



RICHMOND SAGA – Season 2.0

Season One

Previously, on the “Richmond Saga”, we left readers with the outcome of the interlocutory proceedings, no doubt holding their breath waiting to learn the outcome of the proceedings on the merits.

Indeed, in the first article on this topic (<https://www.lexology.com/library/detail.aspx?g=4ab429ad-9287-4027-9b19-928384af2011>) we examined the interim measures adopted by Courts of Milan and Naples in the disputes between, on one side, the assignees of the Richmond trademark portfolio and the British designer, John Richmond, and on the other side, Mr. Richmond’s former (*latu sensu*) partner, who has acted through a series of Italian companies.

Following the Courts’ interim prohibition on the use of “RICH”, “Richmond” and other trademarks in the portfolio, Mr. John Richmond and the current trademark owners initiated proceedings on the merits before the Courts of Rome, Milan and Bologna.

In three out of four proceedings on the merits, the Courts have already issued first instance decisions, which offer interesting insights.

Court of Rome

Background

In 2015-2016, after the partnership between Mr. John Richmond and his former partner had come to a close, the former partner – without authorisation and through some related/controlled companies – decided to open a club named “*Richmond Café*” and registered the name as a trademark in Italy.

While interim proceedings before the Court of Milan produced an injunction against the former partner by which he was prohibited from further use of this sign, Mr. Richmond and the owner of the trademark portfolio brought an action before the Court of Rome seeking a declaration that the Richmond Café trademark was invalid.

This invalidity action was grounded on the violations of:

- art. 12(e) of the Italian Intellectual Property Code (“*IPC*”), declaring that a subsequent mark is invalid when it is identical or confusingly similar with a well-known prior trademark, even if used for different goods or services, provided that this use entails an unfair exploitation of, or causes an undue harm to, the reputation and the distinctive character of the prior trademark;
- art. 19 of the *IPC*, declaring that trademarks registered in bad faith are invalid; and
- art. 7 of the Italian Civil Code (“*CC*”) together with art. 8 of the *IPC*, protecting an individual’s right to their own name.

The decision

Before entering into the grounds of the Court of Rome's decision, it is important to highlight that the Court rejected the defendant's preliminary objections that the complaint was unfounded, because power of attorney issued by the plaintiffs to their legal counsel was invalid.

Indeed, the Court reaffirmed a very important principle for cross-border litigation cases: the form of the power of attorney must be assessed in accordance with the *lex loci* (i.e. the law applicable to the place where it was signed), provided that the applicable law recognizes and regulates, in a manner consistent with the principles of Italian law, the relevant institutions (in the case at issue, the presence of the notary public's declaration that the document was signed in their presence, after ascertaining the identity of the signatory).

Another important "preliminary" principle set forth by the Court of Rome is that the only event that is relevant in terms of the acquisition of trademark rights is the registration or (in case of unregistered trademarks) the use of the sign. Any other management, development or promotional activities carried out in relation to the trademark within an employment, cooperation or corporate cooperation are irrelevant for these purposes.

As to the merits of the case, the Court declared the Richmond Cafè trademark invalid registration pursuant to art. 12(e) IPC.

Indeed, the Judges established that the evidence offered by Mr. Richmond and the owners of the portfolio was sufficient to prove the reputation and well-known nature of the trademarks "John Richmond" and "Richmond": for this reason, the value of these marks goes beyond the original function of the trademark as an origin indicator and, in particular, expresses luxury and elegance.

On this basis, the Court considered the omission of the name "John" in the challenged mark to be irrelevant, and that the addition of the word "Cafè" functioned merely as a descriptive element and suggested a spin-off of the prior well-known trademark in the hospitality business.

In light of the above, the Judges established that - irrespective of any actual use by the Richmond trademark portfolio right holder for the relevant services - the registration of the "Richmond Cafè" trademark entails an unfair exploitation of the prior well-known trademarks due to the fact that it was free-riding on the reputation of the famous Richmond trademarks.

Moreover, considering that a lot of fashion designers and *maisons* use their trademarks for the hospitality business (restaurants, clubs, lounge bars, etc.) the Court recognized that allowing the "Richmond Cafè" mark to remain would cause undue prejudice for the future opportunities for the legitimate right holders to exploit the Richmond trademark portfolio.

The first instance decision was appealed by the losing party, so new proceedings are currently pending before the Court of Appeal of Rome.

Court of Milan

Background

The proceedings on the merits before the Court of Milan considered a claim of trademark infringement, and originated from one of many proceedings for interim measures, discussed in our previous article.

