eBay”³¹². In some cases, eBay also provides assistance intended to optimize or promote certain offers for sale”³¹³. The court deemed that where a service sets the terms of remuneration and provides general information to users, this does not exempt it from the protection under the Ecommerce Directive. However, where the intermediary is providing additional services such as optimising the presentation of offers for sale or promoting those offers then it cannot be said to have taken a neutral position. The question then is how much optimisation or marketing of content amounts to playing an active role in relation to it?

It is for the national courts to apply the guidance on the distinction between active and passive roles provided by the CJEU, and numerous decisions in different courts across Europe have grappled with this.

To make some references, in France, in *Voyageurs du Monde v Google* case, the Paris Court of Appeal sustained that Google was not playing an active role in circumstances where users were selecting keywords using Google’s automated process. Google did not intervene with the choices save to warn users of the potential consequences of selection if such term was covered by a particular right. Again, this was not sufficient to give Google knowledge or sufficient control to consider it taking an active role in relation to the infringement content.

Otherwise, in *eBay v LVMH*³¹⁴, the first one was found to be playing an active role in relation to certain infringing listings, that promoted sales of infringing perfumes, cosmetics and handbags. In this case, eBay had provided particular information to the sellers as to how to increase their sales and also messaged unsuccessful bidders to look at other similar items on the platform. Moreover, it had offered the sellers a personal sales space to enable them to benefit from ‘sales assistants’ provided by eBay itself. This was found to constitute

³⁰⁹ *Ibidem*. See also *supra* note no. 294.

³¹⁰ See *supra* note no. 295.

³¹¹ See *supra* note 297.

³¹² See *supra* note 309.

³¹³ *Ibidem*, paras 28-31.

³¹⁴ *eBay v LVMH Arrêt no 483 of 3 May 2012 (11-10.508)*.

an active role giving eBay knowledge of/control over the infringing listings, and so depriving eBay of the hosting defense.

It is not simple to discern trends in the cases, precisely because the analysis is always very dependent on the underlying factual scenario presented to the Court, as well as to exactly what the host in question is doing in relation to each specific kind of content.

2.6.2 Louboutin v Amazon

Also, the infamous high-heeled red sole shoe designer and trademark owner Christian Louboutin won suit in 2019 against Amazon in *Louboutin v. Amazon*³¹⁵. A Brussel court sentenced Amazon EU for contributory infringement of Louboutin's trademark. The American industrial giant promoted over one hundred counterfeit shoes on its French and German websites; designing them as "shipped and sold by Amazon". Some of these products were promoted by Amazon and others were listed in targeted ads on a multitude of websites, including Amazon. The court relied that liability can be attributed to anyone taking an active part in the commission of a sale who could directly or indirectly control it. In doing so, the court held that Amazon was using signs infringing Louboutin's trademark, and so was primarily liable.

The present case mainly concerns the circumstances in which infringing trademark uses in listings uploaded by third party sellers on an online marketplace are legally attributable to the marketplace, so as to render it directly liable for trademark infringement. However, there is also some discussion about the applicability of the hosting defense.

First, Amazon operates a more complex platform than many other online marketplaces, so that when a customer makes a purchase, they may be purchasing goods: a) delivered and sold by Amazon; b) delivered by Amazon but sold by a third party; or c) delivered and sold by a third party but "sponsored" by Amazon³¹⁶. Three types of infringing activity were claimed: use by Amazon of the infringing signs in the listings; stocking of the goods; and delivery of the goods.

The court considered that in each of the three scenarios, Amazon was itself using the infringing signs appearing in the listings, even if part or all of the lists in categories b) and c) were prepared by third-party sellers who were using Amazon as a platform to sell their goods.

The Belgian court reaffirmed what was said in the CJEU decisions in the *Daimler case*³¹⁷, *Google France and L'Oréal v eBay cases* about the "use" of a sign, summing up the position as follows. Use in the course of trade in relation to goods can be attributed to any person having played an active role in performing the act which constitutes use and having the ability to directly or indirectly control it.

³¹⁵ *Christian Louboutin v Amazon Europe Core sarl & Ots Chambre des actions en cessation du tribunal de l'entreprise francophone de Bruxelles A/19/00918*.

³¹⁶ *Ibidem*, Para 16.

³¹⁷ *CJEU, C-179/15, Daimler v. Együd Garage (2016)*, Paras 39, 40 and 41.

An intermediary only avoids using a sign if it is offering an impartial service with regard to the act which constitutes use (here, the court gave the example of a mere host, warehouse keeper or referencing service provider). Court characterised the use of a sign in advertising as the action of integrating the advertising into someone communication. Court discovered that all the infringements were listed inside Amazon group's commercial communications. The judge paid particular attention to the fact that the listings were in the section called "Amazon Fashion" and were described as "our selections" and "our fashion crushes". In addition, although the infringing goods were the property of a third-party seller, Amazon was nonetheless promoting its own goods and services when it published ads for the infringing goods of third-party sellers on external platforms as the judge said (e.g., Amazon purchased advertising space on the website of the Guardian and featured there its own brands Amazon and Prime next to the infringing goods, without specifying that these goods were sold by third-party sellers³¹⁸).

The court also emphasized the following factual and contractual components, in concluding that Amazon's activities constituted active behaviour paired with indirect/direct control of the listings of infringing goods, and that those ones were also mentioned on Amazon's promotional communications:

The communications regarding the infringing goods had not only the purpose of promoting the infringing goods, but also of promoting Amazon services, activities and goods (e.g., on the same page where the infringing goods were offered for sale, an ad for the new Kindle – a product sold under the Amazon brand – was also featured, with the note "customers who have viewed this product, have also purchased..."³¹⁹).

The offer for sale of the infringing goods mentioned "Amazon business price ex VAT, payment within 30 days, create your free account" [emphasis added], "Special offers and related links", etc³²⁰.

The agreement "Sale on Amazon" with third-party sellers provides that "We [Amazon] put Your Products on sale on a particular Amazon Website on the applicable Sale Launch Date on Amazon and proceed with the commercialization and promotion of Your Products according to our decisions"³²¹.

As a result, the court held Amazon was itself "using" the infringing signs contained in third-party sales listings. With regards to the third-party listings (but not listings of goods sold directly by, or sponsored by, Amazon), Amazon tried to evoke the hosting defence under a national Belgian law implementing the E-commerce Directive. The court found that because the trademark used in the infringing third-party listings were integrated into Amazon's own commercial communications (and so could, on the facts, be attributed to Amazon itself), the platform could not properly be characterised as impartial and had gone beyond just creating the technical conditions necessary for a third party to use the signs. So that the hosting defence was not applicable.

This is the first case of finding an online marketplace directly liable for the use of infringing signs displayed in the sales listings created by its users. Rumor has it that this could be the start of a trend, but it's more likely ascribable to the special nature of the Amazon platform and to the circumstances outlined in the judgment.

³¹⁸ See *supra* note 297.

³¹⁹ See *supra* note 314. Para 14. See also *supra* note 297.

³²⁰ *Ibidem*. See also *supra* note 297.

³²¹ *Ibidem*. See also *supra* note 297.

As the case is on appeal, the Belgian Court of Appeal will have perhaps the opportunity to reassess the legal conclusions, and if needed, refer each unclear point to the CJEU.

2.6.3 Coty Germany v Amazon

With the recent decision of the Court of Justice in what is known as the “*Coty case*”, we can add another useful piece to the interpretation of European trademark law, particularly with regard to the role of market placers. The EU Court of Justice has ruled on the lawfulness of the conduct of a company which merely retains on behalf of a third-party goods infringing a trademark right without being aware of the infringement.

The dispute underlying the decision of the Court of Justice of the European Union concerned the sale on the marketplace³²² platform www.amazon.de of Davidoff brand perfume bottles by a third-party seller without the authorization of Coty Germany GmbH (“Coty”), licensee of the brand.

In the case in question, Coty complained in particular that in relation to certain bottles of Davidoff brand perfume offered for sale by a third-party vendor and entrusted by the vendor to Amazon FC as part of the “Amazon Logistics” programme, the rights conferred by the disputed brand had not been exhausted, as they were not products marketed in the European Union by the brand owner or with his consent. Considering the behaviour of Amazon Services and Amazon FC in violation of their trademark rights, Coty sued the two companies to appear before the Landgericht in Munich, asking primarily that they would be prevented from storing or shipping to Germany, even by third parties, perfumes bearing the Davidoff trademark which were not marketed within the territory of the European Union with its consent³²³.

Coty's applications were rejected in both first and second instance. In particular, the appellate court concluded that Amazon Services had neither stored nor dispatched the products in question, and that Amazon FC had stored those products on behalf of the third-party vendor as custodian who did not provide any assistance to the sale of the products it has in stock. Coty then appealed to the Bundesgerichtshof (German Federal Court of Justice) which, following a factual reconstruction which was not entirely peaceful between the parties³²⁴,

³²² As is well known, within the Amazon Marketplace platform the companies of the Amazon group offer third-party sellers the possibility to publish offers for the sale of their products and to conclude sales contracts with users. As well as taking part in the “Amazon Logistics” program, with the possibility of storing products in the warehouses of the various group companies and taking advantage of other complementary services, such as advertising, customer service for enquiries, returns management, refunds for defective products and receipt of payment from the customer of the goods, which is then transferred to the seller in his bank account. In particular, the company Amazon Services Europe S.à.r.l. (Amazon Services) allows third-party vendors to publish offers for their products on the Amazon Marketplace platform, while the company Amazon FC Graben GmbH (Amazon Fc) is responsible for the storage and warehousing of products entrusted by the third-party vendor.

³²³ In this respect, *Art. 15 of Regulation (EU) 2017/1001*, under the heading “Exhaustion of the right conferred by the EU trademark”, states that “The right conferred by the EU trademark shall not permit the proprietor to prevent its use for goods put on the market in the European Economic Area under that trademark by the proprietor or with his consent”. The decision of first instance shows in particular that Coty contested to Amazon the sale of products placed for the first time on the market outside the European Economic Area (in particular, in Pakistan) and then subsequently imported into Germany without the consent of the trademark owner.

³²⁴ Coty challenged the admissibility of the question referred for a preliminary ruling on the grounds that the decision to refer the case did not in fact reflect the situation at issue. In particular, it was argued that the description of the resistant companies in the main proceedings contained in the order for reference did not sufficiently reflect “the role played by Amazon Services Europe and Amazon FC Graben in the marketing of the products in question”, since “in the notice for the purposes of sale and at the time of performance of the sales contract, those companies are entirely substituted for the seller. In addition, on order of Amazon Services Europe and Amazon EU, Amazon Europe Core would continuously promote the products on the website www.amazon.de through

decided to stay the proceedings and refer the following question to the European Court of Justice: “If a person who stores on behalf of a third party goods infringing a trade mark right, without being aware of such infringement, stores those goods for the purpose of offering or placing them on the market, if only the third party, and not himself, intends to offer or place those goods on the market”³²⁵.

The question referred for a preliminary ruling concerned in particular the interpretation of Art. 9(1) and (2) of Regulation (EU) No 207/2009³²⁶, applicable at the material time and subsequently replaced by Art. 9(1) and (2) of Regulation (EU) No 2017/2001³²⁷, which provides that the registration of a European Union trademark confers on its proprietor the exclusive right to prohibit any third party from using in the course of trade a sign identical to that mark for goods or services identical to those for which it is registered³²⁸. In particular, these provisions contain a non-exhaustive list, and thus merely illustrative, of the types of use which may be prohibited by the proprietor of a trademark, including the offering of goods, their placing on the market and their storage for those purposes³²⁹.

The Court was therefore called upon to determine whether the storage of goods carried out by Amazon, as described by the referring court³³⁰, can be regarded as use of the trademark and, in particular, whether it constitutes storage of the goods for the purposes of offering them or placing them on the market, an activity which therefore falls within the exclusive scope of the trademark proprietor.

First, the Court recalls favourably principles already expressed in previous decisions of the Court which show that intermediaries, such as ware housekeepers of goods and transporters providing services on behalf of third parties, are not liable for infringements of trademark rights which they might commit, since they do not use the sign in their commercial communication or in their economic activities. In particular, in the case of the depositary, it has been stated that “the provision by him of the service of filing goods bearing a trademark of another person does not constitute use [of a] sign identical with that trademark for goods or services identical or similar to those for which that trademark is registered”³³¹. In the same perspective, the Court has also valued that in the case of an electronic marketplace operator “the existence of a use of a sign identical or similar to the proprietor's trademark by a third party implies, at least, that the latter uses the sign in the context of its own commercial communication. However, in so far as that third party provides a service consisting in allowing

advertisements in the Google search engine which would refer to offers from Amazon EU in its own name as well as from third parties operated by Amazon Services Europe. Therefore, taken as a whole, the activity of the respondents in the main proceedings would go far beyond the role played by eBay in the case that led to the judgment of 12 July 2011, *L'Oréal*”. (Recital 20)

³²⁵ *Ibidem*, recital 18.

³²⁶ Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trademark.

³²⁷ Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trademark.

³²⁸ See Art. 9, para. 1 and 2, Regulation (EU) 2017/1001, which provides that “1. Registration of the EU trademark confers an exclusive right on the proprietor. 2. Without prejudice to the rights of the proprietors acquired before the filing date or the priority date of the EU trade mark, the proprietor of the EU trade mark shall have the right to prohibit third parties, except with his consent, from using in the course of trade, in relation to goods or services, any sign where: (a) the sign is identical to the EU trade mark and is used in relation to goods and services which are identical to the goods or services for which the EU trade mark has been registered”.

³²⁹ Art. 9(3)(b), which provides that “The offering, placing on the market or storage of goods for such purposes or the offering or provision of services under the cover of the sign may in particular be prohibited”.

³³⁰ It appeared from the factual approach of the referral decision, on the one hand, that the companies in the Amazon group had confined themselves to the storage of the branded products without offering them for sale or putting them on the market themselves, and, on the other hand, that they did not intend to offer these products for sale or put them on the market.

³³¹ *CJEU, C-379/14, TOP Logistics v. Bacardi (2015)*, recital 45.

its clients to display, in the context of their commercial activities such as their offers for sale, signs corresponding to trademarks on its website, it is not itself making use of those signs in the sense indicated by the abovementioned European Union legislation”³³².

In its analysis, the Court therefore makes a distinction between economic operators in order to determine whether there is use of the mark and notes that such use does not exist where the third party simply provides a technical solution necessary for the use of a sign, or otherwise engages in passive behaviour without direct or indirect control over the act constituting the use.

In that regard, the Court observed that the verb “use” necessarily implies active behaviour and control, whether direct or indirect, over the act constituting use of the mark and that therefore “the fact of creating the technical conditions necessary for the use of a sign and being remunerated for that service does not mean that the person rendering that service uses the sign himself”³³³, whereas only the third party who has control is actually able to stop that use and thus comply with the prohibition³³⁴.

In the light of those considerations, the Court therefore concludes that for the storage of goods covered by a sign identical with or similar to the trade mark to be capable of being classified as “use” of that sign, it is necessary that “the economic operator who carries out such storage must himself pursue the purposes to which those provisions refer, which consist in offering the goods or placing them on the market” and, therefore, in the case where the companies which have carried out the storage “have not (have) themselves offered the goods in question for sale or (have) placed them on the market, (...) they do not, per se, use the sign in their commercial communication”³³⁵.

It should be noted that in the grounds no consideration is apparently given to the fact that Coty had made the defendant companies aware of the unlawfulness of the contested goods. The circumstance evidently constitutes a fundamental (negative) presupposition of the whole reasoning, since it is specified in the same preliminary question, which concerns the case of the person who works on behalf of third parties on goods infringing trademark rights “without being aware of such infringement”.

Although it is not the subject of specific reasoning on the part of the Court, therefore, this circumstance is finally relevant to the conclusions reached by the Court, and the answer to the question submitted is as follows: “Article 9(2)(b) of Regulation (EC) No Council Regulation (EC) No 207/2009 of 26 February 2009 on the [European Union] trade mark and Article 9(3)(b) of Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark, must be interpreted as meaning that a person storing on behalf of a third party goods infringing a trade mark right, without being aware of such

³³² CJEU, C-324/09, *cit.*, recitals 102-103.

³³³ *Ibidem*, recitals 37, 38 and 43.

³³⁴ In this respect, the Court has already made it clear in its previous case law that the expression “use in trade” necessarily implies “active behaviour and control, direct or indirect, on the act constituting the use. This is not the case if the act is carried out by an independent operator without the consent of the advertiser, or even against the express will of the latter” (CJEU, C-179/15, *Daimler v. Együd Garage* (2016), recital 39; see also CJEU, C-129/17, *Mitsubishi v. Duma* (2018), recital 38.

³³⁵ CJEU, C-324/09, *cit.*, recitals 45 and 47.

infringement, must be deemed not to store such goods for the purposes of their offer or placing on the market within the meaning of the abovementioned provisions, if he does not himself pursue those purposes”³³⁶.

Particular interest, in this case, was aroused by the conclusions of the Advocate General (hereinafter, "AG"), which also provided an alternative approach to the facts of the case, which does not appear to have been taken into account (at least apparently) by the Court in its conclusions³³⁷.

In fact, the AG notes that the question, as formulated by the referring court, can only be answered in the sense of excluding that Amazon Services and Amazon FC use the trademark in question in their commercial communication and economic activities. The AG therefore suggests that the Court should answer the preliminary question to the effect that, where a person has no knowledge of the infringement and only the third-party vendor intends to offer or place the goods on the market, it should be considered that no activity is carried out which qualifies as storage of goods infringing trademark rights for the purposes of offering or placing on the market.

The AG notes, however, that the conclusions could be partially different if an alternative interpretation of the facts were to be adopted that emphasises the specific situation of Amazon companies as they are largely involved in the marketing of the products in question under the Amazon Logistics program³³⁸. In fact, the Amazon group companies would not exclusively deal with activities considered “neutral”, such as the storage and transport of products, but with an additional range of services³³⁹, which would involve the “active and coordinated involvement of Amazon group companies in the marketing of products and the assumption of a large part of the seller's tasks”³⁴⁰.

From this point of view, it would therefore be necessary to conclude that in the sales process, Amazon Services and Amazon FC, both participating in an integrated shop model, engage in active behaviour, which according to the AG is precisely what the provision in Art. 9 of Regulation (EU) 2017/1001 exemplifies when it lists acts such as “offering”, “placing on the market” and “storing products for these purposes”. Corollary of such active behaviour would, again according to the AG, be the apparent absolute control of the sales process.

In the light of this reconstruction, the AG observes that if it were confirmed on a factual level in the present case that the Amazon group companies have in fact provided such “active” services under the Amazon Logistics programme, it could be assumed that they perform functions in the marketing of the products which go beyond merely creating the technical conditions for the use of the sign. In this perspective, when faced with

³³⁶ *Conclusions of the judgment.*

³³⁷ *Conclusions of Advocate General M. Campos Sánchez-Bordona, 28 November 2019.*

³³⁸ *See recital 51 of the Advocate General's Conclusions.*

³³⁹ *See recital 56 of the Advocate General's Conclusion*, where it is noted that “the seller delivers to Amazon the products selected by the client and Amazon group companies receive them, store them in their distribution centers, prepare them (they may also label them, pack them properly or package them as gifts) and send them to the buyer. Amazon can also handle the advertising and distribution of offers on its website. In addition, Amazon offers customer service for enquiries and returns and handles refunds for defective products. Amazon also receives payment for the goods from the customer and then transfers it to the seller in his bank account”.

³⁴⁰ *See recital 57 of the Advocate General's Conclusions.*

the sale or offer for sale of a counterfeit product, “the owner of the trademark rights could legitimately react by prohibiting such companies from using the sign”³⁴¹.

