

Gen. Reg. 49229/2011

Judgment no.

**ITALIAN REPUBLIC  
IN THE NAME OF THE ITALIAN PEOPLE**

**THE COURT OF MILAN  
DIVISION SPECIALISING IN BUSINESS MATTERS  
SECTION A**

comprised of the following judges:

- Ms. Paola GANDOLFI president
- Ms. Silvia GIANI judge
- Mr. Pieluigi PERROTTI judge writing for the Court

has pronounced the following

**JUDGMENT**

Re: invalidity and infringement of trademark, unfair competition

In the case registered with the above court index number, brought by writ of summons served on 22.7.2011

**BY**

**ICS PENETRON INTERNATIONAL LTD**

Represented and defended by Counsel Laura Arnoletti, as per power of attorney dated 7.2.2011 in the margin of the writ of summons, with address for service at the office of the appointed counsel in Milan – 15 via Monte di Pietà

**- PLAINTIFF -**

**VERSUS**

**CLAUDIO MORESCHI**

Represented and defended by Counsels Cesare Galli and Mariangela Bogni, as per power of attorney in the margin of the entry of appearance and reply filed on 28.12.2011, with address for service at the office of Counsel Cesare Galli in Milan – 40 viale Lamarmora

**- DEFENDANT -**

**CONCLUSIONS OF THE PARTIES**

for Ics Penetron International ltd: as per the sheets enclosed herewith;

for Mr. Claudio Moreschi: as to the merit,

1) ascertain the discontinuance of the matter with respect to the request of declaration of invalidity of the trademark no. 1195589 and however reject all claims submitted by the plaintiff, also by reason of their lack of grounds, discharging the defendant in that regard as deemed best;

as a subordinate alternative and a counter-claim,

2) ascertain and declare the invalidity of the trademark no. 1096460 owned by the plaintiff;

3) ascertain and declare that the conducts described in the narrative imply the liability of the plaintiff for unfair competition practices against the defendant, and therefore enjoin the plaintiff from carrying on and repeating such offences, and in particular from diffusing notices with the same contents or contents similar to those indicated in the narrative, and set a penalty for each breach subsequently observed, removing all notices already existing in the plaintiff's websites and in the relevant links to other sites;

4) sentence the plaintiff to refund all damages already incurred and that will be incurred by the defendant in consequence of the offences described under item 3) above, including damage to the image and moral damage, to be calculated, where necessary, even on the basis of equity;

5) order the publication of the judgment two times, under the care of the defendant and at the cost of the plaintiff, at twice the normal font-size, even on holidays and with the names of the parties in bold letters, on the pages of the daily papers *Il Corriere della Sera* and *Il Sole 24 Ore* and two times, full page on the magazines *In Concreto* and *Giornale dell'Ingegnere* and as first thing on the home page of the plaintiff's website, or in such other manner as will be deemed appropriate; 6) award of legal costs.

## **SHEET OF STATEMENT OF THE CONCLUSIONS**

### **IN THE INTEREST OF ICS PENETRON INTERNATIONAL LTD**

We pray that the Hon. Court addressed will, after rejecting all adverse requests, motions and inferences,

- ascertain and declare the invalidity of the Italian trademark owned by the defendant, no. 1195589, named “Penetron F1”, filed on 4 December 2006 and registered on 10 June 2009, relevant to “crystalline sealant for concrete and reinforced concrete”, product class 1, due to breach of Art. 21 CPI [Italian Intellectual Property Law];
- declare that by the conducts described in the narrative, the defendant has put in place infringements of the Penetron community trademark owned by the plaintiff as well as unfair competition practices against the same, and enjoin him from continuing such conducts;
- enjoin the defendant from further distributing, selling, promoting and advertising (both on paper and electronically) the “Penetron F1” brand products;
- order the withdrawal from the market and the destruction, under the care of the plaintiff and at the cost of the defendant, of all products bearing the infringing trademark “Penetron F1”, and of all promotional materials that illustrate such products;
- sentence the defendant to compensate all damages already incurred and that will be incurred in consequence of the infringements and unfair competition practices as mentioned above in favour of the plaintiff company, for the amount that will be determined during the proceedings, possibly even on the basis of equity;

- set an amount of € 1,000.00 due for every subsequent charge of breach or non-compliance and an amount of € 1,000.00 for every delay in fulfilling the order;

- order the publication of the entire judgment to be issued, or of an abstract thereof, under the care of the plaintiff and at the cost of Mr. Claudio Moreschi, on a national newspaper, on a newspaper with local distribution in Lombardy and on a trade magazine.