In this case, following the successful interlocutory proceedings, the plaintiffs (i.e. the owners of the Richmond trademarks portfolio and Mr. John Richmond) filed an action before the Court of Milan

requesting it to prohibit Mr. Richmond's former business partner (and his companies) from using various trademarks that infringed the plaintiffs' rights, including "John Richmond", "Richmond", "Richmond Cafè" and "Rich".

The trademark infringement action was grounded on:

- art. 20 of the Italian Intellectual Property Code ("*IPC*"), relating to the infringement of trademark rights by the use of signs that are identical or confusingly similar for identical or similar or different goods/services, where such use entails an unfair exploitation of, or causes an undue harm to, the reputation and the distinctive character of the prior trademark;
- art. 22 *IPC*, prohibiting the use of signs that are confusingly similar with a registered trademark as signboards, domain names, *etc.*;
- art. 7 of the Italian Civil Code ("*CC*") and art. 8 *IPC*, protecting an individual's right in their own name.

The decision

Like the decision issued by the Court of Rome, before entering into the merits, the Court of Milan addressed several preliminary issues.

While the objection regarding the form of the power of attorney was also raised before the Court and resolved in a similar manner (though referencing precedent by the Milan court itself), the simultaneous presence of several parties, in the meantime subject to bankruptcy proceedings, with respect to which infringement and unfair competition claims have been brought, raised further issues.

In particular, since the proceedings did not continue against all of the bankrupted parties, the Judges considered whether the presence of a tort of infringement characterized by multiple acts by different parties creates a situation of necessary concurrent liability. Correctly, the Court decided this was not necessary, acknowledging that an injured party is free to decide against which tortfeasor to act.

Furthermore, the Court recognized that this is a case of joint liability, since the infringing acts were articulated across various conduct.

Finally, the Court allowed the case to proceed for claims of infringement (and unfair competition), requesting a prohibition on future conduct, against the bankrupted companies. This is an important position, considering that artt. 52 and 95 of the Italian Bankruptcy Law provide that any claim of a pecuniary nature against a company in liquidation must be subject to the jurisdiction of the judge presiding over the bankruptcy. However, in this case, the judges of the Court of Milan clearly recognized that the request for injunction was not of a pecuniary nature and that, therefore, it did not fall within the exclusive jurisdiction of the bankruptcy judge.

Turning to the merits of the case, the Court of Milan was requested to address different issues.

First of all, consistent with the decision of the Court of Rome, the judges held that the fact that the former business partner had been the managing director of the company that owned the trademark portfolio for ten years is irrelevant: in fact, the management/development/promotional activities carried out within the scope of the working relationship has no influence on the right of ownership of the trademarks.

Secondly, the Court found that the plaintiffs clearly proved that the defendants were engaged in infringing conduct, via the use of the signs "Richmond", "John Richmond", "Richmond Cafè" and

“Rich”, among others, and that such use violated the injunction which had been issued as an interim measure by the same Court.

With reference to the use of “Richmond” and “John Richmond”, the Court grounded its findings on art. 20(a) of the IPC, governing cases of signs that are identical; with regards to “Richmond Cafè” and “Rich”, the Judges applied both art. 20(b) IPC, referring to cases with signs that are identical or similar and used for identical or similar goods, thus creating a risk of confusion, and art. 20(c) IPC, protecting signs with reputation.

With reference to “Richmond Cafè”, the judges considered, first, the extremely high risk of confusion created by the use of this sign: in fact, due to brand recognition, people can easily associate this mark with those similar marks in the John Richmond portfolio. In this regard, the Court clarified that the protection of the trademarks involves not only an evaluation of the risk of confusion, but also the mere association between marks.

Furthermore, the judges, citing the Court of Rome’s decision holding the “Richmond Cafè” trademark invalid, held that the challenged use constituted unfair exploitation and harm to the the reputation and distinctiveness of the Richmond trademark portfolio.

Regarding “Rich”, the judges – recalling the grounds of the decision issued in the interim proceedings described in our previous article – found that this mark constituted interference with the “core” of Richmond trademarks.

In conclusion, the Court of Milan clearly recognized that the conduct of the former business partner (and his companies) infringed not only the distinctive functions of the Richmond trademarks, but also negatively affected the attractiveness and quality guarantee functions thereof.