Following this factual approach, the role of the intermediary could not be considered neutral and the exceptions to the liability of information society service providers in Art. 14(1) of Directive 2000/31/EC³⁴² should not apply to the present case. These exceptions, the AG notes again, “are limited to the technical process of activating and providing access to a communication network over which information made available by third parties is transmitted or temporarily stored” and should therefore not apply in relation to “an activity such as physical storage and physical delivery of products”³⁴³. Both the Court's decision in comment and (even more so) the AG's conclusions offer the opportunity for some considerations regarding the liability of intermediaries, both “physical” and “network”, in case of infringement of intellectual property rights. The case in point, in fact, due to the particular configuration of the services offered by the Amazon group companies, lends itself to an in-depth examination - in the light of previous European case law - of a parallelism that effectively exists between the discipline envisaged for the liability of “offline” intermediaries, suppliers of a technical solution such as a transport service or warehouse storage, and that dictated with reference to Internet service providers, i.e., the company's service providers information (to use the definition in Legislative Decree 70/2003³⁴⁴).

The fundamental concepts are those - briefly addressed by the Court and the AG in the present case - of the intermediary's “knowledge” of the offence and the “control” exercised (in this case) over the products illegally marketed with the aid of its own intermediation activity.

In the light of what has already been said, it could be observed that with the judgment in question the Court “closes the circle” as regards the anticipated parallelism between the liability of “online” and “offline” intermediaries.

If it is true that, in assessing Amazon's position, the European Judges have substantially refused to express an opinion on the configurability of a liability of the same platform as an information society service provider - and in particular on the applicability or not, to Amazon itself, of the exemption referred to in the Art. 14 of Directive 2000/31/EC³⁴⁵ -, cannot escape the concepts of “knowledge” and “control” - which, as is clear from

³⁴¹ See recital 58 of the Advocate General's Conclusions.

³⁴² EUROPEAN PARLIAMENT AND COUNCIL (EU), *Directive 2000/31/EC on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market*, 8 June 2000, in *Official Journal of the European Union*, L 178, 17 July 2000.

³⁴³ See recital 62 of the Advocate General's Conclusions.

³⁴⁴ *Decreto Legislativo 9 aprile 2003, n. 70*, “Attuazione della direttiva 2000/31/CE relativa a taluni aspetti giuridici dei servizi della società dell'informazione nel mercato interno, con particolare riferimento al commercio elettronico”, pubblicato nella Gazzetta Ufficiale n. 87 del 14 aprile 2003 - Supplemento Ordinario n. 61.

³⁴⁵ While recognizing in abstract terms the applicability to the present case of the legislation referred to in the E-Commerce Directive, in fact, the Court held that it could not rule on the question “whether the activity of the operator of an on-line marketplace in circumstances such as those of the main proceedings falls within the scope of the Art. 14(1) of Directive 2000/31 and, if it does not, whether such an operator must be regarded as an ‘infringer’ within the meaning of the first sentence of Art. 11 of Directive 2004/48 (Recital 50), since the national court's referral decision was not raised”. On this point, the AG agrees that the conditions are not met for considering the question referred for a preliminary ruling by the German Supreme Court to be inadmissible, as requested, in extrema ratio, by Coty on the basis that the referral to the Court would have incorrectly reported the facts of the case. “However (again according to the AG), it is also true that, although it is for the national court to assess the facts, the Court must endeavour to give useful answers. There is nothing to prevent the Court from providing the national court or tribunal with guidance, based on the documents and observations submitted, on questions not dealt with in the reference for a preliminary ruling if it considers it necessary in order to improve cooperation with the referring court. Which, however, the Court did not consider it necessary to do”.

the L'Oréal ruling (and indeed also from the previous decisions *Google France* and *Google*³⁴⁶, also referred to by the Court in the decision in question), constitute the main issue to be resolved for any national court facing problems of this kind - also play a leading role in assessing the liability of Amazon companies as mere providers of the warehouse/storage service.

First of all, the Court in the decision in question recalls how the term “use” implies an active attitude on the part of those who commit the act, with the exercise of “direct or indirect control”, and how only those who exercise such control are able to stop the use and, therefore, comply with a prohibition in this sense³⁴⁷.

Moreover, while not arguing on this point, the Court has also widely valued the additional element of “knowledge” of the offence, resolving the preliminary question in the sense of excluding Amazon's liability only in the event that it is not considered to have been aware that the goods held in storage on behalf of third-party sellers were counterfeit.

It does not go unnoticed how the terminology used follows that of Directive 2000/31/EC, which in particular with regard to the hosting provider, in its Art. 14³⁴⁸ excludes the operation of the exemption from liability provided for therein precisely in the case where, among other things, the intermediary “is actually aware that the activity or information is illegal” or “the recipient of the service acts under the authority or control of the provider”. It is not by chance, therefore, that the Court has expressed itself in these terms despite the fact that it considered that it was unable to rule on Amazon's liability as manager of an on-line marketplace³⁴⁹.

One might wonder, therefore, whether the Court has in fact shared, after all, what was clearly stated by the AG, namely that it is not possible to distinguish, in a case like the present one, between the function of “custodian” and that of “manager of the electronic marketplace”³⁵⁰: “The relevant role of the Amazon group companies in the marketing process cannot be diminished by considering separately the individual activities of each of them”³⁵¹. And so, it is, the AG, who dares to really resolve the (bad) question raised by the referring court, explicitly legitimising the parallelism between “online” and “offline” intermediaries and stating that since, “in the present case, the role of the intermediary is not neutral, the exemptions from the liability of information society service providers in Article 14(1) of Directive 2000/31 do not apply in the present case. These exemptions are limited to the technical process of activating and providing access to a communication network over which information made available by third parties is transmitted or temporarily stored. They are therefore not applicable to activities, like physical storage and physical delivery of products”³⁵².

³⁴⁶ *CJEU, Joined Cases C-236/08, C-237/08 and C-238/08.*

³⁴⁷ *Ibidem*, recitals 37 and 38.

³⁴⁸ Art. 14 of Directive 2000/31/EC, “hosting”: Where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that:

(a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or

(b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

³⁴⁹ *See supra note no. 345*, recital 50.

³⁵⁰ *Ibidem*, recital 58, conclusions of the Advocate General.

³⁵¹ *Ibidem*, recital 59.

³⁵² *Ibidem*, recital 62.

Similarly, the AG considers that the “lack of knowledge” on the part of Amazon companies of the fact that the goods deposited were counterfeit does not necessarily absolve them of responsibility: “The fact that these companies are heavily involved in the marketing of products through the above-mentioned program (Amazon Logistics) implies that they may be required to take special care (diligence) in checking the lawfulness of the goods they place on the market. Precisely because they are aware that, without such control, they could easily serve as a conduit for the sale of illicit, counterfeit, pirated, stolen or otherwise unlawful or unethical products that infringe the property rights of third parties”, they cannot shirk their responsibility simply by attributing it exclusively to the seller”³⁵³.

In the light of the picture just outlined, the next step should be to ask what the consequences might be for an (paraphrasing the words of the AG) “Information society’ service provider engaged in the storage and delivery of counterfeit goods”. The parallelism can then be extended to the duty of care and the activation burden imposed by European legislation on the intermediary - see recitals 46³⁵⁴ and 48 of Directive 2000/31/EC³⁵⁵ - and to the possibility of injunctions, also *pro future* (so-called “stay-down”), in accordance with the provisions of Art. 11 of Directive 2004/48/EC³⁵⁶, as interpreted by L’Oréal and Tommy Hilfiger. It will be therefore legitimate to expect the intermediary in question to take action to put an end to infringements of which he has become aware even before this is imposed on him by an authority, as a measure that, for example, requires the same provider to stop providing its services, also in the future, in favour of the third party seller of counterfeit goods (recall, in this respect, the decision in case C-494/15, Tommy Hilfiger v. Delta, has essentially considered legitimate a measure that provides for the obligation “to refrain from the conclusion or extension of lease agreements of sales outlets in this market area with persons whose conduct has been judged by final decision of the judicial or administrative authorities as infringing or potentially infringing the rights conferred by the trademarks mentioned in the application”).

The considerations just made, in assuming that the Court of Justice intended to transpose, in some way, through the use of the language of the discipline dictated for Internet service providers, the suggestions of the AG in order to give the Referring Judge “useful answers”, “for a better collaboration” (to use precisely the words of the AG: § 25 of the conclusions), are certainly suggestive and, in a certain sense, may suggest an evolution in

³⁵³ *Ibidem*, recital 82.

³⁵⁴ In order to benefit from a limitation of liability, the provider of an information society service, consisting of the storage of information, upon obtaining actual knowledge or awareness of illegal activities has to act expeditiously to remove or to disable access to the information concerned; the removal or disabling of access has to be undertaken in the observance of the principle of freedom of expression and of procedures established for this purpose at national level; this Directive does not affect Member States' possibility of establishing specific requirements which must be fulfilled expeditiously prior to the removal or disabling of information.

³⁵⁵ This Directive does not affect the possibility for Member States of requiring service providers, who host information provided by recipients of their service, to apply duties of care, which can reasonably be expected from them and which are specified by national law, in order to detect and prevent certain types of illegal activities.

³⁵⁶ *See Art. 11, Injunctions*: “Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement. Where provided for by national law, non-compliance with an injunction shall, where appropriate, be subject to a recurring penalty payment, with a view to ensuring compliance. Member States shall also ensure that rightsholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right, without prejudice to Article 8(3) of Directive 2001/29/EC”.

the jurisprudence of the same Court, which suggests a glimpse on the horizon of greater accountability of information society service providers.

However, the weight of the refusal by European Judges to examine through the lens of the legislation referred to in Directive 2000/31/EC a case which, in one way or another, has come to their attention (and that of the AG), is felt and, despite the feeling of incompleteness it leaves, certainly cannot be underestimated.

The truth is that at the point of responsibility of the online marketplace managers the Court has not expressed itself. Point. The AG has expressed itself, in extremely clear terms (and online, it is worth remembering this, with some national pronouncements³⁵⁷), the opinion of which, however, as well know, does not make a precedent.

It will therefore be interesting to understand, at this point, how the Bundesgerichtshof will take on board the judgment in question. In fact, the result of the judgment in question should not be as obvious as it might seem to a superficial reading of the judgment (and the AG's conclusions) delivered in the case under comment. It is true that, in examining the decision to refer the question to the Court of Justice for a preliminary ruling, there seems to be no room for a re-evaluation of the case in law (the German Federal Court is in fact clear in stating that the success of the appeal depends on the interpretation of Art. 9(2)(b) EUTMR³⁵⁸ and Art. 9(3)(b) EUTMR³⁵⁹). It is equally true that the factual circumstances, concerning the characteristics of the services offered by Amazon's companies, are well delineated therein in all their aspects.

In other words, it will be the German Judge, who will give us a clue as to whether the “suggestions” that seem to be heard are only the echo of the cries of the AG or the sound of the whisper of the Court of Justice of the European Union.

2.7 Concluding remarks

According to the *Report on the EU customs enforcement of Intellectual Property rights*, results at the EU border of 2018 shows that *China* is still the overall main country of provenance for goods suspected of infringing one or more intellectual property rights arriving in the EU. “For specific product categories, other countries feature as the main countries of provenance, notably: *North Macedonia* for alcoholic beverages; *Turkey* for other beverages and perfumes and cosmetics; *Hong Kong and China* for watches, mobile phones

³⁵⁷ See for example *Italian Supreme Court of Cassation, Section I, 19 March 2019, no. 7708, RTI v. Yahoo!*; *Rome Tribunal of 1st instance, 2 October 2019, RTI v. Bit Kitchen*; and also, *15 February 2019, no. 3512, RTI v. Facebook*; *Rome Court of Appeal, 29 April 2017, RTI v. Break Media*. In relation to the services provided by Amazon, see AGCM, 9 March 2016, Measure no. 2591.

³⁵⁸ See Art. 9, *Rights conferred by an EU trademark*. “Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the EU trade mark, the proprietor of that EU trade mark shall be entitled to prevent all third parties not having his consent from using in the course of trade, in relation to goods or services, any sign where: (b) the sign is identical with, or similar to, the EU trade mark and is used in relation to goods or services which are identical with, or similar to, the goods or services for which the EU trade mark is registered, if there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark”.

³⁵⁹ “The following, in particular, may be prohibited under paragraph 2: (b) offering the goods, putting them on the market, or stocking them for those purposes under the sign, or offering or supplying services thereunder”.

and accessories, ink cartridges and toners, CDs/DVDs and labels, tags and stickers; India for computer equipment; *Cambodia* for cigarettes; and *Bosnia and Herzegovina* for packaging material”.³⁶⁰ Following the report, the number of detentions in the *air and sea transport* sectors have reduced, while detentions in *express courier and postal traffic* increased. Courier and postal traffic together accounted for 84% of all detentions. The typology of articles detained in the categories of postal traffic are primarily *consumer articles ordered via e-commerce*, in example: shoes, clothing, bags and watches. In terms of quantities, however, packaging material, labels and mobile phone’ accessories are in the top five. Sea traffic remains by far the biggest sector in number of articles.

The publication of the results of *customs actions at EU external borders* provides a means to measure the latitude of customs actions needed to reinforce IPR, also in *EU third countries*. The truthful application of IPR by customs is a priority for the European Commission and for Member States, cause the competitiveness of European businesses depends on it. For many years customs administrations in the EU have been known for their high standard of enforcement of IPR.

As above mentioned, China is the main source-country from where IPR infringing goods are shipped to EU, despite the cooperation between China and EU authorities became recently paramount. In fact, the past decade had seen significant changes and a progressive deepening of the relationship between them, which was maturing into a comprehensive strategic partnership. They believe that the strengthening of the relationship had been of great value to the long-term interests, in the name of the more even important cooperation between Asia and Europe, as well as to peace, stability, and development in the world at large. It has been emphasized the importance of high-level political dialogue and consultations at all levels in enhancing understanding and trust, expanding common ground, and advancing bilateral relations. “They welcomed the recently established regular strategic dialogue mechanism, which had proven to be a valuable tool in the frank and in-depth discussions of important International and regional issues and the exchanges of views on bilateral issues of common concern”³⁶¹. Both sides expressed their satisfaction over the communication and cooperation of the past years under *the EU-China IPR Dialogue and the IPR working group*³⁶² and stood ready to further the exchanges and cooperation in this field. Both sides also reiterated that they would strengthen the cooperation and exchanges in the field of geographical indications, and the importance of technology for their economic development and expressed the willingness to strengthen exchanges and cooperation on IPR protection in this

³⁶⁰ *Report on the EU customs enforcement of intellectual property rights*, results at the EU border of 2018, available at: https://ec.europa.eu/taxation_customs/sites/taxation/files/2019-ipr-report.pdf.

³⁶¹ SNYDER F., *The European Union and China*, 1949-2008, Basic Documents and Commentary, Portland, Hart Publishing, 2009. Pag. 692.

³⁶² The EU and China have progressively established a regular and transparent cooperation on IPR in the form of annual IP Dialogues and IP Working Groups, with the involvement of industry. The format of those exchanges was upgraded through a Memorandum of Understanding in 2015. Technical cooperation programmes complement those exchanges and provide the necessary support for the implementation of recommendations. The EU and China are further pursuing discussions on an Agreement on the Protection of Geographical Indications (Gis). Starting in 2004, structured EU-China IP Dialogues have been held on an annual basis, enabling both sides to share information on IPR strategies, multilateral and bilateral IPR issues, and national IP legislation and practices, with the goal of identifying shortcomings and proposals for improvement.

area and support the contractual freedom between enterprises in the field of technology transfers under the condition of fairness, reason and non-discrimination³⁶³.

Both parties signed in 2004 a *Customs Cooperation and Mutual Administrative Assistance Agreement (CCMAA)*,³⁶⁴ which provided the legal basis for subsequent strengthened cooperation under the *EU-China Action Plan on IPR customs enforcement*³⁶⁵, signed in Brussels on 30 January 2009. Since then, a second Action Plan has followed, the *Action Plan concerning EU-China customs cooperation on IPR 2014-2017*, while a third plan for 2018-2020 is prepared and awaiting to be signed.

³⁶³ Joint Statement of the 9th EU-China Summit, Helsinki 9 September 2006. Available at: <http://www.chinamission.be/eng/zywj/zywd/t1229144.htm>.

³⁶⁴ 2004/889/EC, Council Decision of 16 November 2004 on the conclusion of an Agreement between the European Community and the Government of the People's Republic of China on cooperation and mutual administrative assistance in customs matters. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2004.375.01.0019.01.ENG&toc=OJ:L:2004:375:TOC.

³⁶⁵ The Action Plan includes all dimensions of IP border enforcement, from risk analysis and trend detection, to sharing of intelligence, partnership with the private sector, exchanges of best practice, and cooperation between customs and the other IP law enforcement authorities. In addition to the General Administration of China Customs and the Commission services, customs are engaged at local level under the Action Plan with the participation of 9 seaports and 6 airports in China, together with 16 seaports and 13 airports throughout the EU.

CHAPTER III

THE “CHINA TRAP” AND “MADE IN EUROPE” PROTECTION

SUMMARY: 1. Intellectual Property and the Chinese Syndrome – 2. Chinese Approach – 2.1 Chinese IPR protection: civil, criminal and administrative perspectives – 2.2 Additional considerations – 3. Litigation at WTO Level: WT/DS362/R, China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights – 4. Intellectual Property Systems: China/Europe – 5. EU Strategic Plan 2025 – 6. Concluding remarks & future strategies

3.1 Intellectual Property and the Chinese Syndrome

IP protection and enforcement are crucial for the EU's ability to encourage innovation and to compete in the global economy. In fact, EU is negotiating a series of bilateral and regional trade agreements that include comprehensive IPR chapters. They aim at setting comparable levels of IPR protection to those existing in the EU, while taking into account the level of development of the trading partners. By doing so, EU seeks to go beyond the TRIPS Agreement to address more and new challenges, especially the need to protect IPR in the digital environment, where nowadays counterfeiting lurks. It also promotes enforcement rules in its trade negotiations.

The situation of IP rights in China as in relation to piracy and wild counterfeiting seems inadequate. In fact, the ghost of piracy seems to exercise the more and more dangerous reality of Chinese competition, and it also does not consider the complexity of the situation and the several offered prospects. So, China represents both the problem and the opportunity³⁶⁶. The enterprises which want to risk on *Chinese Market* or to oppose to this global economic giant, must consider this situation and regulate consequently. China can be a threat, an opponent, or an ally, and it is often all these things together.

Historically, China joined the World Trade Organization (WTO) in December 2001. Investors hoped that by entering in the WTO China had accepted to undergo to *The Agreement on Trade Related Aspects of Intellectual Property Rights* (TRIPs agreement), signed in Marrakesh on 15 April 1994 at the end of the Uruguay Round negotiations, which introduced a uniform discipline of IPR in order to ensure a global effective protection into the International trade system. The link between TRIPs - WTO and WIPO³⁶⁷ is evident: given the mandatory ratification of the TRIPs for membership purposes within the WTO, each nation, that had longed for an easier access to International markets covered by WTO rules, should have standardized their own Intellectual Property laws in accordance with TRIPs. Standardizing its regulations to the TRIPs, in turn, meant to submit

³⁶⁶ O'REILLY A., *The Real Threat to World Trade Comes from China: We Have to recognize That China is Both the Problem and the Opportunity of the Future*, INDEPENDENT, London, Spt. 24, 2003.