With award of legal costs and fees for these proceedings.

As evidence, reserving the right to submit further motions:

- requests the admission of evidence by formal examination of the defendant and by testimony on the following circumstances, to be considered as preceded by the expression “Is it true that”:

1) ICS Penetron International Ltd. has been operating since the Seventies of last century and has a network of manufacturers and distributors in sixty Countries of the world.

2) The Penetron product has been used abroad in the following sites:

- Seabrook nuclear power plant, NH, USA, 1986, waterproofing and protection of the two three-mile long tunnels for cooling and conveying water from the ocean to the plant, underground sites and retaining walls;

- Statue of Liberty, New York, USA, 1986, waterproofing and protection of the basement structures, underground vaults and utility rooms;

- Kariba Dam, Zimbabwe, 1991, waterproofing and protection of part of the main structure, adjoining areas and utility rooms;

- Monterey Bay Aquarium, CA, USA, 1982, waterproofing and protection of tanks;

- Singapore Airport (Terminal 3), 2003, waterproofing and protection of foundations for total 140,000 m<sup>3</sup>;

- “Rigas Udens” water purifier in Riga, Latvia, 1996, application in tanks and channels;
  - Fairfield Pre-cast manufacturers, IOWA, USA, 2010;
  - Waterproofing and protection of underground sites of the South Beach area in MIAMI, Florida, USA (below sea level),
  - Waterproofing of certain underground stations laid below the water table in the town of Guangzhou (China), 2010;
  - Waterproofing of the “BOTNIABANAN” high-speed rail tunnels in Sweden, along the Baltic sea coasts.
- 3) In Italy, the Penetron brand product has been used in the following applications:
- Water purifier of Rozzano, south of Milan, 2003, application in tanks and channels;
  - Turin Underground, 2005, construction joint sealing;
  - “Interauto” car dealers, Modena, 2004, “Pavale” Parking area, Santa Margherita Ligure, 2005 and Santa Croce Shopping Centre, Reggio Emilia, 2005: waterproofing and protection of foundations, slab and retaining walls;
  - Hydroelectric plant of Clavalité, Fenis (AO), 2006: waterproofing and protection of the retaining structures of the plant and the service channels;
  - Anti-acid flooring COPADOR Plant (Parma), implementation of anti-acid waterproof dusting for newly laid floors, COPADOR Plant;
  - Waterproofing and protection of all underground structures of the new IRIDE tele-heating plant of Collegno (TO): poles, foundations, manholes, basements and storage tanks;
  - Waterproofing and protection of the underground structures of the new “multiplex” centre in GUALTIERI (RE).

4) on the date reported thereupon, it received from Mr. Claudio Moreschi the e-mail with the relevant annexes for promotion of the product Penetron F1, as per documents no. 28 and 46, which are being shown to the witness.

5) Mr. Claudio Moreschi has diffused information regarding alleged relationships and tests of his own products with the laboratory Cismondi s.r.l., whereas the latter has never actually tested such products, as results also from doc. no. 43, which are being shown to the witness.

We indicate the following people as witnesses on all circumstances illustrated above, as well as to provide evidence to the contrary with regard to any items of proof as may be submitted by the adverse party, in the unlikely hypothesis that they should be admitted:

Mr. Enricomaria Gastaldo Brac, resident in Turin; Mr. Paolo FAVRO, Engineer – BOTTA PREFABBRICATI – 19 Via della Fornace, 10020 Brusasco (TO); Ms. Manuela STATZU – BIOENERGY – at RIMAR coop. Z.I. Macchiareddu 09032 Assermini (CA); Mr. Ignazio BALSAMO, Engineer – ATC – C.da Calcasacco, SS 113 Km 218,700 90018 Termini Imerese (PA); Mr. Alessandro BARONCINI – EUROTECA – 12/14 Via Busoni Ferruccio, 57124 Leghorn; Mr. Francesco CARIDDI – DI & CI – 33 Via Malignani, 33080 Fiume Veneto (PN); Mr. Vincenzo COZZOLINO – CAMBAS – 5 Via Taurano, nuova zona P.I.P. 84012 Angri (SA); Mr. Marco DELLAMOTTA – FIMASYSTEM – 10 Via Enrico Fermi, 47814 Bellaria (RN); legal representative Cismondi s.r.l., Cuneo.

