

**The Budapest Dialogue – Intellectual Property,  
Creative Economies and their consumers**

Budapest, September 6<sup>th</sup>-8<sup>th</sup>, 2007

**“Experience with Preliminary Injunction in the Light of the EU  
Enforcement Directive”**

**Mr. Fabrizio Jacobacci**

**Studio Legale Jacobacci & Associati, Turin, Milan, Rome – Italy**

## **“Experience with Preliminary Injunction in the Light of the EU Enforcement Directive”**

By the enactment of Directive 2004/48, (“the Enforcement Directive”) the Community Legislator has attempted to remedy the perceived disparities between the systems of the Member States regarding the means available to rightholders in order to enforce Intellectual Property Rights. This goal has been pursued by way of a directive, i.e., by establishing a set of common principles which, once implemented by the Member States shall approximate their legislative systems so as to ensure the development of – in the words of recital (10) of the Enforcement Directive - *“an high equivalent and homogeneous level of protection in the Internal Market”*.

In Italy, the Enforcement Directive have been implemented by way of law decree 140/2007, that has brought a number of amendments both to the Code of Industrial Property (trademarks, patents, designs, etc.) as well as to the Copyright Act. Leaving aside those amendments which relate to the assessment of damages, we will focus our attention on those changes that affected the civil procedure as well as the scope of the enforcement of provisional relief measures. In particular, we shall highlight the impact these changes have had in asserting Intellectual Property rights by way of applications for preliminary injunction.

In order to offer a clear presentation of the changes and their impact in the Italian Law, we will go through the 7 paragraphs of Article 9, section 4 of the Enforcement Directive to see how each of them has been

implemented in Italy – where necessary – and how some of them may actually give rise to potential conflict with the current state of the Italian Law. Finally, we will see if and to what extent the changes introduced by way of implementation of the Enforcement Directive have impacted on the scope of the preliminary injunctions issued by the Italian Courts.

### **Article 9 (1) (a)**

The interlocutory injunction described in Article 9 (1) (a) substantially overlaps with the interlocutory injunction made available to Intellectual Property owners in Italy before the implementation of the Enforcement Directive. However, there are a few differences that are not just nuances.

In the first place, by implementing the Enforcement Directive, Italian Intellectual Property Law has been amended in order to make the interlocutory injunction enforceable also against the so called “intermediary”, thus broadening the potential scope of the injunction. The extension of the injunctive order to the intermediary has given rise to a debate in Italy as to the identification of this subject, considering that, per se, the word “intermediary” does not have any specific legal meaning outside the context of the EC Directives 2001/29 and 2001/312. At the same time, it is quite obvious – at least in Italy – that the intermediary is not the retailer or seller of the infringing products. All the subjects involved in the manufacture, sale and re-sale of the infringing products are and were liable for infringement already before the Enforcement Directive. In our opinion, by the term intermediary the

Enforcement Directive refers certainly to the service providers mentioned in Articles 5.1 and 8.3 of Directive 2001/29 and Articles 12, 13 and 14 of Directive 2001/312. Further categories of intermediaries are, in our opinion, the organizers of trade fair or expositions where the products/goods constituting infringement are displayed or offered for sale as well as marketing agents. In short intermediary should mean all those subjects involved in the promotion of the sale of products/goods constituting infringement, even if they are not in the possession of the same. However, so far, no Italian Court has issued a specific injunctive order also directed at organizers of trade fair/exhibition or marketing agents.

Two further novelties introduced by the Enforcement Directive need to be highlighted. In the first place, the possibility that the defendant/alleged infringer be allowed to continue the alleged infringement "*subjected to the lodging of guarantees intended to ensure the compensation of the rightholder*". This would have been a novelty if Italian law had been implemented to provide for this type of bond. However, the law has not been changed and surprisingly, no one seems to have realized this omission.

At present, The judge can make the enforceability of the preliminary injunction subject to the deposit of the bond, but notwithstanding the specific provision of the Enforcement Directive, the law has not been changed to allow the alleged infringer to deposit a cross bond and continue the business.

A Further peculiarity of Italian law is that the corrective measure

provided in Article 10 of the Directive, under the heading *Measures resulting from a decision on the merits of the case*, namely the measure provided at letter (a), can be imposed by the Judge together with a preliminary injunction and, actually, as part of the injunctive order. In other words, the Italian Judge may not only impose an injunction prohibiting the alleged infringer from continuation of the infringement, but may also order the defendant to recall from the channels of commerce those goods found to be – at least temporarily – infringing, without necessarily waiting for a decision on the merit as provided in the Enforcement Directive. This is not in contrast with the implementation of the Enforcement Directive in that, Article 16 of the same Directive, specifically allows Member States the option to apply “*other appropriate sanctions in cases where Intellectual Property rights have been infringed*”.

#### **Article 9 (1) (b)**

Nothing has changed following the enactment of this provision since Italian Law already specifically contemplated the possibility to seize the goods suspected of infringing Intellectual Property right and, but only after a decision on the merits of the case, to order the delivery up of the goods to the right holder.