³⁶⁷ It is aimed to harmonizing and promoting the defence of Intellectual Property around the world (Article 3, Convention for the establishment of WIPO), from 1974 to date specialized agency of the United Nations.

to uniform standards (according to the *principle of national treatment*³⁶⁸) of Intellectual Property protection determined within many International WIPO agreements, such as the Paris Convention, regarding the protection of industrial property (e.g., patents) and Bern, concerning the protection of literary and artistic works (e.g., copyright). A country like China would have hardly accepted the Berna Convention and its principles, but on the other hand it would have determined some future benefits in the International trade, since it had a strong incentive to adapt its own judicial system to the model enforced by TRIPs. Consequentially, China became a member of WIPO³⁶⁹ in 1980. This absolutely felt like a need at the time when the reformist pressures of the “*Open Door Policy*”³⁷⁰ by Deng Xiaoping were enforced³⁷¹. The Government was ferrying the Dragon from the insulation and Mao³⁷²'s bankruptcy “*Great Leap Forward*”³⁷³, politics centered on the

³⁶⁸ *National treatment*: Treating foreigners and locals equally. According to which imported, and locally-produced goods should be treated equally — at least after the foreign goods have entered on the market. The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents. This principle of “national treatment” (giving others the same treatment as one’s own nationals) is also found in all the three main WTO agreements (Art. 3 of GATT, Art. 17 of GATS and Art. 3 of TRIPS), although once again the principle is handled slightly differently in each of these. National treatment only applies once a product, service or item of Intellectual Property has entered on the market. Therefore, charging customs duty on an import is not a violation of national treatment even if locally made products are not charged an equivalent tax. The application of this principle and the lack of coercion of WIPO in comparisons of the so called *not-aligned countries* was the reason why it has been necessary the adoption of the TRIPs. A place was found where it was possible to implement retaliation (usually a nature tariff) against those countries that tolerated circulation on their territory of counterfeited products: the GATT (a legal agreement whose overall purpose was to promote International trade by reducing or eliminating trade barriers such as tariffs or quotas). According to its preamble, its purpose was the “substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis”. Thus, the *developing countries (G20)* achieved the end of the *Multi Fibre Agreement*, which governed the World Trade in textiles and garments from 1974 to 1994, imposing quotas on the amount developing countries could export to the developed ones. Its successor was the Agreement on Textiles and Clothing (ATC), expired on 1 January 2005. So, the United States, the European Union and Japan got the renounce to differentiated treatment guaranteed by WIPO from those countries and an increase in standards of minimums IP protection, with a consequent increase in the cost of access to technology.

³⁶⁹ People's Republic of China (PRC) joined WIPO with the obligation of adapting its laws to the Berne Convention and the TRIPs. In 1984 it became part of the Paris Convention, in 1989 part of the Madrid Agreement. In general, it should be noted that Chinese courts can apply directly the provisions of an International Treaty, to which the PRC has acceded, without the need of Internal implementation throughout a specific national law. In substance, the three basic national laws are the ones on Trademarks, Copyright and Patents. In 1986, the “General Principles of Civil Law” were adopted, Articles 94 to 97 of which regulate IPR. In the 90s, Customs laws and regulations were introduced to protect IP, Unfair Competition and Misleading Advertising. In terms of enforcement, which gives rise to the greatest complaints from commercial operators, there are: an Administrative system, a Civil Judicial system of Specialized courts and a Customs Protection System to prevent the entry into or the exit from the Chinese territory of counterfeit goods.

³⁷⁰ Policy aimed at opening Chinese market to foreign investments, both for the distribution of foreign products within the PRC, both for direct investments through incorporations or acquisitions of corporate vehicles or other forms of Association.

³⁷¹ *Deng Xiaoping* (鄧小平, 邓小平, Dèng Xiǎopíng; Guang'an, 22 August 1904 - Beijing, 19 February 1997) was a Chinese politician, revolutionary and military man. He held leadership roles in the Chinese Communist Party (CCP) several times during the Mao Zedong era, becoming *de facto* the leader of China from 1978 to 1992. Deng was the heart of the second generation of Chinese Communist Party leaders. Under his control, China became one of the fastest growing economies without the party losing control of the country. He was the pioneer of Chinese Economic Reform and the architect of “*Socialism with Chinese characteristics*”, a theory that aimed to justify the transition from a planned economy to an economy open to the markets, but still supervised by the State in the macroeconomic outlook. In the decade between the 80's and 90s, led by him, People's Republic of China restored strategic and geopolitical relations with the Soviet Union, abandoning the “theory of the three worlds”, anti-Soviet and Maoist ancestry.

³⁷² *Mao Zedong or Mao Tse-tung* (毛澤東, 毛泽东; Shaoshan, December 26, 1893 - Beijing, September 9, 1976) was a Chinese revolutionary, politician, philosopher and dictator, as well as spokesperson for the Chinese Communist Party from 1943 till his death. Maoism, or Mao Zedong Thought (毛泽东思想; Máo Zédōng sīxiǎng), is a variety of Marxism-Leninism that Mao Zedong developed for realizing a socialist revolution in the agricultural, pre-industrial society of the Republic of China and later the People's Republic of China. The philosophical difference between Maoism and Marxism–Leninism is that the peasantry is the revolutionary vanguard in pre-industrial societies rather than the proletariat. This updating and adaptation of Marxism-Leninism to Chinese conditions, in which revolutionary praxis is primary and ideological orthodoxy is secondary, represents urban Marxism–Leninism adapted to pre-industrial China. The claim that Mao Zedong had adapted Marxism–Leninism to Chinese conditions evolved into the idea that he had updated it in a fundamental way applying to the world as a whole.

³⁷³ It was an economic and social plan practiced by the PRC from 1958 to 1961, which was aimed to mobilizing the vast Chinese population to rapidly reform the country, transforming the rural economic system, hitherto based on agriculture, into a modern and

typical planned economy of communist regimes, towards that “*ideological hybrid*”, even quoted in the *Trademark Law, Patent Law and Copyright Law*³⁷⁴ Preamble of the Constitution, with a 1993 amendment, reciting: “*China will no longer practice the model of planned economy but will follow the one of Socialist Free Market Economy*”. Following this economic and political reform in 1983 and 1984, the Standing Committee of National People's Congress³⁷⁵ (NPCSC) adopted the three primary IP laws. Other International Regulations³⁷⁶ and laws were accepted by China, besides the Paris and Berna Convention, the Treaty of Madrid (1989), concerning the registration of *Trademarks*, and the Treaty of Nizza, for the classification of goods and services (1994) and the Patent Cooperation Treaty (1993). In the same years, as a *proof of an effective will for reform*, it has been adopted also first Chinese Anti-Unfair Competition law of 1993, later revised, after the adoption of the Anti-Monopoly Law (反壟斷法; *Fàn Lǒngduàn Fǎ*)³⁷⁷, which enter into force on January 1, 2008. It is the major legal statute of PRC about Competition Law (Antitrust Law)³⁷⁸ and boosts specific rules on the abuse of IP rights.

In addition, Labor Contract Law³⁷⁹ of January 2008 contemplates the possibility of including in individual employment contracts *confidentiality clauses* relating to the obligations of Secrecy by the employee in relation

industrialized communist society, also characterized by collectivization. Mao Zedong based his program on the theory of the productive forces. However, the Great Leap proved to be an economic disaster that affected the country's growth for several years. Historically, it is considered by most authors to be the main cause of the very severe famine of 1960, in which 14 to 43 million people died (depending on the sources).

³⁷⁴ PRC Trademark Law of 1982; amended in 1993, 2001, 2014, and 2019; PRC Patent Law of 1984; amended in 1992, 2000, and 2008; and PRC Patent Law of 1984; amended in 1992, 2000, and 2008.

³⁷⁵ *The National People's Congress of the People's Republic of China* (全國人民代表大會, 全国人民代表大会, *Quánguó Rénmín Dàibiǎo Dàhuì*), normally referred to as the National People's Congress (usually abbreviated NPC), is the highest organ of state power and the national legislature of the People's Republic of China. With 2,980 members in 2018, it is the largest parliamentary body in the world. The National People's Congress meets in full session for roughly two weeks each year in March, and votes on important pieces of legislation. Members are part-time legislators and are not paid. Most of the power of the NPC is exercised by the Standing Committee of the National People's Congress (NPCSC), which consists of about 170 legislators and meets in continuous session, when the full session of the NPC is not held. Members of the National People's Congress can simultaneously hold seats in other bodies of Government and Party. The NPC typically includes all the senior officials in Chinese politics. By contrast, members of the NPCSC are not allowed to simultaneously hold positions in executive or judicial posts. Under China's Constitution, the NPC is structured as a unicameral legislature, with the *de jure* power to legislate and oversee the operations of the Government, the Supreme Court, Special Committees, the Supreme Procuratorate, the Central Military Commission and elect the major officers of State.

³⁷⁶ The modern legal IP system includes three regulatory levels: laws, administrative regulations and the dicastery's rules. The supreme legislative body of the PRC is the NPC of which the Committee is a Permanent member and the rules issued by it are superior to any other. They are the only ones that can be defined as laws. The second normative level is composed by regulations (*fagui*) adopted by the State Council who can write them directly or have them drawn up by its departments (e.g., the Implementing Regulation of the Copyright Law was prepared by the National Administration for the Law of the Author, but they are issued by the State Council). Just the regulations issued by the NPC or the State Council will be binding on the judiciary. In the third level there are: decrees, regulations, rules and circulars issued by the State Council departments (*guizhang*), which are normative acts used by the local authorities to implement IP laws, decisions and policies (not binding on the judiciary unless there are rules of higher level to settle an issue). In the third level: regulations issued by local and municipal authorities, such as the People's Congresses and their standing locally (*guizhang*) and provincial (*fagui*) committees. Permanent Committee of the National People's Assembly (Art. 42 of the Constitution) plays the role of authentic interpreter of ambiguous and incomplete laws.

³⁷⁷ It is the PRC major legal statute on the subject of Competition law (or Antitrust law), passed by the National People's Congress in 2007, and it came into effect on 1st August 2008.

³⁷⁸ *Competition Law* is a law that promotes or seeks to maintain Market Competition by regulating *anti-competitive conduct* by companies. Competition law is implemented through public and private enforcement. It is known as Antitrust Law in the United States for historical reasons, and as Anti-Monopoly Law in China and Russia. In previous years, it has been known as Trade Practices Law in the United Kingdom and Australia. In the European Union, it is referred to as both Antitrust and Competition law.

³⁷⁹ The *Labor Contract Law of the People's Republic of China* was adopted at the 28th Meeting of the Standing Committee of the 10th National People's Congress of the People's Republic of the China on the 29th June of 2007, and it came into effect the 1st January of 2008.

to the company sensitive information and to those relating to IP rights, providing in case of default of the worker his/her liability for damages. Between 1990 and 1995, the Chinese Government adopted the *Regulation of Customs Concerning the Protection of Intellectual Property* with the *Action Plan for Effective Protection and Enforcement of Intellectual Property Rights*³⁸⁰, making a coordinating and supervision body connected to the application of the rules for IPR protection and repression of violations related to.

It should be remembered that at the time of Mao Zedong, in conjunction with the collectivization of means of production, there was also a total indifference towards a possible recognition to the Author or Inventor of the work of genius he/she created. Even in the major moments of ideological delirium, as in the case of the Cultural Revolution³⁸¹, the simple idea of getting moral gratification, was judged as reactionary. It is no coincidence that the principle of the Maoist Constitution of 1975 is dictated in Art. 12: “*The proletariat must implement a total dictatorship over the bourgeoisie and superstructures, including all fields of culture. Culture - education, literature, art, sport-health, scientific research, all must be at the service of proletarian politics, in the service of workers and peasants, connected with productive work*”³⁸². After Mao's death, the new Constitution of 1982, the *gradual rehabilitation of private property* and the first steps of the planned economy towards the idea of *Competition and Free Market*, led to the dissemination of the concept of Intellectual Property Protection, and consequently to the adoption of specific laws. Therefore, it could be said that first of all this trend was evidently aimed at encouraging potential foreign investors, and subsequently the entry of technology³⁸³ into Chinese market.

The drivers of the Reform include several factors, of different matrix, extraction and purposes:

First, the general interest that has pushed, and continues to push China to keep up with the industrialized countries, which would not have been possible without the necessary adjustments to protect foreign investors in Chinese territory, and the measures for the affirmation of the Asian giant as a *fair and reliable market* at an International level.

³⁸⁰ PRC Intellectual Property Rights Memorandum of Understanding of 1995, Action Plan signed by the Minister of Foreign Trade and Economic Cooperation Wu Yi on the 26th February 1995. Available at: https://tcc.export.gov/trade_agreements/all_trade_agreements/exp_005363.asp. See also PEOPLE'S REPUBLIC OF CHINA-UNITED STATES OF AMERICA: MEMORANDUM OF UNDERSTANDING ON THE PROTECTION OF INTELLECTUAL PROPERTY. *International Legal Materials*, 34(3), 676-684, Cambridge University Press, 1995. Available at: <http://www.jstor.org/stable/20698452>.

³⁸¹ *The Cultural Revolution*, formally the Great Proletarian Cultural Revolution, was a socio-political movement in China from 1966 until 1976. Launched by Mao Zedong, Chairman of the Communist Party of China (CPC), its State goal was to preserve Chinese Communism by purging remnants of capitalist and traditional elements from Chinese society, and to re-impose Mao Zedong Thought (known outside China as Maoism) as the dominant ideology in the CPC. The Revolution marked Mao's return to the central position of power in China after a period of less radical leadership to recover from the failures of the Great Leap Forward, which led to approximately 30 million deaths in the Great Chinese Famine only five years before.

³⁸² GARDNER J., *The Chinese Constitution of 1975*, Government and Opposition vol. 11, no. 2, Cambridge University Press, 1976, pp. 212–223.

³⁸³ At that time, and until the early 90s, Chinese economy was above all focused on the export of low-tech products, supported by a high exchange rate and a partial opening of the Internal Market to foreign investments (see CAVALIERI R., *L'Adesione della Cina alla WTO: implicazioni giuridiche*, vol.1, Lecce, ARGO, 2003). This, together with a reduced percentage of consumption and therefore the creation of domestic wealth and savings, had allowed GDP swelling at rates above 9% a year and, from 1981 to 2000, a substantial quadrupling of per capita income.

the second key-factor regards the *enrichment of Chinese citizens*, which has consisted in the affirmation of an increasingly influential middle-class at political level, a harbinger of distinctly liberal and structurally democratic-subsidary interests.

the third reforming element, probably the most influential in the long-term, is the causal-consequential spiral generated by the *progressive opening of the country* in the last thirty years: through the deep and continuous contacts with the outside, all Chinese social spheres have been influenced from the “Western principles” of protection of rights (just think that the officials of MOFCOM - the Ministry of Commerce of the PRC - are trained, among other things, with compulsory internships in Europe).

It is therefore undeniable that the development described above is reflected and passes through the recognition and protection of Intellectual Property in a state like China, which makes the real economy its workhorse on the chessboard of global markets. On the other hand, the interest of the Western world to be economically integrated with the East, first with China - the real economic successor of the USA on International markets. This is the question on the debate about China *both as a problem and an opportunity*, the former aims to a policy of commercial sanctions and threats, the latter (supported by the International rights members) would encourage China to open its markets to International ones, even if USA had always preferred the way of *economic threats, International sanctions and Protectionism*. Consequently, the entrance of China in the WTO, thanks to the temporary lack of American ban, contrasts with this line.

As soon as China binds to the IP International rules, USA came back to the usual *protectionist rhetoric*, supported by the sanctioning system of TRIPs. In other words, as China desired to enter with full rights in the field of world economy, it has been involved willy-willy in a system of protection of IPR, which exposes it mercilessly to the sanctioning technique and to solve the disputes provided by TRIPs, rather than the old and obsolete policy of unilateral economic sanctions, so beloved by the USA. However, while China was obliged to lower its protectionist barriers (supported by the ancient distrust towards the foreigners) the Western world countries hurried up to build new barriers, appealing to exasperated protectionism, hidden behind the phenomenon of *counterfeiting and piracy*.

According to a different point of view, China chose to join the WTO not in order to take part to the business world countries, but its real aim was to have a place in the world market and at the same time to exploit all changes at the best. The entrance of China in WTO aimed at reinforcing the latter idea. To this extent, it coincided with *new rules* regarding trademarks and patent in that country and consequently the formal adoption of all planned legal complex of TRIPs agreement, which revealed with misunderstandings and cross-examinations in reducing the phenomena of counterfeiting and piracy in the IP sector. The signals from this *unknown country* show an increase of illegal traffics of counterfeiters, of bureaucratic difficulties for foreigners who want to register a trademark or a patent in China and defend it in an effective way. The question is not to establish which of two perspectives is the real one, because it may be that reality results with the fusion of the two opposite tendencies expanded by political, geo-strategic and cultural components. Therefore, the interest is the one in asserting the reasons and the forces which opposed and go on opposing in China to the

establishment of a positive culture of IP, beyond rhetoric and prejudices, which strategies, instruments and paths to follow to overcome the “wall” that this country still opposes to the affirmation of IP and its rights. Therefore, it is necessary to take a position on what is the phenomenon from which it took to date every attempt by the West to push China on the path of IP: the phenomenon referred to, not surprisingly, by the offensive term of “piracy”³⁸⁴. This term does not recall the English, Dutch or French privateers, who, with regular royal *licenses*, have infested the routes on which *liquid capitalism* (to borrow a term dear to Zygmunt Bauman³⁸⁵), but - far more effective from the point of view of those who stir up that threat - the cruel pirates of the China Sea, the exponents of the “*yellow peril*”, insensitive to (undeserving of) any sentiment of Western humanity and mutual understanding³⁸⁶. It is not a coincidence that Professor Peter K. Yu has assimilated the Chinese to the Hebrew Shylock of the Shakespearean Merchant of Venice, considered himself - as *ontologically different* - an individual substantially infrequent, if not for insuperable commercial needs³⁸⁷.

The real issue, therefore, to solve the “*China Trap*”, is to succeed in transforming pirates into reliable partners, to recognize China not only as a market, but also as a subject capable of competing, investing, innovating - and invoking relative rights - in the great arena of intangible assets. It is a long road full of pitfalls. In order to follow it, it is necessary to operate on several levels: economic, political, legal and cultural. First, it is essential to abandon the coercive unilateralism that has characterized so far, the relationship of the Western Countries with China, largely modeled, as previously mentioned, on the fundamental China-USA axis. On the legal perspective, *enforcement* is and remains an inevitable moment on this path, but it cannot be the exclusive or main element of maneuver.

In this regard, too much has been demanded to China in so little time. It should be noted, *once again*, that since 2001 at least, that country has embarked on a path towards modernization similar in many respects to the Long March of Mao Zedong. Just a look at the legislative framework and the system in charge of the IP discipline, allows a largely positive judgment, which however does not prevent to evaluate the seriousness of the obstacles of various kinds that stand in the way of these purposes. And yet, the substantial adaptation of the PRC to IP legislation and International Conventions put the economic operator and his legal advisors facing new and different problems and challenges. The culture of respect of IPR (just like the one of democracy or human rights) is not so simple to export and it takes time. There is still the problem of communication and mutual understanding, not only in linguistic terms. William P. Alford has brilliantly summarized this theme in

³⁸⁴ *Piracy* refers to the unauthorized duplication of copyrighted content that is then sold at substantially lower prices in the grey market. The ease of access to technology has meant that over the years, piracy has become more rampant.

³⁸⁵ Zygmunt Bauman (19 November 1925 – 9 January 2017) was a Polish-British sociologist and philosopher. He resided in England from 1971, where he studied at the London School of Economics and became Professor of Sociology at the University of Leeds, later Emeritus. He was a social theorist, writing on issues about modernity and the Holocaust, postmodern consumerism and liquid modernity.

³⁸⁶ STREITFELD D., *The Cultural Anarchist vs. the Hollywood Police State*, L.A. Times, 22 September 2002. Available at: <https://www.latimes.com/archives/la-xpm-2002-sep-22-tm-copyright38-story.html>.

³⁸⁷ YU P. K., *Piracy, Prejudice, and Perspectives: An Attempt to Use Shakespeare to Reconfigure the U.S.-China Intellectual Property Debate*, Boston University International Law Journal, vol. no. 19, issue 1, 2001. Available at: <https://scholarship.law.tamu.edu/facscholar/474>.

the title of his book “To Steal a Book is an Elegant Offense”³⁸⁸. The substantial failure of the attempt to eliminate the cause of an interminable dispute between China and the West countries is basically related to four concurrent causes: first, there is no concept in Chinese culture corresponding to IP; second, there is no effective and concrete enforcement policy from the Chinese government and authorities; third, there is no ability and willingness of the West to take into account the differences between the respective legal systems (understanding the Anglo-American Common Law system as the most representative of the West). The fourth case mainly concerns the relationships Sino-Americans, and it is linked to the third.

