

## **A trademark licensee's position in Italian & CTM practice.**

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**Edith Van den Eede of Società Italiana Brevetti ("SIB") provides an outline of the trademark licensee's position in Italy against the background of its differences with the CTM licence system.**

Trademark licensing has become an important way of conducting IP business transactions, often linking small and large industries together, lowering barriers to entry into a market and greatly reducing the risks, time and costs associated with the manufacturing of products and/or providing services.

While some legal and practical aspects of Italian trademark licensing are analogous to CTM licensing practice, other aspects are insidiously different.

### **1. Legal contexts**

The Italian IP Code provides that trademarks<sup>1</sup> may be the subject of licences, either exclusively or non-exclusively, for some or all of the goods or services for which they are registered and for the whole or part of the Italian territory<sup>2</sup>. A CTM may be licensed for the whole or part of the EU<sup>3</sup>.

Both the Italian IP Code and the Community Trademark Regulation ("CTMR") contain only a few basic provisions applicable to licences for Italian trademarks and CTMs, respectively, mainly touching upon the lawfulness of (non-exclusive) licences and the rights of the trademark owner against a licensee contravening the licensing contract, on the recordal of licences and the standing of the licensee in opposition and infringement proceedings.

### **2. Conditions for the lawfulness of a licence**



**Under Italian law**, there are no formal requirements for the validity of a licensing contract (which may also be an oral contract).

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<sup>1</sup> Whether applications or registrations; with reference to CTMs, this is expressly contained in Art. 24 CTMR.

<sup>2</sup> Art. 23 (2) Italian IP Code, in line with Art. 8 Harmonization Directive ("Directive").

<sup>3</sup> Art. 22 (1) CTMR.

As a general principle, however, trademark licensing agreements must not result in misleading the public in respect of those characteristics of the licensed goods/services that are essential in the public's appreciation<sup>4</sup>.

In fact, if a trademark, through the use made of it by a licensee, becomes misleading as to the nature, quality or origin of the goods or services for which it is used, its registration will lapse and may be subject to cancellation<sup>5</sup>.

In addition, the Italian IP Code provides for an extra guarantee for consumers in the event of non-exclusive licences. In these situations, there will be two or more different businesses putting the same products (or services) on the market under the same trademark. Consequently, with non-exclusive licence agreements, there is a higher risk of misleading the public, which may find goods on the same market (or on different regional markets, in the event of a territorially limited licence that will however still belong to the same national market) looking identical but possibly differing in quality. Therefore, in order to eliminate (or at least reduce) this risk, in Italy the lawfulness of non-exclusive licenses is made subject to the licensee's express undertaking to use the trademark only to distinguish goods or services identical to the corresponding goods that are put (or the corresponding services rendered) on the Italian market under the same trademark by the owner or other licensees<sup>6</sup>.



Analogously, the **CTMR** does not set out particular formal requirements or conditions for the validity of a CTM licensing contract<sup>7</sup>, which should be valid under the national law applicable to the contract.

No explicit guarantee for consumers as in Italy regarding the lawfulness of licensing contracts in relation to CTMs is provided for.

However, as under Italian law, if the CTM, through the use made of it by a licensee, becomes deceptive for the public, its registration may be revoked (on application to the OHIM or on the basis of a counterclaim in infringement proceedings)<sup>8</sup>.

### **3. Rights of the trademark owner against a licensee breaching the licence contract**

The CTMR as well as the Harmonisation Directive (although they do not contain an explicit guarantee against consumers' deception as under Italian law) do list a series of rights the CTM owner may invoke against the licensee in the event of breaches by

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<sup>4</sup> Art. 23(4) Italian IP Code.

<sup>5</sup> Art. 14(2)(a) and Art. 21(2) Italian IP Code.

<sup>6</sup> Art. 23(2) Italian IP Code.