- acquire, pursuant to Art. 121 CPI, through the examination of the defendant, the data relevant to the sales of the “Penetron F1” brand products, by asking the following questions:

- how many counterfeit products have been sold so far, and at what price;
- what were the sales proceeds relevant to the challenged products;

- order an accounting report by a Court-Appointed Expert (CTU) in order to calculate:
  - the proceeds obtained by the defendant from the challenged products;
  - the damage and the gross profit obtained by the defendant, as well as the gross profit which the plaintiff would have obtained.

#### **DEVELOPMENT OF THE PROCEEDINGS AND REASONS OF THE DECISION**

1. By summons served on 22.7.2011, Ics Penetron International ltd (hereinafter ICS for short) brought Mr. Claudio Moreschi to court.

It affirmed that it is a leading company in the sector of concrete waterproofing products. It was the owner of the word mark *Penetron*, registered on 20.3.2001 under no. 1096460 for class 1, further to a request filed on 5.3.1999. In Italy, the exclusive licensee was Penetron Italia srl. Mr. Moreschi had been a business developer for Penetron Italia, starting from 1.1.2006. The same Mr. Moreschi, further to a request dated 4.12.2006, had obtained, on 10.6.2009, the registration in Italy of the word mark *Penetron FI*, bearing no. 1195589, also for class 1. This mark had already been illegally used by Impermea srl – a company in which Mr. Moreschi held a 50% shareholding – starting from January 2007. By an order dated 16.4.2007, the Court of Bologna had enjoined Impermea, as an interim measure, from further using the mentioned mark in any way, and had authorised the seizure of the counterfeit products. The defendant then began using the *Penetron FI* trademark personally in 2010; he also slavishly reproduced the drawings of the brochures of the original *Penetron* brand products in certain business documents. The registration of Mr. Moreschi was invalid pursuant to Arts. 12, subsection 1, letter b) and 25, subsection 1, letter a) CPI, and the use of the *Penetron FI* mark amounted to an infringement of the trademark owned by ICS, as well as to illegal competition.

It concluded by requesting a declaration of invalidity of the Italian trademark no. 1195589, the ascertainment of the infringement, the injunction to abstain from any further use of the *Penetron FI* mark, with the definition of an appropriate penalty, an order of immediate withdrawal from the market and destruction of all products and promotional materials, the publication of the order and compensation of all damages.

Mr. Moreschi filed an entry of appearance on 28.10.2011.

He stated that he was doing business autonomously as a sole trader in the sector of building materials. The *Penetron* mark was invalid due to lack of distinctive character. He specified that he had filed a document with the UIBM [Italian Patent and Trademark Office] on 27.12.2011 renouncing the Italian mark no. 1195589, with consequent discontinuance of the matter in court. As to unfair competition, he denied having reproduced any figurative elements taken from the adverse party's material. In his activity, he had promoted the sale of *P-FI* brand products without any use of the word element *Penetron*. ICS had launched a defamatory campaign against him, by the publication and dissemination of the text of the



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Bologna court order dated 14.6.2007 to customers, with an improper attribution of a direct value of the order against Mr. Moreschi, and had thus caused a loss of customers and damage to his business image.

He concluded asking for the rejection of all adverse claims and, as counter-claim, the declaration of invalidity of the plaintiff's registration, the ascertainment of the competition offence committed by ICS, with an inhibitory injunction, penalty, publication of the order and compensation of all damages.

On 10.10.2012 the legal counsel of Mr. Moreschi filed a withdrawal from the appointment. Having completed the preliminary stage of the proceedings, the parties specified their conclusions at the hearing of 11.12.2013.

**2.** Following the logical order of the matters submitted to the Court, the counterclaim regarding the nullity of the *Penetron* mark owned by the plaintiff should be examined first.