The lack of an Eastern notion of IP, the existence of a culture substantially antithetical to this notion (linked to Confucianism)³⁸⁹, the Socialistic experience (which encourages *the interest of the community over the protection of individual property*, intellectual or not), often resorting as a brutal kind of *Legal Colonization* essentially based on politics of threats, not including IP protection on the Chinese government's agenda, a front line position and - on the contrary - the existence of concrete political reasons that suggested not to insist too much on the enforcement as a tool for implementation effect of an IP system in China, pressure from Western operators and, finally – *last, but not least* - the issue regarding the systematical violation of human rights, are really the multiple causes of the slow, contradictory, unsatisfactory progress of China towards a real IP culture. The Confucian code of ethics, which historically rooted in Chinese culture, favors social harmony and good personal relationships over the State' coercion, and the imposition of general and abstract rules. This attitude has favored (under Mao Zedong) the formation of a system dominated by *the discretion of the Communist Party* - involving the prevalence of substantive justice over formal justice, based on rules. Informal mediation - especially in the local area - has always been preferred to litigation³⁹⁰. The Confucian ideal always rewards imitation (just thinking the figure, intellectually of great importance, of the copyist and calligrapher), the accuracy in reproduce, as an extreme form of admiration and respect for the original. *Emulation, not originality, prevails in this perspective, and with emulation also duplication.*

According to this scale of values, Civil Society holds and takes very little account of exclusive property rights. On this millennial cultural layer, the hegemony of the Party has been built, through the control of production

³⁸⁸ ALFORD W. P., *To steal a Book Is an Elegant Offense*, Intellectual Property Law in Chinese Civilization, Stanford University Press, 1995.

³⁸⁹ *Confucianism*, also known as Ruism, is a system of thought and behaviour originating in ancient China. Various described as a tradition, a philosophy, a religion, a humanistic or rationalistic religion, a way of governing, or simply a way of life, it developed from what was later called the Hundred Schools of Thought from the teachings of the Chinese philosopher Confucius (551–479 BCE). Confucius considered himself a transmitter of cultural values inherited from the Xia (c. 2070–1600 BCE) Shang (c. 1600–1046 BCE) and Zhou dynasties (c. 1046–256 BCE). Confucianism was suppressed during the Legalist and autocratic Qin dynasty (221–206 BCE), but survived. During the Han dynasty (206 BCE–220 CE), Confucian approaches edged out the "proto-Taoist" Huang–Lao as the official ideology, while the emperors mixed both the realist techniques of Legalism. A Confucian revival began during the Tang dynasty (618–907). In the late Tang, Confucianism developed in response to Buddhism and Taoism and was reformulated as Neo-Confucianism. This reinvigorated form was adopted as the basis of the imperial exams and the core philosophy of the scholar official class in the Song dynasty (960–1297). The abolition of the examination system in 1905 marked the end of official Confucianism. The intellectuals of the New Culture Movement of the early twentieth century blamed Confucianism for China's weaknesses. They searched for new doctrines to replace Confucian teachings; some of these new ideologies include the “Three Principles of the People” (political philosophy developed by Sun Yat-Sen as part of a philosophy to make China a free, prosperous, and powerful state) with the establishment of the Republic of China, and then Maoism under the People's Republic of China. In the late twentieth century the Confucian ethic has been credited with the rise of the East Asian economy.

³⁹⁰ Paradoxically, this old and rooted approach is in line with the most modern recurring tendencies to arbitration, conciliation or mediation in the field of International commercial disputes.

and its quality (*social quality* even before the *intrinsic nature* of the product), the use of regulatory instruments and the judicial system. In these terms, the Chinese system was described by Stacey H. Wang³⁹¹ as a system dominated by *the rule by Law* (social control exercised by the Party through the law, seen as an instrument) rather than *by the rule of Law* (social control exercised by the Law, which the Party and the Government must also comply with). It can be said that even the long march towards the affirmation of IP has been influenced by the idea that the Party creates laws, but it does not consider itself subject to them, and that the Judiciary System is also subject to the Party's control, both through a *permanent power of reviewing judicial decisions* (or, which is the same, through the top-down and hierarchical structure of the judicial order), and through the management of appointments and the economic treatment of judges. The independence of the judges, in this case as in other important sectors, is crucial for the affirmation of a *true rule of law system*, just like its control, by the holders of power, is due to the affirmation of system of *rule by law*.

3.2 Chinese IPR Approach

Chinese IP system inspires the need for a balance between the interests of owners of IP rights and consumers-citizens. This is the dilemma, even before the need, with which it must be measured every IP system, founded as it is, necessarily and one could say *ontologically* linked to the search for the impossible harmonization between *Monopoly* and *Free Competition* (which in turn finds its necessary reference in the figure of the citizen-consumer). On closer inspection, the main difficulties - *of communication* - between China and the Western world are based on the different answers given to the dilemma. If the West seems irresistibly oriented, under the American push, towards one quite one-sided logic of protection of IPR (in this sense is all the legislation, the substantial one such as the one concerning the enforcement); China is still decidedly oriented, if not towards a regime of Free Competition, towards what Art. 11 of the Constitution³⁹² (in the amendment of 2004) defines the Socialist Market Economy, with an only apparent oxymoron. This is the meaning of *Socialist Supremacy* (see Art. 6 of the Chinese Constitution³⁹³) and its transition, always socialist, to a market

³⁹¹ WANG S. H., *Great Olympics, New China: Intellectual Property Enforcement Steps up to the Mark*, Loyola of Los Angeles International and Comparative Law Review, vol. no. 27, 2005. Available at: <https://digitalcommons.lmu.edu/cgi/viewcontent.cgi?article=1586&context=ilr>, p. 291.

³⁹² See Art. 11, Private Sector of the Economy.

(1) Individual, private and other non-public economies that exist within the limits prescribed by law are major components of the socialist market economy.

(2) The State protects the lawful rights and interests of the non-public sectors of the economy such as the individual and private sectors of the economy. The State encourages, supports and guides the development of the non-public sectors of the economy and, in accordance with law, exercises supervision and control over the non-public sectors of the economy.

³⁹³ See Art. 6, Socialist Public Ownership.

(1) The basis of the socialist economic system of the People's Republic of China is socialist public ownership of the means of production, namely, ownership by the whole people and collective ownership by the working people. The system of socialist public ownership supersedes the system of exploitation of man by man; it applies the principle of "from each according to his ability, to each according to his work".

(2) During the primary stage of socialism, the State adheres to the basic economic system with the public ownership remaining dominant and diverse sectors of the economy developing side by side, and to the distribution system with the distribution according to work remaining dominant and the coexistence of a variety of modes of distribution.

economy. Apart from any ideological perspective - the difference is not “of system” or qualitative, but it concerns the prevalence granted to individual property interest or to the collective-social one. Even in the West World, IP faces the issue of protecting the collective or public interest, which often may not coincide with the private interests of IP right-holders. These two needs, which reveal themselves in terms of enforcement and in the use made of criminal instruments, are often the expression of a protection oriented in the public sense. Not by chance, the question of the criminal protection of IP in Europe must satisfy regulatory instruments, mainly built on the need to protect the interests of the Internal Market’ economy.

The IP monopoly interests find instead their best expression in the forms of civil protection, sometimes making use of it, that reveals a markedly criminal intent (both in terms of precautionary instruments, and on the sanctioning-compensation or the so-called accessory measures). The Chinese choice, favouring the consumer-citizen, therefore, beyond the ideological origin, finds its explanation and justification in the prevalence given the public moment of economy. For this reason, the criminal sanction system, which is applied in China to counterfeiters, presents aspects of an often-excessive severity for violations that, through the counterfeiting - and therefore the violation of an IP right - hits the collective interest as the right of health, the quality of the environment, the public faith and above all the national economy. IP protection through enforcement, therefore, expresses the supremacy of the collective interests over the individual ones, which can be legally protected only if they coincide or at least do not contrast with reality, apparently paradoxical, of a Socialist market. According only to this perspective, China has agreed to recognize the value of intellectual property according to the TRIPs Western canon. In accordance with the latter view, China’s progress can be encouraged and promoted - becoming one technological society founded on intangible assets - towards full membership of the IP International system. In this sense, it is undeniable that the issue with China does not involve type of adopted legislation, but the one of the *effectiveness of the mechanisms and tools introduced by that legislation*. In the light of this approach “the confusion is great under the sky”, and its enforcement in relation to the Chinese enforcement system can only cause confusion and frustration for a non-Chinese, including those who try to compete with certain Western systems. The *instructions for use* of the Chinese system respond to the threefold imperative, commonly known because of science computer civilization, which includes: *to know the system; to become the system; to learn how to get around the system*.

3.2.1 Chinese IPR protection: civil, criminal and administrative perspectives

In the case of trademarks, one must first of all obtain the protection ensured by a timely registration with the Chinese Trademark Office (CTO), part of the SAIC (State Administration on Industry and Commerce), keeping in mind that the Chinese system of classification of goods and services is now harmonized with the WIPO system, and that it takes about 18 months to obtain a registration; the initial validity of which is 10 years, renewable from 10 to 10. In the pending registration application, it is possible to release a license for use, which must also be registered with the CTO. Once registered, the trademark must be used: non-use for

three years consecutive entails the risk of cancellation. It should also be noted that the Office for Unfair Competition, set up by the SAIC, deals with unfair competition disputes, including those relating to industrial secret. This office can apply fines and order the destruction of products or the removal of the machinery through which the counterfeiting was carried out.

As for the enforcement, in general, there are three non-exclusive either incompatible paths in China: the civil judicial, the criminal and the administrative one. The State bodies invested with enforcement, under various profiles and with different responsibilities, are: The Provincial Office of the IP (SIPO: State IP Office), The Office of the Administration of Industry and Commerce (AIC, Administration for Industry and Commerce); The Office of Science and Technology; The Copyright Bureau (National Copyright Administration); and The Ministry of Culture, to these bodies are added the Ministry of Public Security (MPS) and the General Administration of Customs (GAC: General Administration of Customs).

The criminal penalties for crimes against IP are particularly severe. Criminal repression and persecution in China always risk running into a manifest disproportion between the offense and the penalty. In this case, the maximum experience according to which the maximum rigor announced does not always and does not for every case match an effective degree of protection. This is the Chinese IP Criminal System. Driven by the accusation, especially from USA, of not acting enough on the criminal level in order to crack down IP piracy, the Supreme People's Court and the People's General Attorney have - in December 2004 - issued new guidelines entitled "*Interpretation on Several Issues for handling Criminal Cases of Infringement of Intellectual Property*"³⁹⁴. This interpretation, which is binding on lower courts, would like to remedy the drawbacks of a Criminal Code, which is in terms of counterfeiting considered:

a) *too vague and,*

b) *limited in its effectiveness by too high "thresholds".*

It does not seem that the "interpretation" has achieved or promises to reach the expected goals. For the first aspect, the code continues to use uncertain and non-uncertain expressions sufficiently determined such as: "when the circumstances (of the offense) are serious", or "particularly serious", or "when the illicit profit is comparatively high". These generic terms allow a wide range of counterfeiters to escape from criminal repressive action.

For the second aspect, there are "thresholds" of criminal relevance (in terms of value of counterfeited goods) which, although recently lowered, do not seem suitable to prosecute a widespread phenomenon, often characterized by a myriad of potential crimes, whose value is below them. The result is the same as it follows from the vagueness and indeterminacy of the relevant criminal cases: a large number of counterfeiters manages to escape the criminal mechanism, even when the same seems to be functioning, which does not occur with enough systematicity. Counterfeiters can also rely on a system in determining the economic value of the

³⁹⁴ *Interpretation by the Supreme People's Court and the Supreme People's Procuratorate on Several Issues of Concrete Application of Laws in Handling Criminal Cases of Infringing Intellectual Property of the 22nd December 2004.* It was adopted after the 1331st Session of the Judicial Committee of the Supreme People's Court on the 2nd November of 2004 and the 28th Session of the 10th Procuratorate Committee of the Supreme People's Procuratorate of the 11th November of 2004 and effective from the 22nd December 22 of the same year.

offense, which is and remains substantially vague, especially when it is based on the computation and estimation of the market values of the counterfeited goods.

Essentially, counterfeiting remains as a largely unpunished activity in China today, even the use of criminal sanctions (with the particularly humiliating effect that have been involved in that country) seems to be significantly unsuccessful.

From a *substantive legislative point*, the violation of IP rights is punished under Articles 213–220 of the Chinese Criminal Code³⁹⁵, with a maximum penalty of seven years of imprisonment. The production of medicines, that are altered or do not comply with the legal requirements, such as the sale of unhealthy food items can be punished by life imprisonment or even by death penalty. In these cases, the prediction of the death penalty is more the consequence of the control exercised by the Party (over the economy and the market, but also on national ethics), rather than the scope of a specific IP protection policy. The MPS (Ministry of Public Security) manages the criminal proceedings, through the ECID (Economic Crime Investigation Department) and the Public Security Bureau (PSB); the former deals with trademark and patent infringements, while the latter is competent for Copyright crimes. The MPS works in conjunction with the Administrative sector, to which it entrusts the cases of minor relevance. Its powers are broad and allow, in the event of a repeated offense, to ignore the limits based on the economic entity of the violation. Administrative enforcement is entrusted from the IPO (Intellectual Property Office), which generally operates on the impulse of those who complain the violation of their IP rights, but it also carries out an important control activity on trade fairs and points of sales, taking all necessary measures. The AIC is the office entrusted with the Administrative protection of trademarks and oversees trade and markets, extending its competence to Corporate Law, Unfair Competition and Advertising. In conjunction with the Bureau of Customs, the AIC is the most active entity in the enforcement of trademark rights and in some cases reports the criminal violations. Another government agency, the TSB (Technology and Science Bureau) collaborates with the AIC for the enforcement of trademark rights: the latter deals with the aspects related to the marketing of counterfeited goods, while the former is the body specifically competent for the aspects of production. In fact, the TSB expresses the Government's concern about the issues related to *quality standards* of the products and their possible danger to the public of consumers, more than those related to IPR protection. TSB and AIC are divided into three levels: state, provincial, urban or regional. The TSB has jurisdiction for the detection of suspicious goods, for the imposition of fines and for sending the goods to destruction. Both bodies can postpone the counterfeiter to the criminal course, by reporting to the PSB. The use of civil judicial proceedings has become more frequent in recent years. This is partly due to general (non-exclusive) reasons i.e., Chinese context and also for local grounds. Similarly, a preference on the part of the holders of IP rights for Civil justice, opposed to criminal justice and administrative proceedings. The Civil judge generally offers a more balanced, authoritative and effective response (even if expensive) to the need of finding a fair and equitable balance

³⁹⁵ Section 7, *Crimes of Infringing Intellectual Property Rights*.

between competition and monopolies in the field of IP. Jurisprudence - especially in systems based on the judicial precedent – appears particularly sensitive in this sense and efficient (in relation to the legislative instrument, which is often the result of wild lobbying actions).

Despite the declining but still strong control of the political power, Courts have generally shown that they are able to adapt to the nature of the IP causes, in terms of both immediacy and effectiveness and reasonable predictability of their decisions. In this sense, it must be recognized that the TRIPs have produced and taken stock of a situation of substantial advancement of the instrument of civil judiciary, especially in terms of *enforcement*, which has been equipped with tools particularly incisive and precautionary. Civil proceedings also ensure reasonable International uniformity, making possible the dialogue between judges of different systems, which is doubtful implementation in the criminal and administrative sectors, traditionally more related to the States' Sovereignty. Another peculiarity of the appeal to the Civil court is linked to the fact that the procedure favors the simultaneous development of negotiations for the well-balanced settlement of the dispute.

Comparably to the Chinese legal background, the recent establishment of specialized courts must now be considered, since a recent trend has significantly affected different countries such as Italy, Japan and India. The specialization of civil courts in China aspired to revolutionize the system, not only in the IP sector, but also in terms of the judiciary autonomy and independence, which constitutes a decisive step towards the democratization of the political system too. In facts, specialization entails a greater authority of decisions and their ability to establish themselves as a legally binding precedent, regardless of the legal structure in which the judicial function is placed. A similar reasoning can be followed in regard to the refinement and diversification of the criteria for determining the damages. Even in China, Courts can issue precautionary measures (kidnappings, descriptions, injunctions) and establish compensation, including in the form of statutory damages. A further advantage in using civil proceedings in China is linked to the fact that civil seat parties can jointly propose applications and assert rights that in the other offices require recourse to the various competent agencies: TSB, AIC and the other administrative bodies. However, civil proceedings, if not properly prepared, activated and followed up, can prove maddeningly slow and costly beyond all forecasts.

Finally, the *Customs Administration* must be mentioned, because it handles the export and the import of goods, in (potentially) violation of IP rights. Both outgoing and in entry, Customs have the power to stem such goods. Customs' controls operate at three levels: state, district, local. The General Management of Customs has the function of supervising the activity of the district and local offices, which generally operate upon request of users and through the registration system with the GAC (General Administration of Customs) in Beijing. Registration at the central office allows Customs to take measures for the export control of potentially counterfeited goods. In accordance with the reports received, Chinese Customs Authorities can identify shipments of suspicious goods and stem them in order to allow all necessary investigations. If the goods are counterfeited, the GAC can sanction both the sender and the recipient. Moreover, the goods can be destroyed or de-branded, or donated to charitable institutions or sold at auction.

3.2.2 Additional considerations

The three paths briefly illustrated are entrusted to different Government entities, which are not generally connected. This makes the choice of the route crucial, for a person who wants to undertake for the protection of his/her own IP rights, in relation to the objectives that the individual wants to pursue in this direction (simple dissuasion, counterfeiter punishment, seeking an agreement possibly based on a license). As it has already been said, this is the always critical transition from the world of having to be to that of being.

From a practical point of view, it is necessary to pay attention to some elements of the event (*nature and extent of the counterfeiting, possibility of proving the offense, economic-financial capacity of the owner, location of the counterfeiting phenomenon*). Counterfeiting phenomena must be faced in different ways depending on a series of variables, each of which requires great scrutiny caution. An important one is the size of the company which is going to act against the Chinese counterfeiter. The large multinationals are favored in this sense, both by the dimension of phenomenon they intend to fight (negative element, in terms of economic prejudice, but in its own way positive in terms of identifiability and prosecution on more levels, not excluding the political-diplomatic one). Even multinationals, however, do not always manage to impose themselves by the only economic power which allows them to act against the pirate anywhere, in China and elsewhere. It is a difficult war with an uncertain outcome, given the vastness of the specific market and the intrinsic difficulty of defending the brand in a multiplicity of versions (variations of words, Chinese characters, drawings, nicknames, transliterations, adaptation to different local dialects). A different strategy was adopted by Nike, that despite trying unsuccessfully to legally defend its brand for few years, decided to adapt itself to the country with the three following criteria: “to learn the system – to be the system – to learn how to get around the system”. In addition, it must be pointed out that China is not the United States and it will never become like the United States. In this sense, a giant like Nike - having learned the lesson of humility - understood how both honorable and elegant in China is neither to take advantage of one's superiority nor commercial power. Nike currently avoids presenting itself as a big company; his men learned to drink green tea, as in New York one must learn to drink Diet Coke and espresso coffee in Rome. Thanks to this attitude (which bypasses the formal legal system), Nike has often obtained the support of the Chinese Government in the fight against counterfeiting by increasing the number and volume and seizures of counterfeited goods. Moreover, this approach has favoured the cooperation of the Chinese customs authorities and cut off important flows of counterfeited goods. A good relationship with Chinese officials and their mindset gives better results than a trained - and expensive - staff of lawyers ready to fight pirates in all judicial and administrative offices. The term “*guanxi*”³⁹⁶, which means to enjoy good personal relations with the opposing party, clearly explains the

³⁹⁶ *Guanxi* (关系; 關係; pinyin: guānxi) defines the fundamental dynamic in personalized social networks of power and is a crucial system of beliefs in Chinese culture. According to the Western Countries media, the pinyin romanization of this Chinese word is becoming more widely used instead of the two common translations of it, “connections” and “relationships”, as neither of those terms sufficiently reflects the wide cultural implications that *guanxi* describes.

latter concept. Especially for small and medium-sized businesses, the cost and uncertainty of a civil suit must be evaluated very carefully, compared to other contrast media piracy: in general, they are too small to face the burdens of a series of judicial or administrative procedures, but large enough to attract swarms of unscrupulous counterfeiters. This situation entails the need to evaluate accurately the relationship through a cost-benefit approach of an initiative to be carried out in China to protect IP.