<sup>7</sup> As opposed to Art. 17(4) of the CTMR in relation to the transfer of a CTM, stating that OHIM must not register the transfer agreement where it is clear from the transfer documents that because of the transfer the CTM is likely to mislead the public (objection that may be overcome in appropriate cases by limiting the CTM to goods or services in respect of which it is not likely to mislead).

<sup>8</sup> Art. 51 (1) (c) CTMR.

the latter of the licensing agreement, among which is the right to check the quality of the goods manufactured or of the services provided by the licensee<sup>9</sup>.

Through implementation of the Directive, the same is provided for by the Italian IP Code<sup>10</sup>. In particular, the trademark owner/licensor may invoke its rights against a licensee contravening any provision in the licensing contract with regard to its duration, the form covered by the registration in which the mark may be used, the scope of the goods/ services for which the licence is granted, the territory in which the mark may be affixed or the quality of the licensee's goods/services.

It goes without saying that in the event of a breach of the licensing contract, as a general principle the trademark owner may act against the licensee not only on the basis of contract law but also for infringement of its mark.

#### **4. Recordal**

##### ***(i) Effects and advantages of recordal***

The recordal of a licence in respect of CTMs and Italian trademarks (applications or registrations<sup>11</sup>) is not mandatory; *inter partes*, the licence agreement is valid regardless of whether the licence has been registered or not. However, only recorded license agreements will be effective against third parties who in *bona fide* have by any title acquired and legally maintained rights to the licensed trademark<sup>12</sup>.

As a consequence, if the licensed mark is transferred or licensed to a third party prior to the (application for) recordal of the licence, the licensee may not be able to invoke his rights deriving from the licence agreement vis-à-vis the new proprietor of the mark, or the holder of an exclusive licence may have to tolerate a third party licensee.

##### ***(ii) Application for recordal***

Applications for recordals of licences in respect of both Italian and Community trademarks may be filed at the respective Offices by the trademark owner alone, jointly with the licensee or by the licensee alone (or their respective representatives)<sup>13</sup>.

Several registrations of licences may be requested in one single request, as long as the registered owner and the licensee are the same in all cases<sup>14</sup>.

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<sup>9</sup> Art. 22 (2) CTMR and Art. 8 (2) Directive.

<sup>10</sup> Art. 23(3) Italian IP Code.

<sup>11</sup> Art. 24 CTMR and Rule 31 (8) Community Trademark Implementing Regulation ("CTMIR").

<sup>12</sup> Art. 139(1) Italian IP Code and Art. 23(1) CTMR.

<sup>13</sup> Art. 22 (5) CTMR.

<sup>14</sup> Art. 196 (2) Italian IP Code and Rule 31(7) CTMIR.

### **(iii) Necessary documents**



For the purposes of recordal at the **Italian PTO**, a simple declaration, executed by both the licensor and the licensee, which states that the trademark has been licensed and which includes full details of the trademark application(s) and/or registration(s) concerned, is sufficient. Alternatively, obviously the licensing agreement itself can be filed.

In addition, before the recordal of the licence is applied for with the Italian PTO, the above declaration (or the licensing contract itself) must be registered with the competent fiscal authorities (i.e. the Italian Registry Office). For this purpose, the licence consideration, if not included in the licence declaration, is to be stated<sup>15</sup>.



With reference to the recordal application before the **OHIM** of a licence for a CTM, the documentary requirements vary and may be less or more formal depending on the person who makes the request.

In particular, if the *owner* of the licensed CTM files the application for recordal of the licence, it is not necessary to present a copy of the licence agreement<sup>16</sup>. If the request is made *jointly by the CTM owner and the licensee*, the signature of both (or of their representatives) on the request constitutes proof of the licence; while in the event of a request by the *licensee alone*, proof of the licence must be furnished (through a declaration signed by the trademark owner or a copy of an extract of the licensing contract or a simple statement of licence with the content of the standard WIPO Model international form).