#### **Article 9 (2)**

The seizure of the moveable and immovable properties of the alleged infringer, provided in Article 9 (2) of the Enforcement Directive, has been implemented by adding Article 144*bis* to the existing Code of Intellectual Property and Article 162*ter* to the Copyright Act. The new

articles reproduce – almost *verbatim* – the language of the Enforcement Directive. There is, however, a substantial difference that may substantially reduce the importance of this remedy for right holders either then copyright owners. Article 144*bis* of the Industrial Property Code has been introduced under Chapter 3, Section 2 of the Code the heading of which is “*Measures against piracy*”. Even though Article 144*bis* does not specifically state that this remedy is available only in case of acts of piracy (that is, in accordance with Article 144, of willful infringement carried on systematically), it makes the application of this remedy exceedingly difficult. Not only the right holder would have to prove – as in application for preliminary injunction – that he has a valid and enforceable right and that this right is infringed and, in order to obtain the freezing of the other party’s assets, that the other party is attempting to dispose of his assets in order to make impossible the recovery of damages, but it would also have to prove that the other party has willfully and systematically infringed the right. As a consequence of this inaccurate – to say the least – implementation of Article 9 (2) in the Code of the Industrial Property (Copyright Act excluded), this provision has found – so far – no application, since right holders have preferred to rely on the standard measures for the preservation of credit provided for in the Code of Civil Procedure which does not pose the same obstacles.

### **Article 9 (3)**

Contrary to the provision of Article 9 (2), the provision of Article 9 (3) not only has been correctly implemented in Italian Law, but has given rise to

a string of decisions issued by Italian Courts that, upon application from the right holder (or a licensee) have usually granted these measures together with the injunction. In particular, Italian Court have issued order requiring the individuals involved in the infringement (whether directly or thorough a corporate entity) to disclose all information concerning (i) the origin of the infringing goods, (ii) the distribution network of the infringing goods, including the details of the people/companies involved and their addresses, (iii) the number of the infringing goods manufactured, delivered, received or for which purchase orders have been made, (iv) the price of the infringing goods. Even if the refusal to answer the question asked by the Court does not have a direct and immediate consequence (the answers are not given under oath), however, the Judge may draw adverse inference from the conduct of the party refusing to answer the questions and, therefore, grant – upon request from the applicant – the seizure of all accountancy documents and books of the alleged infringer.

As we said above, Article 9 (3) of the Directive has been widely used in Italy since its implementation in Italian Law. However, in the absence of specific and direct sanctions for the failure to answer the request for disclosure made by the Court, the results are mixed and, in a number of case, the right holder preferred, instead of seeking the disclosure of these information from the alleged infringer, to obtain them by way of the seizure of their accountancy books and their correspondence.

#### **Article 9 (4)**

Italian Law was already in line with the content of Article 9 (4) and nothing has changed in this respect.

#### **Article 9 (5)**

The implementation of this article has created substantial problems. Until recently before the implementation of the Directive, when a preliminary injunction was granted by a Court, the right holder was required to take actions on the merits against the enjoined infringer within a time prescribed by the Court or, in the absence of such specific prescription, within 30 days from the decision in the proceedings for preliminary injunction. If no action on the merits was filed within the prescribed term, the preliminary injunction order became unenforceable and, upon application from the formerly enjoined party, the Judge would have declared the same to have become unenforceable and ordered those measures necessary to restore the situation to the state in which it previously existed.

However, the code of industrial property, which was enacted by the Law Decree 30/2005 on February 10, 2005, provided that interlocutory injunctions granted in the matter of Industrial Property rights (Intellectual Property except copyright) did not require, in order to maintain their enforceability, that an action on the merits be commenced. The positive consequence of this amendment has been immediately perceived by the Courts and lawyers and there was unanimous consent that it had helped reduce the number of action on the merits, particularly in those cases where prompt relief had been granted before relevant damages had been suffered by the right holder. However, the implementation of

the Directive has required Italian rules of procedure to be brought back to the original situation. This is probably one of the few changes imposed by the directive that has not certainly been welcomed by Judges and practitioners alike.

In that respect, in an attempt to – at least in part – circumvent the imposition of the enforcement directive, by drawing a distinction between those measures having a provisional and precautionary character which are destined to be superseded by the decision on the merits, such as, for example, the seizure of infringing goods which, at the end of the proceedings of the merits shall be either delivered up or destroyed and those measures which anticipate the final decision to be considered not as a provisional remedy but as the result of a summary proceedings which does not require a subsequent full trial. However, such distinction that has been proposed also by a Judge of the IP Chamber of the Tribunal of Venice is, in our view, in clear conflict with the unequivocal wording of Article 9 (5) and is not likely to be successful. Therefore, in order to avoid any risk, action on the merits should be always commenced after the obtaining of an interlocutory injunction.

#### **Article 9 (6) and (7)**

These two paragraphs did not require implementation in Italian Law in so far as the deposit of bond is already provided in the rules of civil procedure applicable to interlocutory injunction proceedings even if it is very rarely requested by the Court for the enforceability of their order.

#### **Conclusions**

The implementation of the Enforcement Directive had a marginal impact on the protection of Intellectual Property rights as previously provided by the rules of civil procedure and in the other Intellectual Property statutes. It seems, and this is in a certain way unfortunate, that the main consequence of the Enforcement Directive has been to force the Italian legislator to re-impose the necessity of instituting proceedings on the merits shortly after the grant of an interlocutory injunction in order to maintain the enforceability of the same. This is a feature the advantage of which is still to be proven and, actually, is strongly contested at least in Italy.

Fabrizio Jacobacci