The nature of the IP market does not require an excessively formalized governmental intervention, but it attempts to rely on its own strength and to its ability to adapt to several local and national situations. Generally, all over the world, in China and the USA as well, the protection of IP is deemed essential and, consequentially, businesses must primarily resolve these kinds of issues on their own. For this reason, companies prefer to rely on associations, consortia, professional categories, because it is easier to find the right interlocutors. In this regard, a Memorandum of Understanding (MOU) relating to the protection of IP rights was signed in September 2006 between the National Council of China for the Textile and Clothing Sector (CNTAC) and the Federation of Textile and Fashion Companies Italian companies (SMI-ATI)³⁹⁷.

Some precepts clearly emerge. Firstly, an appropriate pragmatism, flexible approach, which is respectful of reality and of the culture of the counterparty, is necessary. The pragmatic approach is in this sense different from the practical one, that leads to distinguish from a theoretical point of view. In facts, pragmatism requires a good dose of theory, which, however, involves experience. Secondly, the strategic objectives must be clarified in order to arrange on the field the forces available to oppose the counterfeiters. Nevertheless, seeing the bigger picture, it is necessary to know the enemy in order to fight it. Surprisingly, this situation of conflict can often be a unique opportunity for collaboration and mutual profit. The first step, therefore, is to identify the violations and their perpetrators, in other words, exploring the enemy territory.

In the *Chinese case*, this approach concerns both the places and the means of counterfeiting (where, by whom, with what equipment and resources), that the domestic market in which the counterfeit goods immediately begin with being sent. It means that in China the operators must begin to build an effective action of contrast, through an appropriate market investigation, which is extremely useful not only for the cognitive purpose, but also for an eventual subsequent judicial phase in which the collection of evidence weighs exclusively on the part.

There are numerous choices: the operators can arrange preventive and periodic checks, or massive controls on a large scale, aimed at bazaars, department stores, street markets or malls, or all these together, depending - of course - from the nature of the product. At this stage (which requires an accurate assessment of the budget available), it is always preferable to go to the big cities or the districts located along the coast, because the greatest industrial (and therefore counterfeit) Chinese capacity is concentrated in them, and also because in

³⁹⁷ The Protocol recalls the 2004 Italian Chinese cooperation agreement and the MOU between the China Council for the Promotion of International Trade (CCPIT) and the Italian Institute for Foreign Trade. It implements at the level of agreement direct between the two national entities in charge of the textile sector a collaboration program to protect the Italian design, recognizing the impossibility of price competition for basic productions. The parties are committed to promote in their respective countries any appropriate initiative for the protection of IP, also through activities of lobbying in the textile and clothing field. The fundamental role of the respective centres was also reiterated conciliation (existing in Milan and Beijing), for the resolution of disputes through agreements, according to the Regulations of the Centre of Milan.

the same areas a market has developed in a more and more similar and specular way to the Western one, such as to make the good attractive and desirable in itself counterfeit object, product or brand. A second step (once you have obtained a detailed 'top-down' photograph of the phenomenon) consists in the acquisition 'on the ground' of commercial information which may concern both producers and distributors of 'odorless' products counterfeiting or otherwise belonging to the same 'class' of goods. In this phase, the identification of the subjects in the West should not be neglected, since they constitute the 'bridgehead' of counterfeiters, as well as shippers and agents specialized in the sector. This survey is of particular importance in relation to the legal actions that are about to be brought in Italy. One of the main defenses of the counterfeiters regards denying any link with the origin of the goods counterfeit or with its launch on the Italian and European market. The survey conducted at all these levels constitutes a good starting point for any counter initiative the studies propose to implement. The IP rights' owner, who has reason to fear counterfeiting phenomena on his own damage, must not omit a rigorous control over its own channels of distribution and retailing in China.

The acquisition of evidence about the violation and the extent of the damages suffered constitutes in fact, the crucial aspect of any IP defense initiative. It is an activity which in Italy is poorly cared for by the victims of counterfeiting, which generally they merely take their "case" to a judge, from whom they expect them to come collected the evidence, while respecting the sacred principle of contradictory. It will be essential to refer to the various investigator figures present on the Chinese market either in individual or associated forms, both locally and internationally. The Private detectives will be responsible for acquiring copies of the counterfeit goods with the related receipts, record commercials and other forms of advertising, extract copies from relevant document, "infiltrate" their agents in the targeted organizations, always keeping in mind that these activities must be carried out in full compliance with Chinese laws: not only to avoid unpleasant consequences, but also to be able to use it later as evidence that will be acquired legitimately in court.

In this regard, it must be emphasized how all documents, reports, extracts from registers, must be authenticated by a notary, whose presence can be obtained on the place where the private investigation takes place. For evidence acquired outside China, authentication from the competent Chinese diplomatic office will be required, otherwise it will not be usable. Chinese courts can in general, ex officio or at the request of a party, decide themselves an investigation or the acquisition of documents, even if this happens very rarely in the cases of IP rights process. In general, the evidence acquired will not be valid in a judicial proceeding through an agent provocateur. This phase of acquiring proof must be followed by one, more properly legal, relating to the analysis of the alleged violation, to be carried out according to criteria substantially corresponding to those used in Italy and in the West by technical patent consultants.

At this point, the owner of the IP right must, if he has not already done so, identify with precision one's goal, which may simply be the one-off dissuading the counterfeiter from continuing his illicit activity, to obtain punishment or to enter a licensing relationship with him. As in the Western Countries, this choice is often determined, in the sense of punishment, by reasons and emotional drives that cannot be easily controlled and removed in favor of the search, generally more reasonable, of a conciliatory solution. In the Chinese reality,

the choice of deterrence has a greater chance of success than the one of punishment, which is rarely effectively inflicted through the criminal system. The licensing route, rather, turns out to be the most convenient, in terms of money and time. The enforcement of an IP right can take place through negotiation, administrative and judicial (criminal or, with greater probability of success, civil) procedure. Negotiation, as far as has been said, seems to be the simplest way out at the state going along, even if it does not always lead to the optimal result of a licensing agreement. Foreigners, who do not want to enter a negotiation (which presents linguistic, cultural and systemic difficulties) can choose between the administrative one and the civil judicial one. The former is the one normally suggested to the foreigner and is more efficient and less expensive, but it has the drawback of being available only for a single 'episode' of violation. That is why, ultimately, it seems that the recourse to civil justice is recommended which, although more expensive and slower, it advantages in terms of widespread enforcement, and begins to offer a lot of interesting professional elements, jurisprudential uniformity, and relative independence and impermeability to corruption from the judges. However, the choice of a "local agent", lawyer and/or patent expert with experience of national or International judicial institutions is fundamental.

The administrative path is the one that aims at finding the best conciliatory solution with the sole scope of deterrence. Administrative authorities are national, provincial or local (offices of the AICs, the TSB, the IPO, customs and of Copyright). The procedure takes place through a written formal request of ending counterfeiting, a public apology (the equivalent of the publication of the judgment), the destruction of the goods and tools used for their manufacturing. A good part of the procedure practically concerns the accesses on the place and examinations of the material offered by the applicant, and it runs out within a few months. The civil court is always appealed for decision of the administrative authority before which the documents of the administrative procedure can be produced for the purposes of the legal proof. In any case, the request for obtaining compensation of the damages suffered must be addressed to the civil judge. The real advantage of the administrative action is in fact, even under this profile, its speed which as such tends to elide or greatly reduce the damages. The action of the customs authorities is generally more effective and direct because it consists in the IP rights' defense, relating to the goods they find. A collaboration with the Customs is fundamental to block flows of goods which, once they arrive at their destination, or at various destinations, it will be very difficult to locate, block and destroy, regardless of the consequential damage of the pure and simple import attempt³⁹⁸.

Once the decision to proceed judicially has been taken, the case must be rooted in the Specialized court of the place where the infringer is located, or his facilities are. The necessary documents include summons, the power

³⁹⁸ The Chinese judicial system consists of four levels: Supreme Court, Courts Superiors (Provincial level), District Courts (Prefecture level) and basic Courts (County level). Since the end of 2004, IP specialized sections have been working, at various levels, in all of provinces and major urban centers, and sometimes also at a local level. From 1996, a specialized section is running at the Supreme Court. A set of interpretative jurisprudential guidelines was also developed in 2004, regarding both criminal and civil matters. In order to favor the quality of judgments, the Government tried to centralize jurisdiction in industrial matters. Almost all cases it is dealt at the level of the Intermediate or Higher courts. Generally, the Chinese system is based on a double degree of judgment, the second one is definitive, except for some exceptional cases. The appeals are concentrated at the Intermediate Court in Beijing.

of attorney, the document certifying the title of ownership and evidence. If the action is proposed by a Company, it is necessary to produce all documentation relating to its registration (of course of the trademark), quality and identity of the legal representative, authenticated by a notary and, if necessary, by the competent Chinese consulate. The panorama of evidence is the usual one: from counterfeit specimens, to receipts, to photographs of the product or machinery. To introduce the judgment, a litigation fee must be paid, proportional to the entity of the compensation requested. As a rule, the Court sets a deadline for the defendant to make the appearance of an answer and the production of the evidence. Another term, under penalty of forfeiture, is granted to the parties for the exchange of further submissions and the production of new evidence (The Second Instance Court does not generally accept new evidence, except for the cases of reasonable reasons). At the hearing, after a phase dedicated to mutual cross-examination, the Court can suspend the judgment pending the ruling of the Reexamination Board from the Patents Office. The hearing is public, and each party has the right to be defended by two lawyers. Cross-examination is conducted according to reliability, relevance and admissibility, in compliance with the judgment of the Court. After the final discussion, the Court normally reserves the right to decide, it is rare the case of a second preliminary hearing or discussion. The Court communicates to the parties the date on which the sentence will be issued. As for the timing, the first-degree process lasts an average of 6 months, and that of 3 months for the second-degree. The appeal process is not very different from the first instance process and the Court can admit new elements in exceptional cases: his judgment is not of legitimacy, but a second ruling of merit. The execution of the sentence is up to the parties. If one party refuses, the other one can get forms of enforcement that include interdictory measures, seizure, confiscation, freezing of assets and bank deposits, auction sale of the unsuccessful party's assets. In order to guarantee these measures, it is recommended to obtain an urgent precautionary measure from the Court. In conclusion, patience, foresight, determination, a certain availability of means are therefore the elements that allow the foreigner to defend IP rights in China, with the objective to win - if not the war - at least some decisive battles.

3.3 Litigation at WTO Level: WT/DS362/R, China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights

Although China has recently committed to ensure Intellectual Property protection, it currently represents one of the major Countries of Origin of counterfeited or pirated products, then sold in the International markets³⁹⁹. The consideration on the insufficiency of the detailed legislation and enforcement level (civil, administrative, precautionary, customs and criminal law) in the repression of these phenomena has become evident in April 2007 when the United States of America requested a consultation with China then transposed within the

³⁹⁹ Very often through a first step in the Italian market, important point of entry for counterfeit products intended for other European countries. In the three-year period 2004-2006 the incidence of counterfeits products of Chinese origin out of the total number of items confiscated by Italian customs authorities was respectively 82.5%, 91.5%, 93.4%. In relation to the Report on Counterfeiting by UNICRI (United Nations Interregional Institute for Crime Research and justice), *Counterfeiting: a global spread, a global threat*, Turin, December 14th, 2007, available at: http://www.unicri.it/news/article/0712-3_counterfeiting_crt_foundation.

DSU⁴⁰⁰, then joined by Canada, EU and Mexico, concerning certain measures relating to the protection and enforcement of IP rights in China and their inconsistency in relation to the TRIPS Agreements:

The determination of incongruous thresholds of Counterfeiting and Piracy for purposes concerning the establishment of criminal proceedings and the application of sanctions that contrasted with Art. 41(1) and 61 TRIPS⁴⁰¹;

The rigid hierarchical order of the ways in which the Chinese authorities had to dispose of the seized assets, which contrasted with the Articles 46⁴⁰² and 59 TRIPS⁴⁰³;

The problem inheriting the protection of those “jobs” whose publication or distribution had not been authorized (and therefore prohibited), which were lacking that minimum of protection also established by the Convention of Bern creating, first, a case of violation of Art. 9(1) TRIPS⁴⁰⁴.

Strictly speaking, between August and December 2007 was composed the Evaluation Panel on the present case, with the reservation for other countries⁴⁰⁵ of their own “*Third-party rights*” and on January 26, 2009 it was already circulated between the MS the relationship⁴⁰⁶, by which the Panel concluded that the Copyright Law (CL), and specifically, the first part of Art. 4⁴⁰⁷, was not consistent with Art. 5(1) of the Convention of

⁴⁰⁰ *The General Council* convenes as the Dispute Settlement Body (DSB) to deal with disputes between WTO members. Such disputes may arise with respect to any agreement contained in the Final Act of the Uruguay Round that is subject to the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU). The DSB has authority to establish dispute settlement panels, refer matters to arbitration, adopt panel, Appellate Body and arbitration reports, maintain surveillance over the implementation of recommendations and rulings contained in such reports, and authorize suspension of concessions in the event of non-compliance with those recommendations and rulings.

⁴⁰¹ *See Art. 41(1)*: “Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse”. *See Art. 61*: “Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse”.

⁴⁰² *See Art. 46*: “In order to create an effective deterrent to infringement, the judicial authorities shall have the authority to order that goods that they have found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder, or, unless this would be contrary to existing constitutional requirements, destroyed. The judicial authorities shall also have the authority to order that materials and implements the predominant use of which has been in the creation of the infringing goods be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements. In considering such requests, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account. In regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce”.

⁴⁰³ *See Art. 59*: “Without prejudice to other rights of action open to the right holder and subject to the right of the defendant to seek review by a judicial authority, competent authorities shall have the authority to order the destruction or disposal of infringing goods in accordance with the principles set out in Art. 46. In regard to counterfeit trademark goods, the authorities shall not allow the re-exportation of the infringing goods in an unaltered state or subject them to a different customs procedure, other than in exceptional circumstances”.

⁴⁰⁴ *See Art. 9(1)*: “Members shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. However, Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Art. 6bis of that Convention or of the rights derived therefrom”.

⁴⁰⁵ Argentina, EU, Japan, Mexico, Taipei, Australia, Brazil, Canada, India, Korea, Thailand, Turkey.

⁴⁰⁶ PANEL REPORT, *China - Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WT/DS362/R (Jan. 26, 2009), available at: https://www.wto.org/english/tratop_e/dispu_e/362r_e.pdf.

⁴⁰⁷ *See Art. 4*, establishing that “The works whose publication or disclosure is prohibited by law will not enjoy the protection of this Law”.

Bern (BC), as incorporated in Art. 9(1) of TRIPs⁴⁰⁸ and also with Art. 41(1)⁴⁰⁹ of the same agreement (first ground of appeal). In the United States' perspective, this provision violated Articles 5(1) and 5(2) of the Berne Convention⁴¹⁰ and, by referral to such articles, Art. 9 TRIPs⁴¹¹. Art. 5(1) contains the principle of *national treatment* and that for which the authors enjoy a series of rights “specifically conferred” by the Convention, which pose themselves independent from the principle of national treatment⁴¹²: exclusive right of translation (Art. 8 BC⁴¹³), to authorize the reproduction (Art. 9 BC⁴¹⁴), of public representation and execution, broadcasting by means of television or cinematographic exploitation (Articles 11⁴¹⁵ and 14 BC⁴¹⁶). Art. 5(2) BC⁴¹⁷, on the other hand, establishes the principle of the originality of the author's right of the work, which legitimizes immediate protection, regardless of any administrative recognition of the right itself⁴¹⁸. Art. 4 CL⁴¹⁹ denied copyright protection to those works that have partial content or wholly illegal, e.g., second constitutional parameters, of order or morality public⁴²⁰, screened through an examination administrative budget. This, in the opinion of the Panel, was merely a tool of preventive censorship, contrary to Art. 5(1)

⁴⁰⁸ See *supra* note no. 403.

⁴⁰⁹ See *supra* note no. 400.

⁴¹⁰ See Art. 5(1): “Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention”. Art. 5(2): “The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed”.

⁴¹¹ See *supra* note no. 403.

⁴¹² See Art. 5(1) Berne Convention for the protection of literary and artistic works: “Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the Country of Origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention”. The text of the Convention is available at: <https://global.oup.com/booksites/content/9780198259466/15550001>.

⁴¹³ See Art. 8: “Authors of literary and artistic works protected by this Convention shall enjoy the exclusive right of making and of authorizing the translation of their works throughout the term of protection of their rights in the original works”.

⁴¹⁴ See Art. 9: “Authors of literary and artistic works protected by this Convention shall have the exclusive right of authorizing the reproduction of these works, in any manner or form.

It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.

Any sound or visual recording shall be considered as a reproduction for the purposes of this Convention”.

⁴¹⁵ See Art. 11: “Authors of dramatic, dramatic-musical and musical works shall enjoy the exclusive right of authorizing: (i) the public performance of their works, including such public performance by any means or process; (ii) any communication to the public of the performance of their works. Authors of dramatic or dramatic-musical works shall enjoy, during the full term of their rights in the original works, the same rights with respect to translations thereof.

⁴¹⁶ See Art. 14: “Authors of literary or artistic works shall have the exclusive right of authorizing: (i) the cinematographic adaptation and reproduction of these works, and the distribution of the works thus adapted or reproduced; (ii) the public performance and communication to the public by wire of the works thus adapted or reproduced.

The adaptation into any other artistic form of a cinematographic production derived from literary or artistic works shall, without prejudice to the authorization of the author of the cinematographic production, remain subject to the authorization of the authors of the original works. The provisions of Article 13(1) shall not apply”.

⁴¹⁷ See Art. 5(2): “The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the Country of Origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed”.

⁴¹⁸ The publication of the work (publication for the first time in China or publication abroad and within a month also in China) is relevant in China, as regards the recognition of the right by the author on Chinese soil, if the work is attributable to a foreign entity whose country has not signed a Copyright Agreement or an International Copyright Convention with China. It is believed that only in this case can the principle be justified as referred in Art. 4 CL.

⁴¹⁹ See *supra* note no. 406.

⁴²⁰ Or “jeopardize social ethics or fine national cultural traditions”.

BC⁴²¹, insofar as it sanctioned an indissoluble link between these specific rights, publication and / or dissemination of the work.

In second place (second ground of Appeal) the Panel was found to face Chinese Sanctioning Discipline in response to the counterfeiting and piracy problem, with a combined analysis of Art. 27 of the Customs Regulation on IP⁴²² and the corresponding Art. 30 of the Implementing Measures⁴²³, so, in the opinion of the United States, there would have been an irregular re-entry of products counterfeited or pirated on commercial circuits⁴²⁴. According to these articles, the Customs Chinese Authority, in case of confiscation of pirated/counterfeited assets, will firstly arrange for them the transfer free of charge to associations having purposes of public utility⁴²⁵, or, by way burdensome to the person identified as legitimate owner of the infringed property right. In the case this is not possible, the Customs Authority can put them up for auction, but only after removing the counterfeited trademark, or all those product characteristics or signs of which it was recognized the suitability to infringe the right to IP of others: in last resort, if a cannot be made the removal of the brand from the product, there is only the destruction of confiscated assets. With this reason of appeal the United States had raised an issue of incompatibility with the commitment descending from Art. 59 TRIPs⁴²⁶, therefore, in the context of customs measures to protect IP, where Member States (the competent Authorities) of the WTO, in accordance with Art. 46 TRIPs⁴²⁷, have the faculty/authority to order destruction or the removal of the illegal assets from the market channel. Art. 46⁴²⁸ concerns the remedies available from the Authorities responsible for achieving an effective deterrent against IP violation phenomena and substantially leaves the Authority itself free in choice of the most appropriate remedy for the specific case, that is what “avoid any harm caused to the right holder”: “disposed of outside the channels of commerce” or, as in the case in which it cannot eliminate the distinctive element of the asset, “destroyed”.