The claim refers to the community trademark of ICS and is submitted pursuant to Arts. 96 and 100, EC Regulation no. 207/2009, on grounds of lack of the distinctive character.

The defences of Mr. Moreschi on this point, though, have remained entirely generic, limited to alleging a close logical and phonetic similarity of the *Penetron* word to the description of the products it refers to, and their function.

These arguments cannot be accepted, as *Penetron* is a fantasy word, which does not coincide with the name or description of the product, but rather hints at the ability of the product to reach even the most remote micro-cracks through a capillary action, and thus ensure perfect sealing and full waterproofing of constructions.

The actual distinctive character is also substantiated by the widespread use of the products of ICS in important building yards worldwide (see plaintiff's docs. 2 and ff.).

These considerations lead to reject the claim for invalidity submitted by Mr. Moreschi.

**3.** the Court considers and determines that the registration no. 1195589 was formally renounced before the administrative authorities. It results that the deed of renunciation was filed on 27.12.2011 – after the commencement of this legal dispute – and the renunciation has been acknowledged by the UIBM.

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A pronouncement concerning its invalidity has therefore clearly become unnecessary, and there has been the discontinuance of the matter on this point.

However, it is necessary to consider the grounds of the claim of invalidity in order to correctly award the legal costs according to the rule under which costs are to be paid by the party who is assumed to have lost the case “on a virtual basis”. There is an explicit request of the plaintiff on this point.

It is not disputed that Mr. Moreschi’s registration was subsequent to the grant of the EU trademark to the plaintiff.

They are both pure word marks and their comparison leaves no room for doubt: *Penetron* and *Penetron FI* can be said to be almost identical, except for the addition of the *FI* abbreviation, which has no autonomous distinctive character.

The above considerations would therefore have proved the existence of the requirements under arts. 12, subsection 1, letter d) and 25, subsection 1, letter a) of the CPI.

Accordingly, the Moreschi mark would have been declared void on grounds of lack of novelty.

4. As regards the infringement, ICS has provided a wide range of documentary evidence of the actual exercise by Mr. Moreschi of an activity of marketing and advertisement of building materials bearing the *Penetron FI* trademark (see plaintiff’s docs. no. 18, 21 and ff., 40). This circumstance has been confirmed, moreover, by the spontaneous exhibition by the defendant of accounting documents relevant to products bearing the same mark.

For the purposes of the infringement we refer to the same arguments already mentioned with respect to the invalidity, which are relevant here under the different profile of the breach of exclusive rights in the meaning of Art. 20, subsection 1, letter b) of the CPI.

Consequently, Mr. Moreschi is to be finally prevented from repeating the indicated illegal conduct in any way in the future, with the definition of an appropriate penalty as specified in the operative part hereof. Pursuant to Art. 124 CPI, we order the defendant to finally withdraw from the market and destroy all products and advertising materials that bear the mark infringing the ICS trademark.

The claim for compensation of the damage caused by the illegal use of the mark is also to be accepted.

For the purposes of liquidation of the damage, account should also be taken of what has been ascertained on the basis of the accounting documents exhibited by Mr. Moreschi during the proceedings.

The latter has spontaneously filed invoices totalling the modest amount of € 7,295.40 and a list of customers consisting of about thirty names.

In the case at hand, the damage consisted in the reduced distinctive ability of the plaintiff's mark. The entity of the offence is actually not so significant, as can be seen by the limited number of customers followed by Mr. Moreschi.

In light of the above considerations, The Court deems it fair to liquidate damages – pursuant to Art. 125 CPI – for € 20,000.00 altogether, inclusive of revaluation, on which interest shall accrue at the legal rate starting from the date of publication of this decision, and until the actual payment.

Pursuant to Art. 126 CPI, it is also possible to accept the request for publication of this decision, limited to the operative part, as an additional form of compensation of the damage to the image caused to the plaintiff, thus informing the public of the decision.

Taking into account the type of product, to which the infringement refers, the publication shall be made on the daily paper *Il Sole 24 Ore* and on the trade magazine *Il Nuovo Cantiere* only once, on two columns and at twice the normal font-size, under the care and at the cost of the defendant, within thirty days of service of this decision; the plaintiff shall be entitled to provide for the publication personally in case of incomplete or late compliance by the obliged party, and to demand the costs from the latter, against the mere presentation of the relevant invoice.

