

## Intellectual Asset Management



### Preliminary declaration of non-infringement introduced – but with limitations

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Article 120 of the Industrial Property Code was amended by Legislative Decree 131/2010 and now explicitly allows for a declaration of non-infringement in certain circumstances. Such a declaration could previously be issued only during the main judgment. A recent decision of the Court of Venice clarified the appropriate basis for such declaration by finding that a preliminary declaration of non-infringement is inadmissible if it is based only on a challenge to the validity of an IP right.

#### Background

Since 2003, 12 specialised courts have dealt exclusively with IP matters. This has allowed the Italian courts to become highly effective in stopping acts of infringement. In particular, the precautionary measures of description, seizure and an order to cease infringement, as regulated by Sections 129 to 133 of the code, are extremely effective legal tools. Orders can be examined and granted by the competent courts very quickly (within a few days, often *ex parte*, in the case of design and trademark infringement; within a few months in the case of patent infringement, including the appointment of a technical expert and the submission of briefs by the parties).

The recent Industrial Property Code reform has introduced some important amendments with respect to the enforcement of IP rights, which should further improve the effectiveness of these judicial instruments.

One of these amendments concerns Article 120 of the code, which deals with the jurisdiction and competence of actions relating to IP matters. New Paragraph 6*bis* states that "the rules about jurisdiction and competence of the present article also apply to negative assessment actions proposed in a precautionary manner".

The term "negative assessment" (ie, an assessment that there was no infringement) refers to an action that a party which is accused or has reasonable apprehension of being accused of infringement by a rights holder files with a court in order to obtain a decision establishing that it is not infringing the right.

Before the reform, it was clear that during the main judgment of a case, a request for a negative assessment could be dealt with. However, whether the same request could be made through a precautionary measure was uncertain.

The amended Article 120 of the code now clearly allows such request.

#### Discussion

The amended Article 120 can be viewed as an instrument that prevents the abuse of an IP right. This new provision is useful when an allegedly infringing party wishes to obtain quickly a judicial determination regarding the correctness of its conduct.

Moreover, if a party obtains as a precautionary measure a court decision that its conduct is lawful, and a contrary decision is issued in a subsequent suit for infringement of the same IP right, it will not usually be ordered to pay damages, since it relied on a negative assessment by a court.

## Requirements

The first requirement is that the party have sufficient “interest to act”. When presenting the petition, the plaintiff must show that it is suffering objective uncertainty about the correctness of its conduct. According to case law, it seems that a positive action such as a warning letter by the rights holder should be sufficient to establish an interest to act. However, a party may not use a negative assessment action to determine its legal status with respect to another party's IP rights in the absence of objective uncertainty created through a positive action by the rights holder. Under such circumstances, the interest to act requirement will not be met.

The second requirement is *fumus boni juris* (presumption of sufficient legal basis). In the case of a negative assessment, this means that the disputed IP right must be analysed in order to determine whether the scope of protection is narrower than that claimed by the rights holder, or whether the IP right is invalid.

The third requirement is *periculum in mora* (danger in delay). According to this requirement, the plaintiff must prove that without judicial relief it would suffer serious harm, which can be avoided only by obtaining a declaration of non-infringement.

## Interpretation of *fumus boni juris* requirement

The concise wording of the new Paragraph 6*bis* of Article 120 does not make clear whether a negative assessment can be obtained when the plaintiff objects only to the validity of the IP right. In principle, the precautionary measure could be based on one of two positions:

- The plaintiff objects to the scope of protection of an IP right and therefore requests a determination on whether its product, method or commercial conduct interferes with the relevant IP right.
- The plaintiff objects to the existence, validity or ownership of an IP right.

If it is permissible to assert only the second position, the provisional nature of such a court determination on the invalidity or absence of an IP right could significantly compromise the value of such right. This is especially troubling since such decision is usually given after a relatively quick analysis of documents and facts, and can be revoked on appeal or during subsequent main proceedings, and therefore does not have overriding effect.

## Decision of Court of Venice

A recent interim decision issued by the Court of Venice in *Biocharme srl v Laser.com srl* (1st January 2012, 6590/2011) provided some clarity as to what is required when filing a negative assessment action by holding that a negative assessment petition based only on the invalidity of an IP right is insufficient.

The plaintiff, which had received a warning letter alleging infringement of an international design, filed a petition before the Court of Venice seeking a precautionary measure for assessing the non-infringement of the design. The plaintiff based the petition only on the lack of novelty of the international design, in view of a Chinese utility model published several months before the relevant filing date.

The court recognised the existence of the *periculum in mora* requirement and of an interest to act for filing the petition. The court ruled that the formal warning letter, containing a demand to cease the production and sale of the contested product, created serious and objective uncertainty for the accused party, a situation that the party had an interest in redressing by means of a jurisdictional measure.

According to the court, however, the aim of the assessment action is to give certainty to legal relations. To allow a petition for negative assessment based exclusively on the negative assessment of the validity of an IP right would be contrary to such scope. The court stated that the assessment of invalidity of an IP right would be based on a summary evaluation inherent in precautionary measures.

The court struck a balance between the need to provide certainty to the party suffering objective uncertainty and that party's risk of serious harm on the one hand, and the need to respect the rights of the rights holder given the interim nature of the negative assessment action on the other. The court also noted that parties must pursue these issues in a more robust setting in the main judgment. Allowing a petition for a negative assessment action based solely on invalidity assertions would be contrary to these considerations.

Therefore, the court rejected the petition.

The court went on to state that in this particular case, even if the petition had been declared admissible, the precautionary measure would still not have been granted, since the asserted invalidity of the international design was not shown. In fact, the court found no substantive evidence to prove that the Chinese utility model could reasonably have become known in the relevant sector of the EU market.

### **Comment**

Prior to the decision of the Court of Venice, it was unclear precisely what was required in order to file a negative assessment request. The court clarified that a non-infringement pleading must be included, and that an invalidity assessment alone is insufficient. It is likely that other courts will follow this decision, given that a contrary decision would have had a negative impact on IP rights.

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