The problem of Chinese legislation, according to the United States, was to fix, with a prescriptive hierarchical order the remedies that can be implemented by the Customs Authority, where that of TRIPs articles mentioned were indicative only and left an immediate choice of destruction is also open direct of confiscated goods,

⁴²¹ See *supra* note no. 411.

⁴²² Chapter IV, Legal Liability. See Art. 27: “The suspected infringing goods under detention shall be confiscated by the Customs where such goods are determined to have infringed an intellectual property right by the Customs after investigation.

After confiscating the goods infringing an intellectual property right, the Customs shall notify the holder of the intellectual property right in writing of the information related to the goods of infringement.

Where the confiscated goods infringing an intellectual property right can be used for public welfare undertakings, the Customs shall hand such goods over to the relevant public welfare bodies for use in public welfare undertakings; where the holder of the intellectual property right intends to purchase the goods, the Customs may have such goods assigned to the holder of the intellectual property right with compensation. Where the confiscated goods infringing an intellectual property right cannot be used for public welfare undertakings or the holder of the intellectual property right has no intention to purchase the goods, the Customs may have such goods auctioned according to law after removing their infringing features; where the infringing features cannot be removed, the Customs shall destroy the goods”.

⁴²³ See Art. 30: “An obligatory duty payer shall, according to the law, faithfully file a declaration to the customs and provide the materials required for determining the dutiable value, classifying the commodities, determining the place of origin and taking antidumping, countervailing or safeguard measures. If necessary, the customs may demand the obligatory duty payer to make supplementary declarations”.

⁴²⁴ See PANEL REPORT, *cit.*, paragraphs 7.197, 7.199.

⁴²⁵ In fact, China showed that it had an agreement with the Red Cross in this sense.

⁴²⁶ See *supra* note no. 402.

⁴²⁷ See *supra* note no. 401.

⁴²⁸ *Ibidem*.

without passing through any forced process. The *Panel*, in regard to the question raised, has underlined the wide discretion⁴²⁹ of the Customs authorities of the Member States when choosing, always without any kind of compensation, for the removal from commercial circuits or for the destruction of goods, based on the combined provisions of Art. 46⁴³⁰ and Art. 59 TRIPs⁴³¹, with the only limit of proportionality of the measures adopted, in respect of the seriousness of the violations and considering the interests of third parties⁴³². The reference term of Article 59 TRIPs is not Art. 46 *ex se*, but the five principles it embodies⁴³³. Obviously, there will be cases where direct destruction does acts as the only remedy available, that is, as described in the last sentence of Art. 46 TRIPs, where the simple removal of the trademark counterfeit is not a useful element to allow a re-entry of the asset into commercial circuits, but beyond these limit cases the choice it will be totally remitted to the Authority: also, the choice to directly destroy the goods in violation. The Panel bearded in mind the general prescription of Art. 1 TRIPs⁴³⁴, which it establishes not the duty, but the possibility of MS to implement the Agreement in a more effective way, with respect to what is established therein, being free to determine the most appropriate method of execution in the respective national laws, held that the United States had not demonstrated general suitability of Chinese customs regulations to violate *prima facie* Articles 46⁴³⁵ and 59 TRIPs⁴³⁶.

Basically, there was no proof of actual damage that the supposed hierarchical order would have procured to the owner of the right, with respect to the asset counterfeited or pirated, and in any case the Panel has even demonstrated the non-binding nature of the order of remedies described by the law. As the donation system to charitable organizations, also the sale to the intellectual property right holder does not exclude the possibility of eliminating or destroying the infringing goods directly. For this purpose, China had proceeded to adduce a series of percentages that showed how in the last three years, prior to the dispute, the case of destruction of counterfeited and pirated goods far exceeded that relating to other modes of action: 1) destruction from 44.90% to 57.5%; 2) donations from 53.5% to 39.5%; 3) auctions from 0.87% to 2.2%; 4) sale to the right holder from 0.65% to 1%⁴³⁷. However, the appeal was partially granted. In the case of “Counterfeit trademark goods”, Art. 46 TRIPs, 4th period⁴³⁸, would be violated in the moment in which the customs legislation requires, as unique

⁴²⁹ PANEL REPORT, *cit.*, paragraphs 7.238, 7.240.

⁴³⁰ See *supra* note no. 401.

⁴³¹ See *supra* note no. 402.

⁴³² The Panel has in fact ruled that, based on Art. 46: 1) there must be a competent authority that performs functions for this purpose; 2) the competent authority, will then have “the authority” to order the destruction or other disposal on the counterfeited or pirated goods. This means that “the obligation is to have authority, not an obligation to exercise authority”. Again, “the obligation that competent authorities shall have the authority to make certain orders is not an obligation that competent authorities shall exercise that authority in a particular way, unless otherwise specified”. PANEL REPORT, *cit.*, paragraphs 7.236 and 7.238.

⁴³³ PANEL REPORT, *cit.*, paragraphs 7.264, 7.266, 7.270.

⁴³⁴ See *Art 1*: “Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice”.

⁴³⁵ See *supra* note no. 401.

⁴³⁶ See *supra* note no. 402.

⁴³⁷ PANEL REPORT, *cit.*, paragraphs 7.353, 7.354.

⁴³⁸ “In regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce”.

procedural requirement for the auction sale of counterfeit goods the removal of the trademark. In effect, the norm identifies the simple removal of the trademark illegally affixed to the asset, for the new entry into commercial circuits, such as an exception to the minimum required practice by the Agreement, in which this only foresight does not would be enough. Allowing the exception to become the normal discipline of case in question, in that same case yes would certainly point to a hypothesis of clear violation of Art. 1 TRIPS⁴³⁹, which attributes to WTO countries “excess freedom” of Agreement’ implementation, but in compliance with the minimum essential protection requirements enshrined therein.

It is important to emphasize that the United States does not have disputed the way in which China applied its Customs Regulations, but the rules *ex se*. However, because of the latter considerations, relating to the room for maneuver granted by Art. 1 TRIPS⁴⁴⁰ to WTO countries, the Panel rejected also the third plea in law brought by the United States. It was based on the violation of Art. 41(1)⁴⁴¹ and 61 TRIPS, 1st period⁴⁴², according to which: “Members shall provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale. “Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity”⁴⁴³. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. “Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed willfully and on a commercial scale”⁴⁴⁴.

The questions, subject of debate, in this case concerned the value thresholds identified by the Criminal Law Chinese⁴⁴⁵ and two interpretations of the Supreme People's Court⁴⁴⁶ above which the Chinese legal system responds with the activation of criminal proceedings and the application of sanctions towards voluntary acts counterfeiting and piracy (e.g., 500 copies of a DVD or approximately a value of 7,000 dollars of counterfeited goods). These value thresholds, that the United States Trade Representative (USTR) identifies as the first symptom of a “Chronic underutilization of deterrent criminal remedies”⁴⁴⁷, should have been corresponding

⁴³⁹ See *supra* note no. 433.

⁴⁴⁰ *Ibidem*.

⁴⁴¹ See *supra* note no. 400.

⁴⁴² *Ibidem*.

⁴⁴³ JIANQIANG N., KEISUKE L., *The Enforcement of Intellectual Property Rights in China*, London, Cameron May Ltd, 2006, p. 215.

⁴⁴⁴ CORREA C., *Trade Related Aspects of Intellectual Property Rights: A Commentary on the TRIPS Agreement*, Oxford University Press, 2007, p. 424.

⁴⁴⁵ Criminal Law of PRC adopted by the 2nd Session of the 5th National People’s Congress on the 1st July of 1979.

⁴⁴⁶ No. 19/2004 and 6/2007.

⁴⁴⁷ UNITED STATES TRADE REPRESENTATIVE, *2009 Report to Congress on China’s WTO Compliance*, p. 82. Available at: <https://ustr.gov/sites/default/files/2009%20China%20Report%20to%20Congress.pdf>.

to the concept of violation on a commercial scale as stated in Art. 61 TRIPs⁴⁴⁸. Articles 213⁴⁴⁹, 215⁴⁵⁰, 217⁴⁵¹, 218⁴⁵² and 220⁴⁵³ of the Chinese Criminal Law were being challenged for their vagueness in identifying the circumstances in which counterfeiting, and piracy acts would find punishment in the Chinese criminal system. These articles generally refer to the cases in which “the number of sales [of commodities bearing counterfeit registered trademarks] is relatively large” or “the circumstances are especially serious” or, once again, “the number of illegal gains is huge or if there are other especially serious circumstances”, etc. Furthermore, Art. 220⁴⁵⁴, in applying the provisions of Art. 213⁴⁵⁵ and 219⁴⁵⁶, refers to the concept of “the unit” that commits the violation, rather than that of the natural person. As if the extent of the violation could be detected criminally alike and independently from the person who puts it in place. In addition, Chinese Criminal Law does not unfold the definition of “serious breach” threshold” or “large” or even “huge”. The only specific provisions are the above-mentioned two interpretations of the Supreme People's Court, in which has been given value to these qualifications through the reference to a certain “volume of illegal business” (determined

⁴⁴⁸ PANEL REPORT, *cit.*, para. 7.182.

⁴⁴⁹ See Section 7, *Crimes of Infringing on IPRs, Art. 213*: “Whoever, without permission from the owner of a registered trademark, uses a trademark which is identical with the registered trademark on the same kind of commodities shall, if the circumstances are serious, be sentenced to fixed-term imprisonment of not more than three years or criminal detention and shall also, or shall only, be fined; if the circumstances are especially serious, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and shall also be fined”.

⁴⁵⁰ “Whoever forges or without authorization of another makes representations of the person's registered trademarks or sells such representations shall, if the circumstances are serious, be sentenced to fixed-term imprisonment of not more than three years, criminal detention or public surveillance and shall also, or shall only, be fined; if the circumstances are especially serious, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and shall also be fined”.

⁴⁵¹ “Whoever, for the purpose of making profits, commits any of the following acts of infringement on copyright shall, if the amount of illegal gains is relatively large, or if there are other serious circumstances, be sentenced to fixed-term imprisonment of not more than three years or criminal detention and shall also, or shall only, be fined; if the amount of illegal gains is huge or if there are other especially serious circumstances, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and shall also be fined : (1) reproducing and distributing a written work, musical work, motion picture, television programs or other visual works, computer software or other works without permission of the copyright owner; (2) publishing a book of which the exclusive right of publication is enjoyed by another person; (3) reproducing and distributing an audio or video recording produced by another person without permission of the producer; or (4) producing or selling a work of fine art with forged signature of another painter”.

⁴⁵² “Whoever, for the purpose of making profits, knowingly sells works reproduced by infringing on the copyright of the owners as mentioned in Article 217 of this Law shall, if the number of illegal gains is huge, be sentenced to fixed-term imprisonment of not more than three years or criminal detention and shall also, or shall only, be fined”.

⁴⁵³ “Where a unit commits any of the crimes mentioned in the Articles from 213 through 219 of this Section, it shall be fined, and the persons who are directly in charge and the other persons who are directly responsible for the crime shall be punished in accordance with the provisions of the Articles respectively”.

⁴⁵⁴ *Ibidem*.

⁴⁵⁵ See *supra* note no. 448.

⁴⁵⁶ “Whoever commits any of the following acts of infringing on business secrets and thus causes heavy losses to the obligee shall be sentenced to fixed-term imprisonment of not more than three years or criminal detention and shall also, or shall only, be fined; if the consequences are especially serious, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and shall also be fined : (1) obtaining an obligee's business secrets by stealing, luring , coercion or any other illegitimate means; (2) disclosing, using or allowing another to use the business secrets obtained from the obligee by the means mentioned in the preceding paragraph; or (3) in violation of the agreement on or against the obligee's demand for keeping business secrets, disclosing, using or allowing another person to use the business secrets he has. Whoever obtains, uses or discloses another's business secrets, which he clearly knows or ought to know falls under the categories of the acts listed in the preceding paragraph, shall be deemed an offender who infringes on business secrets. "Business secrets" as mentioned in this Article refers to technology information or business information, which is unknown to the public, can bring about economic benefits to the obligee, is of practical use and with regard to which the obligee has adopted secret-keeping measures”. “Obligee” as mentioned in this Article refers to the owner of business secrets and the person who is permitted by the owner to use the business secrets”.

on the value of the products made, stored, transported and sold) and “illegal gain” (in terms of profit) or to the number of “illegal copies”⁴⁵⁷.

However, the USA underlined how Art. 12 of the 2004 jurisprudential interpretation⁴⁵⁸, in relation to the determination of the “illegal business volume”, required to use “the prices at which the products are currently sold” or “the price affixed or the current prices at which the goods are sold on market in response to investigation”. In other words, the price used for the determination of the volume would be that of the infringing goods, instead of the price of legitimate goods. Basically: lower the price, the more counterfeit and pirated goods are needed for the infringer to be punished, thus remaining uncovered by legitimate penalty many cases of IP violation. The second aspect of the question concerned the coverage in terms of “criminal procedures and penalty” of cases of unauthorized reproduction and distribution of works subjected to copyright.

The keystone of this decision is simply based on the content of Art. 61 TRIPs⁴⁵⁹, at the expense of copious, but fragmented US arguments. The United States have taken for example the measures to contrast the phenomenon they apply, industrial reports detailed on the volume of the subject matter violation seized by the police (who in many cases were found to fall below the thresholds) and other explanatory data. According to the Panel, WTO Member States would not need to enact criminal provisions against every possible act of counterfeiting and piracy, but only against those on a “commercial scale”, that is to those assuming a certain relevance in terms of importance or extent, not absolute, but in strictly relation to the product reference market. From here the distinction between a “commercial scale activity” and “simple commercial activity”⁴⁶⁰. It is not true that with the term in question the TRIPs mean a qualitative evaluation on the purpose of the activity. It would have caused a useless process to intentions. Undoubtedly, “commercial” is a qualitative term, but it must be read in conjunction with a quantity level⁴⁶¹.

According to the Panel’s argument, it is basically not possible to define the concept of “on a commercial scale” in absolute terms, but only in relative ones. It could not even pronounce for the non-compliance of Chinese legislation (in an interpretative sense, too) in question with respect to Art. 61 TRIPs⁴⁶². The Panel therefore considered that such a ruling could have been made only if the United States had been able to prove the exact

⁴⁵⁷ For example: regarding the application of Art. 213 of Chinese Criminal Law, the Supreme People's Court has identified the criminal relevance of the infringement act if “the circumstances are serious” (para. 7.399), or “the illegal business operation volume of not less than 50,000 Yuan or the number of illegal gains of not less than 30,000 Yuan” (para. 7.400). Or, in relation to Art. 217, the same Court provides for penalties for violation of copyright when “the number of illegal gains is relatively large, or if there are other serious circumstances” (para. 7.408), that is when the profit reaches a ceiling of 50,000 Yuan (profit’ interpretation relatively large) or there are cases of reproduction and distribution which can exceed 500 copies (other serious circumstances) (paragraph 7.409, 7.411).

⁴⁵⁸ *Interpretation Concerning Some Issues on the Specific Application of Law for Handling Criminal Cases of Infringement upon Intellectual Property Rights*, which determined the thresholds for prosecuting crimes of IP infringement. The Supreme Court's interpretation of April 2007 is entitled: *Several Issues of Concrete Application of Law in Handling Criminal Cases of Infringement upon Intellectual Property Rights*.

⁴⁵⁹ See *supra* note no. 400.

⁴⁶⁰ However, the Panel (in the search for a definition) starting from a business concept and using the dictionary approach, concluded that “commercial” means basically “engaged in buying and selling, or pertaining to, or bearing on, buying and selling” (para. 7.535), and then moved on to the concept of “commercial scale”.

⁴⁶¹ PANEL REPORT, *cit.*, para. 7.577.

⁴⁶² See *supra* note no. 400.

extent of the acts of counterfeiting and piracy in every single merchandising sector⁴⁶³. In practice, they needed to be provided quantitative data in order to demonstrate that the violations below the Chinese thresholds were on commercial scale and not the simple opposition to the thresholds or factors used to establish them. Apart from this case, on a theoretical level, Chinese thresholds worked, not allowing - at least in the state of the indictment evidence - to one series of acts to acquire criminal relevance, because they could not reach the commercial ladder, in the area of their relative market. It was undeniable that many illegal activities would remain unpunished, but only those, whose relevance or extension, could not have been compared to a typical and usual commercial activity for a given product in the reference market. That is the "commercial scale": the one and only relevant for the TRIPs. After this conclusion, all other considerations have fallen in regarding the opposition of the Art. 61 TRIPs⁴⁶⁴ discipline de quo.

In relation to the last question treated, the Panel could have better clarified in which way WTO MS, and above all China, should have approached the dictation of Art. 61 TRIPs⁴⁶⁵. It is also true that with the interpretation adopted and regarding the incident "commercial scale", the panel drew a map of future "claims" (to China) in IP theme, but it probably missed a bit of utility in not providing clear guidance for governments in order to align their IP national legislation with teleological reason of TRIPs obligations, at least in regard to the extent they wish to use such thresholds. According to the Panel, the "commercial scale" differs according to the product, the market, the MS legislators. With the sole scope of complying with TRIPs prerequisites, it will be required to define which are the cases of criminal relevance of counterfeiting and piracy: 1) separate thresholds for each product and market; 2) determining a uniform threshold to the lowest level of activity on commercial scale for each product and market covered by law; 3) eliminating the thresholds in favor of a qualitative definition of activity on commercial scale⁴⁶⁶.

Last reason of relevance of the report in question and linked to greater burden of proof required by the complaining party for the verification of non-compliance attitude, it is also that the greater room for maneuver granted to WTO members in relation to their commitments. In the past, the *Dispute Settlement Body* explained that compliance with the Treaty means strict compliance with its provisions⁴⁶⁷, however, this report suggests a less rigorous adherence than before: so, China had wide freedom of action in the implementation of the two main commitments, such as the destruction of counterfeit or pirated goods and the prosecution of the authors of such violations.

⁴⁶³ Piracy and counterfeiting on a "commercial scale" for the panel is an activity that reaches a certain size and commercial relevance to the point of being a typical and usual commercial activity, with respect to a given product and a determined market and in the long term, a source of profitability. This last indication, even if given by the panel, is not found in the next as a critical defining feature of the "commercial scale". What matters is whether the activity conducted in IP violation is equal to or more extensive than a usual and typical one business transaction for that product and market.

⁴⁶⁴ See *supra* note no. 400.

⁴⁶⁵ *Ibidem*.

⁴⁶⁶ MENDENHALL J., *WTO Panel Report on Consistency of Chinese Intellectual Property Standards*, The American Society of International Law, Volume 13, Issue 4, April 2009. Available at: <https://www.asil.org/insights/volume/13/issue/4/wto-panel-report-consistency-chinese-intellectual-property-standards>.

⁴⁶⁷ *India-Patent Protection for Pharmaceutical and Agricultural Chemical Products*, WT/DS50/AB/R, paras. 62, 69, 97, adopted on the 16th January 1998. Available at: https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds50_e.htm.

3.4 Intellectual Property Systems: China vs Europe

China and European Union Member States are members of the World Intellectual Property Organization (WIPO) and parties of the International Agreements on IPR protection: the Paris Convention, Berne Convention, and TRIPS Agreement. Therefore, the scope of IPR protection (e.g., the types of rights, duration of protection, geographical extent of protection, and basic protection requirements) is in principle the same in China and Europe. However, there are some differences which are useful to understand in order to efficiently manage IPRs in China⁴⁶⁸.