### **(iv) Costs**

Official fees for the recordal of a licence with reference to one trademark before the Italian PTO amount up to around Euro 200 (*excluding* fiscal registration fees). Therefore, full official costs will be somewhat higher than the official fees for the filing a request for recordal of a licence for a 1 CTM at the OHIM (equal to Euro 200).

## **5. Standing of licencees in trademark infringement, opposition and cancellation proceedings**

### **(i) Infringement proceedings based on an Italian mark versus a CTM**

#### *Standing of licensee*



According to **Italian case law and doctrine**, both the trademark holder and the exclusive licensee are allowed to separately instigate infringement proceedings in their own names, unless the exclusive licence agreement precludes the exclusive licensee from doing so.

<sup>15</sup> Art.196 (1) Italian IP Code.

<sup>16</sup> Rule 33 (1) (b) CTMIR.

As a consequence, an exclusive licensee of an Italian trademark will not be allowed to institute proceedings in his own name only if the licence agreement does not allow him to do so or if the trademark owner refuses his request to do so. He may then however sue for damages deriving from the failure to instigate infringement proceedings by the trademark owner, in addition to obviously joining the trademark holder in infringement proceedings.

On the other hand, the case law however poses inconsistent precedents on whether the non-exclusive licensee also has a right to enforce the trademark in its own name. Of course, if the licence agreement specifically entitles him to do so, the non-exclusive licensee may file infringement proceedings. In addition, he may obviously join the trademark holder in infringement proceedings.



Unlike the Italian IP Code, the **Community Trademark Regulation** contains **explicit rules** relating to the standing of the CTM licensee in infringement proceedings based on a CTM. In particular, as a general principle, the licensee (whether he has exclusive rights or not) is allowed to bring infringement proceedings only if the CTM owner consents thereto, but an exclusive licensee may in any event bring such proceedings if the trademark owner, after formal notice, does not instigate himself infringement proceedings within an appropriate period<sup>17</sup>.

In any event, the licensee of a CTM is entitled to intervene in infringement proceedings brought by the CTM owner, for the purpose of obtaining compensation for damages suffered<sup>18</sup>.

### *Evidence*

Under both Italian and Community law, no recordal of the licence is needed to allow a licensee to sue<sup>19</sup>. The existence of the licence can be proved by any means, including presumption (e.g. a licence will be presumed in the event of a joint action). Normally, evidence consists in a copy of the licence agreement.

### ***(ii) Opposition proceedings***

#### *Standing of a licensee in Italian versus CTM opposition proceedings.*

No recordal of the licensing contract is required to entitle the licensee to file an opposition before either the Italian PTO or the OHIM<sup>20</sup>.

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<sup>17</sup> Art. 22(3) CTMR.

<sup>18</sup> Art. 22 (4) CTMR.

<sup>19</sup> See also above under paragraph 4. **Recordal, (i)**.

<sup>20</sup> See also above under paragraph 4. **Recordal, (i)**.



**Under Italian law<sup>21</sup>**, only an **exclusive licensee** may file an opposition in its own name before the Italian Patent and Trademark Office (unless the exclusive licence agreement excludes this).



Under the **CTMR**, on the other hand, **any licensee (exclusive or non<sup>22</sup>)** may lodge an opposition **upon express authorisation by the CTM owner** on the basis of any earlier right within the meaning of Article 8(2) or 8(4) CTMR<sup>23</sup>.

However, an exception is made for oppositions against the filing of a trade mark by an agent in bad faith<sup>24</sup>, which may only be filed by the trademark owner itself and not by the licensee<sup>25</sup>, even though the latter might suffer detriment from such an unlawful filing of a CTM.

Thus, an exclusive licensee who however has not been expressly authorised by the owner of the mark, will not have standing in OHIM opposition proceedings.

**As an additional comment**, it is to be noted that there are only two situations in which the OHIM accepts two or more separate persons (either natural or legal) as **multiple opponents**, namely in the event of co-owners of the earlier mark(s) or if the opposition is lodged by the owner (or/and co-owner) of an earlier mark or right together with one or more licensees of these earlier marks/rights<sup>26</sup>. It is to be expected that the Italian PTO will follow this practice.