**5.** Lastly, the Court rules that the counter-claim concerning the ascertainment of competition offences committed by ICS is groundless and therefore to be rejected.

The publication of the interim order issued by the Court of Bologna in 2007 was made in a correct manner, by exactly reporting the relevant details and contents. The order was never challenged. Moreover, ICS has always specified that the decision was taken against Impermea, pointing out the (true) circumstance that Mr. Moreschi was a shareholder in that company.

As for the registrations of the telephone conversations, which allegedly had a defamatory content, it should be observed, first of all, that the sound is distorted and there are objective problems in fully understanding the relevant contents. More importantly, there is no clear evidence of the actual source of these conversations and the identity of the people between whom the dialogue occurred, which is recorded on the support enclosed with the documents filed in the case.

**6.** Costs are awarded in accordance with the “loser pays” rule.

Having viewed the d.m. [Ministerial Decree] no. 55/2014, also considering the total amount granted to the plaintiff as damage compensation, the costs liquidated in favour of ICS are €

14,400.00 altogether awarded against Mr. Moreschi, namely € 600.00 as costs, € 12,000.00 as legal counsel's fees and € 1,800.00 as lump-sum expense refund, plus VAT and CPA [Lawyers' Fund] if and to the extent that they are due.

**FOR THE ABOVE REASONS**

The Court of Milan, also acting as Community trademark court, finally ruling on the case between the parties first indicated above, rejecting all other requests and motions:

- declares the discontinuance of the matter with regard to the claim submitted by Ics Penetron International Ltd for the declaration of invalidity of the Italian trademark no. 11955589, due to its having been renounced by its owner Mr. Claudio Moreschi;
- ascertains and declares that his use of the *Penetron FI* trademark implies the liability of Mr. Claudio Moreschi for the infringement of the *Penetron* community trademark owned by Ics Penetron International Ltd, as better specified in the reasoning;
- enjoins Mr. Claudio Moreschi from further using the *Penetron FI* trademark in any way;
- orders Mr. Claudio Moreschi to withdraw from the market and destroy all products and advertising materials bearing the mark that infringes the plaintiff's trademark, order to be fulfilled within thirty days of the service of this judgment;
- sets a penalty of € 500.00 for each breach of this order and for each day of delay in the relevant fulfilment;
- sentences Mr. Claudio Moreschi to pay € 20,000.00 in favour of Ics Penetron International ltd as compensation of damages, in addition to legal interest accruing from the date of publication of this judgment until the actual payment;
- orders the publication of the operative part of this judgment on the daily paper *Il Sole 24 Ore* and the magazine *Il Nuovo Cantiere* only once, on two columns and at twice the normal font-size, under the care and at the cost of Mr. Claudio Moreschi, within thirty days of service of this decision; the plaintiff shall be entitled to provide for the publication personally in case of incomplete or late compliance by the obliged party, and to demand the costs from the latter, against the mere presentation of the relevant invoice;

- rejects all counter-claims submitted by Mr. Claudio Moreschi against Ics Penetron International ltd;
- orders the Court clerk's office to provide for the service to the Italian Patent and Trademark Office – UIBM and to the Office for Harmonisation in the Internal Market – UAMI as required under Arts. 122 CPI and 100, EC Regulation no. 207/2009;
- sentences Mr. Claudio Moreschi to pay the legal costs, liquidated in € 14,400.00 altogether, namely € 600.00 as costs, € 12,000.00 as legal counsel's fees and € 1,800.00 as lump-sum expense refund, plus VAT and CPA [Lawyers' Fund] if and to the extent that they are due, in favour of Ics Penetron International ltd.

Decided as above in Milan on 8 May 2014.

The President  
*(Ms. Paola Gandolfi)*  
(signed)

The Judge writing for the Court  
*(Mr. Pierluigi Perrotti)*  
(signed)

THE ADMINISTRATIVE DIRECTOR  
Mr. Carmelo GAROFALO  
(signed)

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ORDINARY  
COURT OF  
MILAN

ORDINARY COURT OF MILAN  
FILED TO DAY  
20 MAY 2014

THE ADMINISTRATIVE DIRECTOR  
Mr. Carmelo GAROFALO  
(signed)