Only registered IPR is protected in China (If you have not formally registered your IP assets, including patents, utility models, design patents and trademarks, then you cannot enforce them); while Europe legislation provides the IPR without registration enforcement, under certain conditions. Proof of earlier use in European country markets might be sufficient to enforce unregistered IP assets. Although copyright does not need to be registered in China; registration of copyright or notarized proof of copyright is requested for the case to be accepted. The IPR in China is only protected from the date of registration, so during the period between filing and registration; enforcement procedures can only start once formal registration has been published. In the EU, conditional protection is granted from the date of filing (enforcement proceedings can start as soon as the competent authority has fielded the application). However, if IP application is rejected, the enforcement efforts are not recognized. For both IPR is territorial, so this means that IPR registered in China is only protected in the territory of China and therefore is not protected in Europe and vice versa.

Patent and trademarks can be extended Internationally because both are party to the Patent Cooperation Treaty and the Madrid System administered by WIPO. This simplifies the International extension procedure for trademarks and patents as formalities for other jurisdictions can be initiated at the local IP Office. Chinese patents refer to three distinct IPRs: Invention Patents, Utility Models, and Design Patents, and they can be registered at the State Intellectual Property Office (SIPO). Patents can be protected in several EU Member States via a single procedure at the European Patent Office (EPO). Trademarks and designs can be protected EU-wide within the Office for Harmonization in the Internal Market (OHIM). Copyright does not require registration. A record of authorship and a date of establishment of a work of art is sufficient to enforce copyrights. Geographical indications are registered at a EU-level with the European Commission. Trademarks can be registered at the China Trademark Office (CTMO). Registration of copyright is not compulsory in order to obtain protection but can help in proving the ownership of the copyright in the case of infringement. Copyright can be registered at the China Copyright Protection Centre (CCPC). Geographical indications are registered with the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ). A collective or certification trademarks can be applied for at the CTMO. Lastly, it is possible to register GIs with the Chinese Ministry for Agriculture, which is so far untested in practice.

⁴⁶⁸ Note that Mainland China, Hong Kong, Macau, and Taiwan are separate jurisdictions, so the information outlined below only refers to Mainland China.

As a trademark is a sign that serves the specific and primary purpose of identifying the goods or services of a producer, thus allowing the consumers to distinguish goods or services of one producer from those of another. The sign may be composed of words, devices, letters, numerals, three-dimensional signs (shapes), combinations of colors, or any combinations of the above, sounds, or scents. In China, only visual and sound trademarks are recognized (only trademarks which are made up of words, graphics, a combination of both, color combinations, 3D marks, or sound marks); while in EU also scent trademarks are recognized. EU Member States recognized not only visually perceived and sound-marks, but also other types of EU trademarks do not require translation into other European languages. Trademarks composed of words in any European language do not necessarily need to be translated into other European languages.

It should be noted that trademark must not trigger a ground for refusal in any EU language due to that trademark carrying an unintended meaning in a foreign language. Although it is not required under Chinese law, it is recommended to translate trademarks (composed of words) in Chinese, in order to ensure a better protection. There are three common ways of choosing a Chinese trademark name: a) *translation*; b) *transliteration*; c) *combination of these two methods*. The best ones are those sound the same and refer to a defining characteristic of the brand or have a positive meaning in Chinese culture⁴⁶⁹. Even though trademarks registration procedures in China are speeding up, registrations often still take a year to complete. The revised Trademark Law enacted in 2014 clearly stipulates that the examination takes nine months, followed by a three-month period after it has been published in the Trademark Gazette during which it is open for opposition, and as before said there is no protection until the trademark has been registered. If an application for an EU trademark (Community trademark) at the OHIM is straightforward and there are no objections, a trademark could be granted in six to nine months. Depending on the country of registration, national trademark registration can take between two to eighteen months for most Member States. However, they will have conditional protection from the filing date as long as trademark is eventually officially granted. China, as well EU, uses the International Classification of Goods and Services (Nice Classification), which consists of 45 classes. In China, each of the 45 classes is divided also into subclasses. It is therefore of fundamental importance to have the correct subclasses registered.

GIs refer to the signs that denote the place of origin of the goods, including their specific quality, reputation or other features as mainly decided by the natural or cultural factors of those regions. European geographical indications/designations can be protected through registration with the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), can be protected by a trademark registration with the CTMO, and also by registration with the Chinese Ministry of Agriculture. It is possible to protect geographical indications/designations of origin as Chinese collective or certification trademarks, and protection can be granted over all types of goods and services. In addition to registering as a trademark (collective or certification), GIs can be registered at AQSIQ by the GI organization to provide an extra layer of protection with regards to the quality and standards of the product. Lastly, it is possible to register GIs with the Chinese

⁴⁶⁹ Note that registrations in Chinese characters and in Western scripts are two separated registrations.

Ministry for Agriculture, which is so far untested in practice. European geographical indications/designations of origin are protected in the whole European Union, but the protection is limited to agricultural products and foodstuffs.

Customs action in the European Union and China can be an effective way of blocking counterfeit products from entering a foreign market. As previously stated, in China it is important to maintain close contact with these authorities and supply relevant product information in order to assist them in making appropriate, timely decisions when inspecting goods crossing their borders. In fact, Chinese Customs authorities inspect both imported and exported goods. The Customs Law of the Peoples Republic of China prohibits the export or import of goods from or to China that infringe upon the IPR of another. Chinese Customs have the authority to protect IP Rights by confiscating infringing goods and imposing fines on infringers. In the EU, Customs only inspects imported goods. Customs authorities of the European Union have the right to halt and detain goods entering the EU territory that are suspected of IPR infringement.

Register foreign IP with Chinese customs is hugely recommended, for the purpose of actively monitoring products. Chinese Customs Registration is subject to a fee and lasts for a period of 10 years or until the IPR expires. No formal European registration with customs is required. In Europe, when customs make, they can detain possible infringing goods even without formal pre-registration. Once suspected infringing goods are detained, an Application for action (AFA) must be submitted within tight deadlines. If not, goods will be released. It is therefore in the interest of the owner to lodge an AFA, free of charge for a period of one year. Thanks to the information provided by the right-holders in the AFA, customs may identify more easily goods suspected of IPR and take the necessary action.

As far as it concerns the enforcement, there are mainly four paths of enforcement which the IP owner can consider: a) administrative actions; b) civil litigation; c) criminal prosecution; and d) customs seizures. In many cases, however, private mediation via legal professionals is also very effective and should be considered as a viable option. In China, it is the responsibility of the IPR holder to collect evidence to be presented in court. In most cases, Courts will not order the suspected infringer to provide evidence of the infringement. It is the duty of the IPR holder to collect evidence of infringement, for which it is recommended to use a legal investigation company or a law firm. However, according to the revised Trademark Law, in certain circumstances the infringer must provide evidence. In Europe, the courts can help the IPR holder to collect evidence by ordering him. Chinese court determines the time limits for producing evidence in the pretrial preparation phase. This time limit may be negotiated by the parties and needs to be approved by the court. All documents must be submitted in Chinese and must have notary confirmations. Evidence can be presented during the whole court European proceeding. All documents should be submitted in the official language of the court and should have notary confirmations if requested.

“China continues to be a *Priority 1 country* for the EU because of the scale and persistence of problems in the area of IPR protection and enforcement”⁴⁷⁰. The Commission's Report on EU Customs Enforcement of IPR (2018) and the EUIPO-OECD study on Trends in Trade in Counterfeit and Pirated Goods (2019) show that China is at the origin of a dominant share of counterfeit and pirated goods arriving in the EU, in terms of both value and volume⁴⁷¹. More than 80% of the seizures of counterfeit and pirated goods by EU customs authorities originate from China and Hong Kong. In addition, forced technology transfer is becoming more and more an increasingly important annoying trade. The European Commission has recently prepared several policy tools to promote IPRs compliance, favoring the widest synergy and collaboration between MS in order to ensure greater effectiveness of contrast against the Black Market. A high level of intellectual property protection is a standard element of all EU trade agreements. The Commission also engages in dialogues, working groups, technical programs and calls-to-action with key countries and regions, such as China, Latin America, Southeast Asia or Africa. Specific actions in the past two years included: technical support for the accession to International treaties in the area of IPRs, awareness-raising seminar for small businesses on the importance of IPRs, training for customs officers, judges and the police on IPRs enforcement and training for patent examiners.

The Commission is also an active contributor to IP rights protection and enforcement at multilateral levels such as the World Trade Organization (WTO), the World Intellectual Property Organization (WIPO) and the Organization for Economic Cooperation and Development (OECD). Industries that use intellectual property intensively accounted for some 84 million European jobs and 45% of the total EU GDP in the period 2014-2016. “82% of EU exports were generated by the industries intensively using intellectual property”⁴⁷². In these sectors, EU has a trade surplus of around 182 billion euros. European Commission finances and steers various technical cooperation programmes, which aim at strengthening IPR protection and enforcement in *third countries* and/or to assist European right-holders seeking IP protection in these countries. The Commission has signed an agreement with the EUIPO for the technical implementation of three IP Key cooperation programmes for the period 2017-2020: China (€7 million), Southeast Asia (€7 million) and Latin America (€6 million). These multi-annual programmes are designed to enhance the EU's cooperation with the respective countries through concrete activities in the area of IPRs protection and enforcement. Different tools and mechanisms have been deployed to support China's efforts to improve IPR protection and enforcement. The EU-China Dialogue has been in place for fourteen years. This mechanism allows both sides to exchange views on a wide range of IPR issues. It comprises two components: the EU China IP Dialogue at strategic level, taking place once a year and the EU-China IP Working Group at technical level, organized usually twice a

⁴⁷⁰ EUROPEAN COMMISSION, *Report on the protection and enforcement of intellectual property rights in third countries*, January 8, 2020. Available at: https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc_158561.pdf.

⁴⁷¹ EUROPEAN COMMISSION, Press Release, *European Commission steps up protection of European intellectual property in global markets*, Brussels, January 9, 2020. Available at: [file:///Users/francescodandrea/Downloads/European Commission steps up protection of European intellectual property in global markets.pdf](file:///Users/francescodandrea/Downloads/European%20Commission%20steps%20up%20protection%20of%20European%20intellectual%20property%20in%20global%20markets.pdf).

⁴⁷² For more information, see *supra* note no. 469. Data available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_12.

year. The Technical Cooperation Programme IP Key China⁴⁷³, implemented by the EUIPO, provides for concrete opportunities to strengthen cooperation and exchange best practices in priority areas, with a view to improving IPR protection and enforcement in China. The latest IP Key China Programme started in September 2017 and will be running for four years. An important step of cooperation on IPR enforcement is given by the EU-China Joint Customs Cooperation Committee. It was established in 2009 and oversees the strategic framework for customs cooperation and for the EU-China Customs IPR Action Plan. Since many goods suspected of infringing IPR come from Hong Kong (China), the Commission has also established an action plan on cooperation in customs enforcement of IPR directly with authorities in Hong Kong (China).

The Commission has also established an IPR SME Helpdesk in China, in support of the EU's small and medium sized enterprises which seek to protect and enforce their IPR in China. The services and information provided by the IPR helpdesk, such as the helpline, trainings and web-based materials are free of charge. The term of the China IPR SME Helpdesk was extended for another three years at the beginning of 2018. EU and China also concluded the negotiations on the path of a bilateral agreement to protect 100 European Geographical Indications (GI) in China and 100 Chinese GI in the EU, against unlawful imitations and usurpation. 56.175 additional names on each side will benefit from the same level of protection within four years of entry into force of the agreement. The Agreement will follow the internal EU legislative procedure before entering into force.

3.5 EU Strategic Plan 2025

The European Union does not only ensure that the networks created under its strategic plans are sustainable, but also that their knowledge and energy are harnessed in delivering positive change. Since 2010, the EUIPO has invested nearly EUR 100 million in creating and expanding, jointly with Member State Intellectual Property Offices (MS IPOs), a European Union Intellectual Property Network (EUIPN). In particular, they gave rise to a shared development of common tools and practices for the benefit of users.

In Regulation (EU) 2017/1001⁴⁷⁴, the legislators decided to promote the convergence of tools and practices in cooperation with IP offices. This change reflected the success of these activities and marked the beginning of a new era, characterized by an even stronger collaborative structure and the continuous exchange of expertise, knowledge, sharing and the provision of services at an operational level. Considering the IP global dimension, the strengthening of the European Union structures should be accompanied by enhanced International

⁴⁷³ EU Project designed to enhance EU-China cooperation on selected emerging challenges in the area of Intellectual Property (IP), it is directed and funded by the European Commission and implemented by the European Union Intellectual Property Office (EUIPO). During the 19th EU - China Summit held in Brussels at the beginning of June 2017, EU Trade Commissioner Ms. Cecilia Malmström and the Chinese Minister of Commerce, Mr. Zhong Shan, signed the arrangement for the IP Cooperation Project – IP Key China. The AWP3 activities focus on six concrete results (R), as follows: (R.1) Contribution to improved situation in priority areas defined during the annual EU-China IP Dialogue; (R.2) Enhanced understanding and trust through regular exchange activities; (R.3) EU-China IP Working Groups supported effectively; (R.4) Modernized IP administration and enforcement practices and tools; (R.5) Awareness raised on the importance of IP, its protection and enforcement; (R.6) Improved information sharing through Information Management System (IMS) and document repository.

⁴⁷⁴ Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trademark.

cooperation among IP offices, as provided under TM5/ID54⁴⁷⁵ framework, which brings together IP offices from the EU, China, Japan, South Korea, and the USA, as well as with International organizations such as the (EPO and the World Intellectual Property Organization (WIPO)). The generally increased volumes and complexity in IPRs on a global scale further complicate the challenge of ensuring that IPRs respect and enforcement. Recently, the Office, through the Observatory, has actively contributed at EU level to improved coordination with the police, customs, market surveillance authorities, prosecutors and judges. SP2025 is built on a vision of delivering IP value for businesses and citizens in Europe' through a number of interlinked strands of activities, which center on a Strategic Driver that combines the Office and its stakeholders around a shared and common purpose. While the Office's focus on delivering excellent products and services to businesses when administering EU unitary IPRs remains unchanged, this is only one part of what it means to deliver IP value within the EU's innovation ecosystem. Cooperation on IP within the EU and globally, including aspects of enforcement, is now a core activity that both complements the EUIPO's role as a registration office and adds value for the EU as a whole.

Consequently, the first Strategic Driver, "Interconnected, efficient and reliable IP System for the Internal Market" (SD1), sets out how the Office intends to build upon the networks created in order to improve the IP system during a period when technology and global forces are changing the IP landscape.

The second Strategic Driver, "Advanced Customer-centric Services" (SD2), guides the actions that will be taken in order to provide the Office's customers, including SMEs, large businesses and intermediaries, with the state-of-the-art tools, services and guidance that they need to thrive in this new environment. A tailored approach is needed, targeting the different needs of the user segments.

The third Strategic Driver, "Dynamic Organizational Skill sets and an Innovative Workplace of Choice" (SD3), recognizes that the Office must continue to evolve in terms of skill sets and working practices in order to sustainably provide high-quality registration services and perform its other core tasks in a state-of-the-artwork environment that leverages the best aspects of technological change and facilitates a wider contribution to the IP system as a whole.

The Strategic Drivers, with their individual Goals and interconnected Key Initiatives, with examples of projects, activities, and benefits, will contribute to the EUIPO's overall aim of becoming a sort of "IP hub of excellence", as described in the EUIPO SP2025 mission statement. If needed, further support will be provided to the MS IPOs on implementing the Trademark Directive, from both a legal and an operational perspective, including tools and practices of opposition and cancellation proceedings. The Office will also streamline communication with the MS IPOs through cooperation coordinators for specific countries or regions. Actions may also include deploying resources at IP offices, where this is needed for major cooperation projects in order to enable participation. Furthermore, a new financial and operational model will be proposed to simplify cooperation, facilitate multiannual planning and optimize financial execution in line with the applicable legal

⁴⁷⁵ TM5/ID5: EUIPO, China National Intellectual Property Administration, Japan Patent Office, Korean Intellectual Property Office and United States Patent and Trademark Office.

framework and the best practices employed by other EU bodies. Improvements to the cooperation platform will be needed in order to optimize such planning and execution.

International cooperation will take place through bilateral support with non-EU IP office, thanks to the implementation of EU Funded Programs in third countries; and within the context of multilateral collaboration with International organizations such as the EPO and WIPO and the Office's TM5/ID5 partners. The Office will continue to consolidate these mechanisms, while expanding the reach of the EUIPN in regions such as Asia, Latin America or Africa, in line with EU policy priorities, including those associated with the UN's 2030 Agenda for Sustainable Development, concentrating on areas where this will grant most benefits for EU businesses, in particular SMEs.

Setting up an enforcement network within the EU and the experience, gained while working with Europol, Eurojust and enforcement bodies, have demonstrated that there are opportunities to increase and harmonize coordination efforts to protect IP rights from infringements, both offline and online.

3.6 Concluding remarks & future strategies

Having reached this point in the discussion, it seems right to draw some conclusions on the development of the Chinese IP system and the matter of the Chinese counterfeiting, not forgetting the key role the EU has played in this area, using the TRIPs elastic clause to encourage developing countries to adopt high levels of IP protection, providing them with easier market access and facilitating investment.

With Deng Xiaoping's 'open door' policy and its official entry into the WTO in 2001, China emerged on the international scene and became a necessary interlocutor for all the world's major powers. Thanks, or because of this opening up, the Asian State has had to modify and probably improve its regulatory apparatus in many IP sectors and beyond. In fact, the country has recently put in place a substantive reform of its administration responsible for IPR. The former State Intellectual Property Office of China (SIPO) has been transformed into the Chinese National Intellectual Property Administration (CNIPA) with extended responsibilities for all IPR, except copyright and agricultural GIs. It now covers patents, designs, trademarks and geographical indications for non-agricultural products. CNIPA reports to the new State Administration for Market Regulation (SAMR), also overseeing enforcement matters, which, in turn, reports directly to the State Council. The National Copyright Administration of China (NCAC) remains responsible for copyright issues, the Ministry of Agriculture and Rural Affairs handles matter related to agriculture GIs. It is too soon to predict the effect of this administrative reform. The establishment of three specialized IP Courts in Beijing, Shanghai and Guangzhou is a clear progress. It has been followed by the creation of specific Internet Courts in Hangzhou, Beijing and Shanghai also dealing with IPR infringements. At the beginning of 2019, China has created a specialized IP court, which is part of the Supreme People's Court (SPC), and it mainly focuses on patent cases. The creation of such a specialized IP court within the SPC is promising as it could increase coherence of court decisions at all levels. Over the last years, China has made efforts to review and update its IP legislation. Work

on the revision of the patent law and the copyright law as well as a comprehensive revision of the trademark law continues⁴⁷⁶. The draft patent law published for comments included several positive elements, such as the potential inclusion of patent right extensions and an increase in the level of damages.