### *Evidence*



To establish *locus standi* as a licensee in opposition proceedings before the **Italian PTO**, the opposition notice must indicate its exclusive licensee status. Within a non-extendible period of 2 months from the expiry of the cooling-off period, the opponent/exclusive licensee will then have to file evidence of this.

There are no clear guidelines (yet) as to the nature of the evidence a licensee is required to submit in opposition proceedings before the Italian PTO in order to prove that it is an exclusive licensee and that it is authorised to file an opposition<sup>27</sup>.

<sup>21</sup> Art. 177(1) (c) Italian IP Code.

<sup>22</sup> See Art. 41 CTMR (although Art. 8 CTMR only mentions the owners of earlier rights as possible opponents).

<sup>23</sup> In particular, on the basis of a registered mark, a trademark application or a well-known mark within the meaning of Article 8(2) CTMR<sup>23</sup> as well as on the basis of a non registered trademark within the meaning of Article 8(4) CTMR (i.e. where national legislation, such as the Italian law, allows licenses thereto and to enforce those rights against third parties).

<sup>24</sup> I.e. the filing of the mark in an agent's (or representative's, which also may be a licensee: see below under paragraph 7) own name without the trademark owner's consent within the meaning of Article 8(3) CTMR.

<sup>25</sup> OHIM Manual concerning Oppositions, Part 1 Procedural matters, point 2.5: Identification of the opponent; Opposition Division decision of October 5, 2066 ruling on opposition Case No. B680993, (POWERBALL/POWERBALL), pages 2-3.

<sup>26</sup> OHIM Manual concerning Oppositions, Part 1 Procedural matters, point 2.5.4: Multiple opponents.

<sup>27</sup> Opposition proceedings in Italy are only operative as of July 2011.

In the event of a *recorded exclusive licence* (which does not expressly preclude the filing of an opposition), it should be enough to refer to the recordal (or the recordal application).

In the event of a *recorded licence the contract of which however expressly precludes the filing of an opposition*, it is assumed that a written authorisation from the trademark owner will be sufficient. The same should go for a *non recorded exclusive licence*.

It still remains to be seen whether such an authorisation necessarily should refer to the opposition in question or whether this may be more general. Also, since licensing contracts often generally prevent the licensee/opponent from prosecuting infringers, case law will reveal whether this clause may be interpreted by the Italian PTO as an explicit ban on filing an opposition procedure.

Failure to file satisfactory evidence to this effect will cause the opposition to be rejected as unfounded.



To establish *locus standi* as a licensee in opposition proceedings before the **OHIM**, the licensee must be authorised to bring an opposition. Therefore, under the CTMR, if the opponent acts in the capacity of an authorised licensee, he has to make a statement to that effect, specifying the basis on which he is so entitled or authorised. If those details are not given, a deficiency must be notified and the opponent/licensee may remedy this within a non-extendible period of two months from the notification<sup>28</sup>. Failure to provide the relevant minimum statement and specification of entitlement as well as to remedy such a deficiency within the time frame assigned by OHIM will render the opposition inadmissible<sup>29</sup>.

In the event the licensee at first only provides the minimum statement and specification of entitlement, in its communication on the admissibility of the opposition, the OHIM will grant another time limit in which the opponent/licensee may further substantiate his entitlement: where this is not done, the opposition will be rejected as unfounded<sup>30</sup>.

Obviously, if the opposition is not rejected as unfounded at this point, the CTM applicant could still challenge the licensee's evidence of entitlement in the observations in defence of the CTM application. For example, were the applicant to raise issues of invalidity of the licensing contract, the burden would then lie on the licensee acting as opponent to submit full proof of the validity of the licence under the applicable law.

The extract of the registration will show when a licence has been recorded but it is also up to the licensee to demonstrate that he is authorised by the trademark owner

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<sup>28</sup> Rule 15(2) (h)(iii) CTMIR and Rule 17(4) CTMIR.

