

*Free-riding, unfair competition and
parasitism in between trademark,
design and copyright law: the
Italian perspective*

Vieri Canepele, LL.M. © 2021
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Free riding on a competitor
reputation and goodwill

trademarks

Works of art, texts
and images

Design and layout
(*look and feel*)

Know-how and
patents

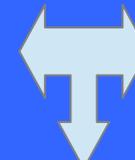
Code of Industrial
Property (CIP-
Leg. Decree
30/2005) and
EU regulations

Copyright Law
(Law no. 633 / 1941)

C.I.P. and EU
regulations

Copyright Law
(C.P.I.)

UNFAIR COMPETITION
(art. 2598 and ff. Civil Code)



UNFAIR COMPETITION as
a CONCURRENT and SUBSIDIARY basis in
litigation:
On what conditions?
Is it worthy?

JURISDICTION



- 22 Specialized IP&Company Law Divisions, each located in every Regions' main city
- ! EXCEPTIONS: Lombardia, Sicilia and Trentino-Alto Adige (2) and Valle D'Aosta (none → Courts of Torino, Piemonte)
- Only 3 are operating as full-time Specialized Divisions
- The others have a mixed competence (e.g. with real estates, contract law litigation, etc.)
-

JURISDICTION of IP DIVISIONS



- IMPORTANT MATTERS: in addition to IP and Company Law, **Antitrust, Copyright and Class Actions**
- Also **unfair competition**, upon condition that these matters also involve, directly or indirectly, the protection and enforcement of IP rights → so-called **pure** unfair competition matters need to be presented before ordinary Courts Divisions (e.g. boycott, numerous employee solicitation)

! Taxes for starting IP&Company Law litigation are **double** than those set for ordinary Courts proceedings

JURISDICTION of IP DIVISIONS.

What if a party is a foreign?



In the event that any party (plaintiff OR defendant) does not have PRINCIPAL place of business in Italy or, if a physical person, have residence/domicile OUTSIDE Italy



7 SUPER-centralized IP Divisions

- City of **Bari** for Puglia and Basilicata
- City of **Cagliari** for Sardinia and **Catania** for Sicily
- City of **Genoa** for Liguria and Emilia-Romagna
- City of **Rome** for Toscana, Lazio, Umbria, Marche, Abruzzo
- City of **Napoli** for Campania and Molise
- City of **Venice** for Veneto, Trentino-Alto Adige and Friuli
- City of **Milano** for the whole Lombardia

UNFAIR COMPETITION: ART. 2598 AND FF. C.C.



- Complex but well-structured article
- has a far wider spectrum and may be linked to IP matters only incidentally since...
- The specific focus is different: goodwill and reputation of a competitor/entrepreneur and the impact on the market vs. protection of IP title

UNFAIR COMPETITION rules and CODE OF INDUSTRIAL PROPERTY: which one prevails?



- Article 2598 C.C. starts off «**Without prejudice to the rules concerning protection and enforcement of distinctive signs and patents, the below shall be intended as acts of unfair competition: ...**» 
- LEX SPECIALIS vs. LEX GENERALIS?
- Article 2598 vs. art. 2041 and ff. C.C: unjust enrichment)

UNFAIR COMPETITION vs. REGISTERED IP-RIGHT ACTIONS: what are the differences?



- A. DIFFERENT NATURE: ACTIO IN REM vs. ACTIO IN PERSONAM →
- An *actio in rem* protects the title/IP-asset against a potentially indefinite multitude of entities
- An *actio in personam* protects the company goodwill against a specific entity

UNFAIR COMPETITION vs. REGISTERED IP-RIGHT ACTIONS: what are the differences?



B. Different **SUBJECTIVE** and **OBJECTIVE** requirements

1) action based on U.C. ➡ both parties must be *active companies/entrepreneurs*

2) Their business must be in **competition** ➡ need to investigate types and location of their customers/clients

- Focus of U.C. is on client/customer «traffic diversion», possibly due to confusion

UNFAIR COMPETITION vs. REGISTERED IP-RIGHT ACTIONS: what are the differences?



C. Different REMEDIES

- injunction, penalty for future breach, seizure/destruction of goods, publication of the judgment are the major in common but...
- Article 2599 C.C. provides for a **more discretionary power** of the Judge to «...grant *all appropriate remedies/measures* aimed at removing all the consequences of the acts of U.C...»