On 20 April 2019, the National People's Congress amended several IP laws: it strengthened the trademark law regarding bad faith registrations and modified the anti-unfair competition law to reinforce the protection of trade secrets. In January 2019, China launched a public consultation on draft guidelines related to bad faith trademark applications. These draft guidelines should now be adapted to reflect the new provisions in the law. Although not going as far as the EU had hoped for, the new e-commerce law that entered into force in January 2019 recognizes the necessity to protect IPR and addresses the matter of online infringements by platforms. While the Chinese legal system for the protection of IPR has substantially developed during recent years, some concerns remain about the lack of clarity of legal provisions, which often seem to provide the authorities with an unusually broad margin of discretion for the practical implementation of Laws and Regulations⁴⁷⁷. In relation to trademarks, the main issue in the Chinese legal systems is the registration of bad faith applications. China's trademark law has recently been strengthened. However, important loopholes remain in the protection of trademark owners against the use of their signs as company names. It is unsure if the April 2019 amendment of the trademark law in relation to bad faith registrations will lead to tangible progress. EU stakeholders are still worried about the short duration of the protection of designs in China. The pending revision of the design law is expected to extend the term of protection of design patents to fifteen years in order to bring the Chinese system in harmony with the Hague system, and in preparation of a possible and attainable membership, which would be welcomed also by the EU. While acknowledging the efforts of the Chinese government to fight counterfeiting, the measures in place do not seem to keep pace with new technologies and the sheer number of infringements. According to the OECD-EUIPO study Mapping the economic impact of trade in counterfeit and pirated goods (2016)⁴⁷⁸, China is the world's main producer of counterfeit goods. The Commission's Report on EU customs enforcement of intellectual property rights (2018) shows that, including Hong Kong (China), around 80% of seized counterfeit goods by article came from China. The production of all types of fakes, such as technologically sophisticated items, or expensive fashion items as well as counterfeit medicines and toys, are highly and potentially dangerous for consumers. While stakeholders acknowledged the struggles and attempts made by China to improve the situation, they also affirmed that the situation remains still very problematic. The digital environment has clearly aggravated the situation in recent years since the proliferation of online trading platforms provides wider and easier access to Chinese counterfeit and pirated products at global level. Rights-holders raise concerns also in relation to the new E-commerce law that was adopted in 2018 and entered into force in January 2019. Due to unclear notice and take-down procedures, they reported that the liability and take down provisions in the legislation render enforcement more difficult. It would

⁴⁷⁶ ZHANG Y., *China to enhance IPR protection to improve business climate, boost tech innovation*, July 17th, 2019. Available at: http://english.www.gov.cn/premier/news/201907/17/content_WS5d2fdfb2c6d00d362f668704.html.

⁴⁷⁷ See *supra* note no. 469, pag.18.

⁴⁷⁸ OECD/EUIPO (2016), *Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact*, OECD Publishing, Paris. Available at: <http://dx.doi.org/10.1787/9789264252653-en>.

therefore be fundamental for China to follow up on its new e-commerce legislation, by issuing guidelines for its correct application. Rights-holders express major apprehension about the expected consequences of the Chinese Belt & Road Initiative (BRI)⁴⁷⁹. They highlight that strict measures will be necessary, particularly in the area of Customs controls, to avoid the increase in the flow of counterfeit goods from China into the EU. The major challenge endures to be linked to discrimination of foreign right-holders in comparison with local right-holders, both in court procedures and by law enforcement bodies. This appears to be particularly problematic regarding trade secrets in administrative and court proceedings, but also in relation to the handling of foreign right-holders' concerns more generally in dealing with Chinese authorities. One of the specific problems, continuously identified by stakeholders, is that all the documents submitted in administrative or judicial proceedings need to go through a cumbersome *notarization and legalization process*, when originating from a foreign country. Another recurrent concern relates to the difficulty of obtaining interim injunctions, despite their paramount importance for effective IPR protection and enforcement. Additionally, stakeholders indicate that often the number of damages actually awarded for IPR infringements neither compensates for losses nor deters future infringements. The differences between its various provinces and cities in China make important shortcomings of IPR enforcement. In cities like Beijing or Shanghai, the standards of administrations and courts are reported as being, in general, more satisfactory and expected to improve further, whereas lack of expertise continues to be serious problems in the less developed parts of China. Stakeholders have also underlined the issue of deficient cooperation between different administrative and law enforcement agencies competent to address IPR infringements, and to the difficulties for foreign right-holders to obtain coordinated enforcement action from those authorities.

⁴⁷⁹ *China's Belt and Road Initiative (BRI)* (一带一路) is an ambitious programme to connect Asia with Africa and Europe via land and maritime networks along six corridors with the aim of improving regional integration, increasing trade and stimulating economic growth. The name was coined in 2013 by China's President Xi Jinping, who drew inspiration from the concept of the Silk Road established during the Han Dynasty 2,000 years ago – an ancient network of trade routes that connected China to the Mediterranean via Eurasia for centuries. The BRI has also been referred to in the past as “One Belt One Road”. The BRI comprises a Silk Road Economic Belt – a trans-continental passage that links China with south east Asia, south Asia, Central Asia, Russia and Europe by land – and a 21st century Maritime Silk Road, a sea route connecting China's coastal regions with south east and south Asia, the South Pacific, the Middle East and Eastern Africa, all the way to Europe. The initiative defines five major priorities: policy coordination, infrastructure connectivity, unimpeded trade, financial integration, and connecting people.

CONCLUSIONS

As illustrated in the present dissertation, the legal good that the complex of phenomena falling under the notion of counterfeiting damages is represented by *Intellectual Property*, the result of inventiveness and entrepreneurial ingenuity. Economic theory shows that there is a close link between economic growth and IP, the protection of which offers the tools to reward the activity generated by human innovation. In our increasingly knowledge-based economies, the protection of it is crucial for promoting innovation and creativity, developing employment, and improving competitiveness.

In several research, the EUIPO has estimated *lost sales* in 11 sectors in the EU (directly in the industries being analyzed and across their associated *supply chain*) as a result of counterfeiting. During the period 2012-2016, these losses totaled more than €92 billion per year. Abundant value, lenient sentences and high returns on investment together make it attractive for criminal gangs to be engaged in such activities. Many of these groups are set up across borders (intra and extra EU) and seek to take advantage of weaknesses in supply chains, corruption of brokers and falsification of documents, re-labelling of items and factory overruns, for example, to cover their tracks and to lower the probability of detection. Another method that is gaining increased prominence is the smuggling of labels and other packaging separate from the actual goods, with final assembly and other production activities taking place inside the EU. The *modus operandi* is becoming increasingly complex since technology and distribution channels evolved, hand in hand, with the range of products counterfeited. The business models adopted by counterfeiters make significant use of the *internet* as a mean of distribution of their products and, at the meantime, as a mean of allocation and consumption of *illegal digital content*. Internet sites selling counterfeit goods benefit from additional advertising revenues from both high-risk ads (*adult porn content, gaming, and malware*) and, paradoxically, also from legitimate brands, which then suffer in two ways from advertising on such sites (*damage to their own brand plus consequences about the provision of false credibility from the hosting website*).

Some of the key findings of the *2019 EUIPO Report on IPR Infringement*⁴⁸⁰ include that:

The volume of fake items detained in the EU amounts to approximately 439 million items. About 30-40 % of these were detained at EU borders and 60-70 % in the Internal Market.

- The estimated value of fake items detained in the EU amounts to some EUR 12 billion. About 15-30 % of the total value of detained items reported is accounted for by detentions at EU borders and 70-85 % by detentions in the Internal Market.
- The distribution of IP rights reportedly infringed shows that trademarks predominate, such products account for almost 70 % by volume and 54 % by estimated value of detentions at EU borders and in the Internal Market.

⁴⁸⁰ The report is based on data on customs seizures reported by the EU Commission's DG TAXUD (European Commission Department of Taxation and Customs Union), and data on detentions in the Internal Market, reported by enforcement authorities from 24 Member States.

Consumers are the victims of deceptive practices when they are sold a fake instead of a genuine product. The quality of the products is always inferior, making them ineffective, unusable and dangerous. IPR infringing products may also be harmful to consumers, as they are often produced without due regard to the health and safety standards applicable on the EU Internal Market. Sales and profits decline of companies, whose products are copied, finally results in job losses. Moreover, the illegal firms that produce counterfeit and pirated goods may not comply with labor legislation.

In the present work, particular attention was paid to the International, National and European sources of law that protect IP, in the specific field of trademarks. Then, moving to the role that CJEU had held over the years in the application and interpretation of EU trademarks laws, the research arrived till the concept of counterfeiting in the field of e-commerce and marketplaces liability involvements. The last chapter was conceived as a study-case part over the matter of Chinese counterfeiting.

EU laws and courts are paying more attention to the exploitation of goodwill associated with famous and reputable trademarks by third parties, particularly given the increase in attempts to benefit from them free of charge. This issue is of particular concern in Italy, home to some of the world's most prestigious fashion and design brands. The European and Italian legal framework on famous and renowned trademarks is closely aligned with that of the international legal community on this sensitive issue, mainly (though not exclusively) under the Paris Convention and the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs), operating under the control of the World Trade Organization. Pursuant to Art. 6bis of the Paris Convention, which provides that a trademark may be known in a territory, in respect of certain goods, even if it is not registered, an application for registration of a similar mark for similar goods should be refused where there is evidence of likelihood of confusion. Furthermore, pursuant to Art. 16(3) of TRIPs, Art. 6bis also applies to non-related goods and services where: the use of the later trademark indicates a link with the proprietor of the reputed trademark; there is a likelihood of detriment to the interests of the proprietor of the well-known mark.

Similarly, Art. 5(2) of the EU Trade Marks Directive (89/104/EEC, now 2008/95/EC, repealed in turn by Directive no. 2015/2436 with effect from 15 January 2019) provides for special protection against dilution of trade marks by unauthorized use by a third party or by an attempt to obtain registration of trade marks identical with or similar to the trade mark in respect of goods or services which are not similar to those for which it is registered, where the trade mark has a reputation in the Member State and where the use of the sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark' to an EU trade mark.

Articles 12(1)(e) and (f) of the Italian Industrial Property Code state that a trademark is devoid of novelty where it is similar to a trademark already well-known within the meaning of Art. 6bis of the Paris Convention - for goods or services which are also not similar - where use of the later trademark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or repute of the earlier sign. More precisely, Art. 20(1)(c) of the Code provides that the owner of a registered well-known trademark shall be

entitled to prohibit third parties, without his consent, from using in the course of trade any sign identical with, or similar to, the well-known trademark in respect of goods or services which are not similar, if the later name would take unfair advantage of, or be detrimental to, the distinctive character or repute of the trademark.

The first case in which the Court of Justice of the European Union - and subsequently several Italian courts - dealt with this topic was *General Motors Corp v. Yplon* (Case C-375/97). General Motors defined a concept of notoriety so widely accepted that it is still applied 24 years later. It should be noted that the first condition of the extended protection provided for in Art. 5(2) of the Directive is expressed by the expression “has a reputation” in the English version (Case C-375/97, par. 20).

The CJEU added more comprehensive arguments concerning the broader protection of trademarks concerning non-similar goods or services. It should be recalled that, contrary to Art. 5(1) of the Directive, Art. 5(2) of the Directive does not require Member States to introduce into their national law the protection it establishes. It merely gives them the option of introducing such protection. Where that option has been exercised, trademarks with a reputation thus enjoy both the protection conferred by Art. 5(1) of the directive and that provided for in Art. 5(2) thereof. Art. 5(2) of the directive allows better protection to be accorded to trademarks with a reputation than that provided for in Art. 5(1). That protection is enhanced in relation to the goods and services to which it applies, in the sense that the proprietor may be entitled to prohibit the use of a sign identical with or similar to his trademark in relation to goods or services which are not similar to those for which the trademark is registered, that is to say, in situations in which the protection conferred by Art. 5(1), which applies only to identical or similar goods or services, is excluded. (Case C-292/00, paragraphs 18-20). These decisions were the starting point for a more structured approach at EU and national level, including by the Italian courts. Italian case law provides broad interpretations of the CJEU decisions. In particular, it states that: “The Community rules (and then the national ones) have intended to protect the exclusive right on the sign as an attractive and communicative element, preventing its appropriation whenever this may determine [...] an undue advantage for the usurper or prejudice to the owner. Moreover, there are different levels of reputation, ranging from signs known to the general public to those which are only widely recognized by a segment of the consumer public, which are accompanied by different extensions of protection [...] The different level of reputation affects the burden of proof [...]”⁴⁸¹.

As in medicine, pathology leads to cure, and so it is also in the legal field. In Western culture, piracy and counterfeiting represent a dysfunction of the IPRs to which one reacts with an adequate system of protection to stop the epidemic and prevent the disease from taking root again. In Chinese culture, the problem in conceiving such an idea is entirely semantic. The one who “copies” is also the one who “reproduces” and the one who “reproduces”, in Confucian culture, is the one who “admires and respects”.

⁴⁸¹ In *Theofanis Papadas v. Gianni Versace SpA* (Judgment 2471/2016, 25 February 2016), the Court of Milan focused on the VERSACE element of the mark at issue: 'under Art. 20 lett. (c) I.P.C., the use of the sign “Versace 1969 Abbigliamento Sportivo” would allow [Theofanis Papadas] to take unfair advantage of the reputation of the signs of [Versace SpA] and at the same time would undermine its distinctive strength and its ability to convey a relevant message in the opinion of the public [...], exploiting its evocative potential.

In the European system and in that of the major Western countries, the emergence of new forms of protection is due to private needs. IP has been regulated, firstly, to provide protection to entrepreneurs who, being better assisted, have a greater interest in investing in research and improvement of their products; secondly, to protect consumers and the quality of goods on the market. The EU seeks to improve the protection and enforcement of intellectual property (IP) rights in third countries. It pursues this objective in different ways: an effective enforcement regime⁴⁸², Multilateral agreements, Bilateral trade agreements⁴⁸³ and other bilateral activities, such as IP Dialogues, IP Working Groups, etc., with priority partner countries around the world.

In China, on the other hand, the existing legislation is nothing more than a regulatory production due to the insertion of the new super-power in the global market. The normative production, born as a response to the entry in the WTO, can be considered as international in nature, as it is a derivative of the analysis of multiple legal systems, first of all the Japanese one (of Germanic inspiration with a large influence of the Napoleonic code). The same result of the Panel, analyzed in chapter three, although favorable to China in most of the questions, has pushed the government to undertake, under pressure from the United States and the International market, numerous changes to the IP legislation, starting with the reform of the Patent Law, continuing with the Trademark Law and culminating in the enactment of the new Copyright Law.

It is clear, therefore, that when a legal norm is transplanted into a country where such a norm has never existed, the “newborn” law will inevitably be subject to continuous modifications, adaptations and manipulations to “dress” the system of the recipient country; the process of assimilation by the citizens will be slow, complex and will not always lead to positive results, at least in the short term.

Unfortunately, the Chinese system lacks rules that are able to combat the operations that develop daily on the black market, the so-called “underground”, for these reasons it is necessary to increase the number of actions aimed at protecting the brand not only for the self-defense of fashion companies but also in the Chinese legal system that should act as a promoter for the fight against counterfeiting, eliminating this problem both with actions of domestic law and with actions of international law. Even today, China is the country in which the product of counterfeiting, i.e., from the black market, is most widespread. Fashion houses such as Gucci, Prada and LV have been forced to deal with the Chinese reality for decades, to the point of having to develop strategies to counteract the phenomenon of counterfeiting.

In any case, brands are not giving up and an aggressive fightback has begun – most of which centers on anti-counterfeiting measures such as tags, holograms and packaging quirks. *British Vogue* lets know that: “Salvatore Ferragamo inserts passive radio-frequency identification tags in the left sole of each pair of shoes it produces, as does *Moncler* in all its products. Chanel places hologram stickers with unique serial numbers in the lining of its handbags. Other brands resort to more old-school methods. Hermès uses mouliné linen thread coated in beeswax for all the stitching on its handbags, which has a noticeably different appearance to

⁴⁸² The EU has adopted a revised Strategy for the Enforcement of Intellectual Property Rights in Third Countries which includes specific actions to address IPR protection and enforcement problems affecting European businesses trading and investing abroad.

⁴⁸³ The EU negotiates and has already concluded a series of bilateral trade agreements, which include comprehensive IPR chapters. As far as possible, the IPR chapters should offer similar levels of protection to that of the EU. Yet the EU does take into account the level of development of the country concerned.

synthetic threads”.⁴⁸⁴ Some brands are getting litigious, and some are more vulnerable than others. On August 2016⁴⁸⁵, Alexander Wang victoriously sued 45 defendants operating about 459 websites selling counterfeited Wang products (some as obvious as cheapalexanderwangbags.com) and he was awarded \$90 million by the U.S. District Court for the Southern District of New York, (a victory he referenced at the after-party of his Spring/Summer 2017 Fashion Show). Moreover, two years before, in October 2014, it was Richemont⁴⁸⁶ (the conglomerate that owns *Cartier* and *Montblanc*) to win a landmark case⁴⁸⁷ against five Britain internet service providers, as well as Sky and BT, ordering them to block access to those websites that were selling counterfeited products online. Meanwhile the trade continuous, numerous Fashion houses, including *Louis Vuitton* in LVMH⁴⁸⁸ and the conglomerate Kering S.A.⁴⁸⁹, have taken a tough stand against counterfeiters. For instance, they have taken China’s biggest e-commerce group, *Alibaba*, to task for its role in the distribution of fake goods on its platforms. LVMH and eBay have settled their counterfeiting dispute and have decided to work together in order to curb the online sales of luxury fakes.

⁴⁸⁴ PITHERS E., *Forging ahead*, British Vogue, 8 June 2017. Article available at: <https://www.vogue.co.uk/article/fake-designer-goods-counterfeit-pieces>.

⁴⁸⁵ On 2 August 2016, Alexander Wang was handed a favorable ruling in a trademark counterfeiting and cybersquatting case in the U.S. District Court for the Southern District of New York, a federal court in Manhattan. Since none of the 45 defendants in the case appeared in court, Wang has handed a default judgment, including \$90 million in damages, as well as ownership of 459 domain names that were either offering counterfeit goods for sale and using the Alexander Wang brand name in their domains, such as cheapalexanderwangbags.com. Moreover, the sites were designed to appear as though they were legitimate fashion retailers, including the design of Wang’s own e-commerce site. [Note: *Cybersquatting is the registering, trafficking in, or using of an Internet domain name with the bad faith intent to profit from the goodwill of a trademark belonging to someone else. This is demonstrated by the registration and use of <http://alexanderwangshoessale.com> – just one of the domains at issue in the case – by a party that does not hold rights in the Alexander Wang brand name*]. Case: *AW Licensing, LLC v. Wang Bao*, 15-cv-1373 (KBF) (S.D.N.Y. Aug. 2, 2016) [file:///C:/Users/francesco.dandrea/Downloads/AW%20Licensing,%20LLC%20v.%20Wang%20Bao%20\(1\).pdf](file:///C:/Users/francesco.dandrea/Downloads/AW%20Licensing,%20LLC%20v.%20Wang%20Bao%20(1).pdf)

⁴⁸⁶ *Compagnie Financière Richemont SA*, also known as Richemont, is a Switzerland-based luxury goods holding company founded in 1988 by Johann Rupert, South African businessman.

⁴⁸⁷ *England and Wales High Court (Chancery Division) Decision [2014] EWHC 3354 (Ch) Case No: HC14C01382* <http://www.bailii.org/ew/cases/EWHC/Ch/2003/3354.html>

⁴⁸⁸ *LVMH Moët Hennessy – Louis Vuitton S.E.* is a French multinational corporation and conglomerate specializing in luxury goods, headquartered in Paris, France. The company was formed in 1987 under the merger of *fashion house Louis Vuitton* (founded in 1854) with *Moët Hennessy*, a company formed after the 1971 merger between the champagne producer Moët & Chandon and cognac producer Hennessy. The LVMH group comprises 75 exceptional Houses that create high quality products, each of which manages prestigious brands in the fashion categories (Dior, Kenzo, Lacroix, Vuitton, Givenchy, Loewe, Pucci, Fendi, Loro Piana etc.), wines and champagne (Moët Chandon, Veuve Clicquot, Hennessy etc.), perfumes and cosmetics (Guerlain and the perfumes of the various fashion houses), large retailers (Sephora, La Samaritaine etc.). The president of the group is Bernard Arnault, who with the Irish company Guinness has acquired control of it. It is the only group present in all five major sectors of the luxury market: Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewelry and Selective Retailing. LVMH currently employs 163,000 people across the world and reported sales of 53.7 billion euros in 2019.

⁴⁸⁹ *Kering S.A.* is a French global Luxury group which manages the development of a series of renowned Houses in Fashion, Leather Goods, Jewelry and Watches: Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni, Boucheron, Pomellato, Dodo, Qeelin, Ulysse Nardin, Girard-Perregaux, as well as Kering Eyewear. The company was founded in 1963 by François-Henri Pinault, that has been Chairman and CEO of the group since 2005. In 2019, the Group achieved revenue of 15.9 billion euros.

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