<sup>29</sup> Rule 17(4) CTMIR.

<sup>30</sup> Rule 19(2) CTMIR.

to bring an opposition. Under OHIM practice, an express authorisation by the trademark owner or a licence contract that authorises the licensee to act in defence of the mark are deemed sufficient<sup>31</sup>.

Merely alleging that the opponent is a part of a group of companies of which one owns the mark has been considered insufficient by the OHIM<sup>32</sup>, as was the claim that a wholly owned subsidiary would be naturally perceived as a licensee of the registered owner: this is too vague and should have been supported by other evidence (such as the licence agreement and the owner's authorisation to act)<sup>33</sup>. On the other hand, the OHIM appears to be prepared not only to accept general authorisations to file oppositions, but also to interpret clauses that confine the licensee to prosecuting infringements or threatened infringements, as a sufficient authorisation for filing an opposition<sup>34</sup>.

### ***(iii) Standing of licensees in cancellation proceedings***

Revocation and invalidity proceedings against an Italian trademark, both on absolute and relative grounds, may be filed by any licensee (exclusive or non), while the same goes for cancellation proceedings against a CTM application<sup>35</sup>.

## **6. Rebuttable presumption that use by a licensee is permitted and evidence of use**

Both under Italian law and under the CTMR, any use by a third party, such as a licensee (recorded or not) will be presumed to have been made with the consent of the owner and, as such, will be considered proof of use of the mark unless there is evidence to the contrary.

The mere submission of a written licence (without any proof of use by the licensee) is held insufficient by the OHIM to prove use of the mark in the market place<sup>36</sup> and it is expected that the Italian PTO will take the same position.

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<sup>31</sup> OHIM Manual concerning Oppositions, Part 1 Procedural matters, under point 1.5.2; Opposition Division Decision of September 30, 2011 on opposition Case No. B1072026, p. 2.

<sup>32</sup> Opposition Division decision of December 22, 2004 on opposition Case No. 223125 (SENSODYNE/SENSIMED), page 6.

<sup>33</sup> Opposition Division decision of September 6, 2005 on opposition Case No. 565574 (HARTL/ HARTL), p. 4

<sup>34</sup> Opposition Division decision of December 10, 2001 on opposition Case No. 208159 (AIR MILES/CLICK MILES), page 5, stating that "*the filing of an opposition is an action in order to prevent, what the opponent considers, a threatened infringement of the earlier trademarks*".

<sup>35</sup> Art. 122 (2) Italian IP Code and Art. 56(1) CTMR.

<sup>36</sup> OHIM Board of Appeal Decision of September 7, 2005 in Case R685/2003-4 (BANKMASTER/MASTERBANKING).

## **7. Additional opposition basis against CTM applications by licensees acting as an unlawful agents**



The CTMR provides for an additional basis for opposition against a CTM application filed by the licensee against the licensor's will: in particular, in the event of the specific case of bad faith of a licensee acting as an unfaithful agent or representative<sup>37</sup>.

The OHIM and the CTM courts indeed have generally afforded a broad interpretation to the terms "agent" and "representative", so that licensees may fall within this ambit.



Under Italian law, if a licensee has filed an application in its own name without the licensor's consent, the licensor cannot oppose the licensee's application. In the absence of a voluntary cancellation, the only means of attacking on the grounds of bad faith<sup>38</sup> is the filing of a cancellation action

before the competent Italian IP Court.

### ***For more information, please contact:***

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<sup>37</sup> Art. 8(3) CTMR; while a claim of bad faith on the part of the applicant may only be raised in cancellation proceedings: Art. 52 (1)(b) CTMR.

<sup>38</sup> Art. 19(2) Italian IP Code and Art. 6-septies Paris Convention. Alternatively, the trademark owner can ask the transfer of the contested application or registration to his own name with retroactive effect on the basis of Art. 118 Italian IP Code.