UNFAIR COMPETITION: ART. 2598, par. 1, no. 1



- a) Unauthorized use of signs likely to cause confusion
- b) Imitation of the shape of a competitor's product (slavish imitation)
- c) Any other act which may cause **confusion**, in the mind of the consumers, with the products and the business of a competitor

UNFAIR COMPETITION: ART. 2598, par. 1, no. 1



Court of Cassation 8567/2009: «the sale of goods bearing identical trademark but proposed as pre-season samples and present some imperfections, does not constitute U.C. as is not likely to cause confusion; due to the lower quality, lower price and lower level of care put by the company in the presentation thereof»

UNFAIR COMPETITION: ART. 2598, par. 1, no. 1



B) SLAVISH IMITATION of SHAPE

- Only the features having a «distinctive» role in the eyes of the consumer matter → NOT TECHNICAL features/shapes
- DISTINCTIVE and EXTERNAL characteristics matter
- the presence of clearly visible trademarks and/or the name of manufacturers may be sufficient to avoid confusion

UNFAIR COMPETITION: ART. 2598, par. 1, no. 1



Court of Cassation 1541/1997: *«slavish imitation may well exist regardless of the fact that a specific shape has not been or cannot be registered as a trademark»*



novelty and distinctivity \neq assessing confusion

UNFAIR COMPETITION: ART. 2598, par. 1, no. 2: TARNISHMENT



Court of Cassation 18691/2015: «sending e-mails to some employees of a competitor referring, inter alia, to the latter involvement in a criminal organization similar to Mafia constitute act of U.C. for tarnishment»



Potential prejudice to reputation of a competitor may trigger U.C. and....

UNFAIR COMPETITION: ART. 2598, par. 1, no. 2



Court of Cassation 22042/2016: *«the facts reported may be true, but if the specific way of ‘storytelling’ these facts contributes to excessively or unfairly impact or ruin the reputation or goodwill of a competitor, this may still constitute U.C.»*



Facts and circumstances of the case (‘storytelling’) are decisive for the need of balancing U.C. and right of reporting true facts or right of self-defense

UNFAIR COMPETITION: ART. 2598, par. 1, no. 3

'OPEN' GENERAL CLAUSE



a) any acts contrary to the basic principles of fair competition between enterprises and...

b) suitable for causing an unlawful loss/prejudice/damage to the competitor



- evidence of effective loss/prejudice is NOT required
- Damage compensation could be set by the Judge in a *lumpsum* determined, *inter alia*, on circumstantial evidence (serious, specific and consistent)

UNFAIR COMPETITION: ART. 2598, par. 1, no. 3

'OPEN' GENERAL CLAUSE



- Publication of the judgement is frequently used as **specific compensative remedy**, aimed at re-balancing the interests and reputation of the parties as they were prior to U.C. or infringement
- No. 3 has a WIDE scope and may be only remotely linked to IP

UNFAIR COMPETITION: ART. 2598, par. 1, no. 3



BOYCOTT and PARASITISM

Court of Cassation 25607/2018: «*parasitism consists of a continuous, methodical and frequently prolonged ‘following the steps’ of the competitor, taking a free ride on its numerous initiatives, researches or studies*»

- In the event an imitation does not amount to slavish imitation under no. 1 (for ex. the shape is not distinctive), still parasitism may result if ***this circumstance is combined with others, jointly considered***

UNFAIR COMPETITION: ART. 2598, par. 1, no. 3



PARASITISM

- Case Law says P. is unlawful to the extent that it is committed within a **relatively short** period of time, following any imitated 'move' of the competitor
- 'relatively short' must be intended as the time during which the legitimate 'creator' has **reasonable expectations to gain significant profits** from its campaign, research or activity in general → focus on the market consequences

UNFAIR COMPETITION *and* PARASITISM: CONCLUSIONS

- copyright, U.C. and unregistered design can all concur re. DESIGNS
- The KIKO vs. WYCON case (the BATTLE OF THE LIPSTICKS): Cass. 8433/2020

UNFAIR COMPETITION *and* PARASITISM: CONCLUSIONS



UNFAIR COMPETITION *and* PARASITISM: CONCLUSIONS

- stores layout protectable with copyright as an original and creative work of architecture → copyright infringement

- in addition, parasitic 'free-ride' due to the imitation of a **series of competitor initiatives, although not particularly distinctive if individually considered:** sellers' attire, belt-bags, self-illuminating panel on the side of the entrance, shopping bags layout, some packaging layout, some online marketing campaign (quantitative approach??)

CONCLUSIONS

UNFAIR COMPETITION *and* PARASITISM: CONCLUSIONS



- U.C. can serve as additional/subsidiary ground in IP claims **if...**
- there are clearly **additional and autonomous** facts, other than the TM/design/patent/copyright infringement, which justify **additional and autonomous assessment** by the Judge
- If not, U.C. claim is likely to be dismissed, with award of costs in favour of the winning party
- ! Judges do not like to waste their time reading unless it is absolutely necessary...



Thank You!

Vieri Canepele, LL.M.
Attorney-at-Law

canepele@bugnion.eu