

EY - Ernst & Young Société d'Avocats

Attn

Me Erwan Prely

Milan, 10 May 2024

RE: EU Study on IPRED - 2024

Dear Mr Prely

Following to our call of May 2<sup>nd</sup> 2024, please find here our indications about the various topics concerned.

- 1) Proportionality principle: The study will determine if, on the EU market and considering national laws, the proportionality principle can be applied more effectively in IP matters.

The Italian Jurisprudence is by default applying the proportionality principle in terms on evaluation of the opposite parties' arguments and interests, even in absence of a specific law. In general, the principle of proportionality is considered immanent into the Constitution, in specific, in relation to the art. 111, stating the need to a fair proceeding (“giusto processo”).

The education of any Faculty of Jurisprudence in Italy is clearly based on such wide approach since decades before the Trips Agreement and Enforcement Directive.

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In the IP code there are some clear textual references to the proportionality:

- Art. 121-bis.1 : *“The judicial authority in both interlocutory and substantive proceedings may order, upon a justified and proportionate request by the applicant, that information be provide ;*
- Art. 124.6: *“In the application of sanctions, the judicial authority shall take into account the necessary proportion between the gravity of the violations and the sanctions, as well as the interest of third parties.”*

In the Patent field, the Italian IP Courts are, in particular, applying the proportionality principle at the Preliminary Proceedings stage, interpreting in a very realistic and fair way the opportunity to issue or not a Preliminary Injunction, frequently motivating on the issue of the “urgency” requirement. Therefore, no automatic preliminary injunctions, once ascertain the “interference” between the Patent owner and the alleged infringer. On the merit, the Italian IP Courts are less incline to adopt “alternative measures” (as suggested by Art. 12 of the Enforcement Directive even if not expressly transposed in the Italian IP Code) instead of issuing an injunction.

In the (quite uncommon) case of abuse of right of the IP owner the judges may consider not appropriate or disproportionate the injunction requested and may adopt a more proportionate measure, like a fair compensation to be recognized to the IP owner by the infringer to continue the use of the patent technology.

In addition, after issued a permanent injunction, on the determination of damages the IP Courts are more incline for Patent cases to adopt the criterion of the due royalty (sometime doubled as deterrence) instead the disgorgement of profits of the infringer, while such a second option is more frequent on Trademark and Design litigation.

- 2) Patent Assertion Entities: The study will contribute to update the 2016 Study on patent assertion entities in the EU (available here) taking in particular into consideration the introduction of the Unitary Patent (UP) and Unified Patent Court (UPC).

There are not really updates to the analysis of the 2016 Study: Italian SISVEL is still the unique player as a patent assertion entity.

In the past, the strategy to enforce the Patents at the Custom authorities was extraordinary effective, forcing the alleged infringer to settle quickly without going through a full trial.

It shall be highlighted that the art. 14 of the 608/2013 providing the option of an early release of the goods (only in case of patent infringement) was almost never applied by the Custom authorities frequently ignoring the requests or delaying the procedure allowing the issuance of a seizure order by Criminal Authorities, *de facto* not expert at all on Patent issues. Such a situation is substantially confirmed by the EC Report of 15.5.2017, Com (2017) 233, par 5.4.6.

For what concerns the potential scenario in relation to the UPC, we address the attention to a new risk of possible abuses for what concerns the art. 47 of UPCA, according to the Exclusive Licensee may start an infringement proceeding and, according to the par. 47.5, *“the validity of a patent cannot be contested in an action for infringement brought by the holder of a licence where the patent proprietor does not take part in the proceedings. The party in an action for infringement wanting to contest the validity of a patent shall have to bring actions against the patent proprietor.”* Such a provision may generate a sort of “bifurcation effect” according to the alleged infringer cannot rise a counterclaim for nullity in the same proceeding started only by the Exclusive Licensee and obliged to start a new case against the Patent Owner.

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- 3) Dynamic blocking injunctions in the EU: The study will examine the implementation of dynamic blocking injunctions in EU members states in IP matters and their relevance for IP rights (copyright but also industrial property rights).

There is not a specific law regulating the dynamic injunctions.

The Italian jurisprudence adopted some decisions mainly focused on copyright issues against ISP and online piracy.

Even of in principle this specific case law can be extended in other IP fields (as issued on Trademarks in one precedent) there is no precedent on Patents.

- 4) Sharing of information and data protection: The study will focus on the interaction between article 8 of IPRED and data protection rules; identify obstacles and good practices to sharing data among key stakeholders; and assess how data protection rules may be interpreted or adapted to allow an efficient sharing of information for IP enforcement purposes.

The Italian jurisprudence is not really concerned by the Data Privacy, while the most serious attention is devoted to the Confidentiality issues related to the interests of the alleged infringer, in

particular in relation to the scope of the usual pre-trial evidence collection order (“Descrizione”). In fact, such an order (fully consistent to the Art. 7 IPRED), aims also to acquire ex parte any information related to the third parties possibly involved and any economic data as well related to the scope of the infringement.

In addition, in the *inter partes* proceeding, the art. 8 IPRED is also implemented by a specific article of the IPCode at the art 121-bis.

In case of lack of cooperation, the IP code provide at the art. 127.1 a specific sanction according to: *“Whoever unjustifiably refuses to answer the judge's questions pursuant to Article 121-bis or provides the judge with false information shall be punished by the penalties provided for in Article 372 of the Penal Code, reduced by half.”*

In light of that, the IP Court issuing such orders are always adopting appropriate measures in order to preserve the confidentiality to be examined by the Judge at the confirmation hearing (see the art 129.1 of the IP code stating expressly: *“Appropriate measures are taken to ensure the protection of confidential information”*). In addition, by virtue of the implementation of the Trade Secrets Directive of 2016, the art. 121-ter is regulation the management of any Trade Secrets involved in a litigation (of both parties) authorising the adoption of “protective orders”.

- 5) Costs for destruction of infringing goods in the single market: The study will focus on potential impacts of alternative corrective measures considering current practices in Member States and suggest potential solutions.

The destruction of the good as a remedy is expressly regulated by the Art. 124.3 of the IP code. *“A judgement ascertaining the infringement of an industrial property right may order the destruction of all infringing objects, if no special reason is given, at the expense of the infringer. The destruction of the thing may not be ordered and the right holder may only obtain damages if the destruction of the thing is detrimental to the national economy. If the infringing products of industrial property rights are susceptible, after appropriate modification, to a lawful use, the court may order, instead of their definitive withdrawal or destruction, their temporary withdrawal from the market, with the possibility of reinstatement following the adjustments imposed to guarantee respect for the right.”*

The exception of the “national economy” is rarely applied, while sometimes the Judge may adopt alternative measure to the destruction with a good “modification” able to eliminate the infringement.

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We confirm the availability of our Association to support your Study with further clarifications and requests.

Best regards

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