Finally, the Court confirmed the existence of a violation of Mr. Richmond’s rights in his name: under Italian law, personal names – particularly famous personal names – can be registered or used in commerce only with the permission of the owner. Consequently, given that the name “Richmond/John Richmond” is certainly well-known, consent is required. For this reason, the Court held that by using the name of John Richmond without Mr. Richmond’s consent, the former business partner had caused an injury to Mr. Richmond’s honor and reputation. In this analysis, the Court stated that this holds true even in cases where the complete name of the British designer had not been used. Accordingly, even the unauthorized use of “Richmond Cafè”, “Richmond Black Label” and similar, constituted a violation of the rights in the name, because the addition of the words “Cafè” or “Black Label” are not capable of avoiding the damage to the reputation of John Richmond.

At the same time, the Court evaluated the plaintiffs’ claim of violations of copyright and registered design rights, relating to the iconic tattoo John Richmond, as known as “*Tattoo design*”, as well as the violation of rights in a drawing created by John Richmond named “*Sex, Drugs... Rockn Roll*”. In fact, Court recognized that the “*Tattoo design*” and “*Sex, Drugs...and Rockn Roll*” works are certainly protected by copyright as creative works: this protection bestows on the author (in this case, Mr. Richmond) the right of economic use, including the ability to prevent any reproduction of the work without permission.

The separate proceedings are currently pending and continuing, limited to the Richmond claims for publication of the judgment in newspapers and fashion magazine as well as the payment of legal fees.

Court of Bologna

Background

This action originated from a seizure of a significant number of counterfeit Richmond products which can be traced back to one of the companies run by Mr. Richmond's former business partner.

Following different actions for interim measures brought before the Court of Naples and the Court of Bologna, each of which ended with a settlement agreement, that was then breached, leading to a prohibition on the use of signs that are identical or confusingly similar with Richmond trademarks, one of the co-owners of the Richmond trademark portfolio and its master licensee initiated proceedings on the merits before the Court of Bologna.

The grounds of this action were:

- art. 20(a) of the Italian Intellectual Property Code ("*IPC*"), for trademark infringement;
- art. 2598 of the Italian Civil Code ("*CC*"), for unfair competition.

In response, the defendant raised the defence of the principle of exhaustion, arguing that the seized products had been purchased from the former licensee of Richmond trademark portfolio.

During the course of the action, the proceedings were interrupted due to the bankruptcy of the defendant company and subsequently resumed by the plaintiffs.

The decision

In the course of assessing trademark infringement and unfair competition, the Court of Bologna set forth some noteworthy principles.

Firstly, the Court of Bologna reaffirmed the principle, derived from general civil law provisions on co-ownership, that a single co-owner of the asserted trademark rights is entitled to bring an action for infringement without the need to involve the other co-owner(s).

Moreover, even if not explicitly, the Court recognized (as did the Court of Milan) that an infringement (and unfair competition) action seeking a prohibition of the use of the infringing signs may also proceed against companies in bankruptcy.

As to the merits of the case, firstly, the Court of Bologna determined that the defendant had never been a licensee of the Richmond trademark portfolio. Furthermore, the judges established that the former business partner's company failed to prove that it purchased the infringing products from the previous licensees and, therefore, held that the principle of exhaustion defence did not apply.

In light of the above, the Court held that each use of marks and domain names that include the signs "Richmond", "John Richmond" and/or "Rich John Richmond", "Richmond x" and "Richmond denim" constitutes an infringement of Richmond trademark portfolio.

With reference to the claim of unfair competition, while recognizing that mere infringement alone does not establish an act of unfair competition, the Court identified the existence of the required illegitimate act ("*quid pluris*") in the violation of the settlement agreement that had been entered into by the parties during the interlocutory proceedings before the Court of Naples.

Specifically, the Judges held that the breach of the aforementioned agreement was contrary to principles of professional fairness and, therefore, sanctionable under art. 2598(3) CC.

The losing party has not appealed the judgment issued by the Court of Bologna, which can therefore now be considered final.

Conclusions

Season 2.0 of the Richmond Saga has provided several insights into Italian law, both on the application of trademark law and civil procedure law, ranging from the legitimacy of the power of attorney executed abroad to the jurisdiction of actions for injunctions and trademark invalidity brought against bankrupted companies; from the particular case of infringement and the registration of trademarks that are confusingly similar to well-known trademarks to the various functions of these intellectual property rights; from the violation of personal names to copyright infringement.

Currently, the decision issued by the Court of Rome is appealed, while the parties are still waiting for a decision on the invalidity of the “Rich” trademark, which is pending before the Court of Milan.

All that remains is to wait for the outcome of these last few proceedings, so stay tuned to the Richmond Saga and get ready for the third season!