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## NOTE—AN INTERESTING DECISION ON THE INTERNATIONAL STATUS OF TRADEMARKS\*

UGO DRAETTA\*\*

**B**Y a decision dated February 7, 1969, the Tribunal of Milan has resolved a dispute between the Italian company, Columbia Nastri & Carta Carbone S.p.A., plaintiff, and the American company, Columbia Ribbon & Carbon Manufacturing Co. Inc., defendant, establishing some very interesting—and partially new—principles on the international status of trademarks.<sup>1</sup> The various grounds for the decision of the Milan Court, however, are not equally convincing and deserve careful scrutiny.

The judgment granted all the requests of the American company, completely rejecting the requests of the plaintiff.<sup>2</sup> At the outset, the judge rejected two preliminary procedural exceptions of the Italian company, which are of no importance to this commentary. Then passing to the merits, the Tribunal decided that title to the trademarks belonged to the American company.<sup>3</sup>

The arguments of the Tribunal of Milan are based on the assumption that the applicable law is the law of the State of New York:

In fact . . . for the purpose of determining the applicable law it is necessary to make reference to art. 25 of the preleggi [preliminary rules to the Civil Code<sup>4</sup>], according to which the obligations arising from an agreement are governed by the national law of the contracting parties, if it is common between them, and otherwise by the law of the place where the agreement was concluded. From all the documentation produced (particularly the agreements of 1949 and 1955), it results that all the agreements between the parties were concluded in New York, since said agreements were perfected when the American company, which made the proposal and which was domiciled in New

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\* This is a companion piece to Ebb, *Current Problems of American Companies that Permit Use of Their Corporate Names and Trademarks Overseas*, page 147 of this issue.

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1. Columbia Nastri & Carta Carbone S.p.A. v. Columbia Ribbon & Carbon Mfg. Co., *Il Foro Padano*, 1969, I. 931, Tribunal of Milan, March 17, 1969. See Ebb, pp. 155-58 *supra* for the facts of this case and a commentary on the former litigation involved.

2. Columbia Nastri & Carta Carbone S.p.A. v. Columbia Ribbon & Carbon Mfg. Co., *Il Foro Padano*, 1969, I. 931, Tribunal of Milan, March 17, 1969.

3. *Id.*

4. C. Civ. (*Disposizioni sulla Legge in generale* art. 25 Para. 1) (Hoepli 1965).

York, received in New York knowledge of the acceptance by the other party (art. 1326 of the Civil Code). Nor is art. 31 of the *preleggi* applicable to this case (prohibition against declaring applicable to the territory of the Republic of Italy foreign rules that are contrary to public policy), since the subject of the present litigation consists of conflicting claims to title of trademarks by the two parties in controversy; the trademarks constitute *diritti reali* (that is, "real" rights, as opposed to rights derived from obligations) and as to them no limiting rule of public policy exists.<sup>5</sup>

There are many weak points in this approach. First of all, the Tribunal is forgetting that it is now clear that an agreement concerning intangible interests is subject to the national law indicated on the basis of article 25 of the *preleggi* (law of the parties or place of conclusion of the agreement) only to determine questions concerning the obligations between the parties. All other questions, regarding the validity, title and extent of industrial property rights remain subject to the law specifically governing these rights.<sup>6</sup> Both the traditional approach based on article 22 of the *preleggi*<sup>7</sup> (*lex loci rei sitae*) and an approach based on the principle of territoriality of the intangible property rights,<sup>8</sup> indicate that Italian law should govern Italian intangible interests.

In the case under consideration, the Tribunal expressly stated that the problem was one of resolving a dispute concerning title to trademarks. By classifying the trademarks as *diritti reali* ("real" rights), it accepted the opinion of the majority of the writers who have dealt with the dispute over the nature of intangible property. Under these circumstances it seems very difficult, to escape the *lex loci rei sitae* (the law of the place where the goods are situated) and thus the Italian law. The reference which the judge made to article 1326 of the Civil Code for the purpose

5. Columbia Nistri & Carta Carbone S.p.A. v. Columbia Ribbon & Carbon Mfg. Co., *Il Foro Padano*, 1969, I, 931, Tribunal of Milan, March 17, 1969.

6. H. BATIFFOL, *TRAITÉ ÉLÉMENTAIRE DE DROIT INTERNATIONAL PRIVÉ* 579 (1959).

7. C. CIV. (*Disposizioni sulla Legge in generale* art. 22) (Hoepli 1965). This article states:

Possession, property and other rights on mobile or fixed things are governed by the law of the places where such things are situated.

8. On the law governing intangible rights see U. DRAETTA, *IL REGIME INTERNAZIONALE DELLA PROPRIETÀ INDUSTRIALE* 31 (1967) and the doctrine contained therein; on the specific problem of the law governing agreements concerning immaterial goods see TROLLER, *DAS INTERNATIONALE PATENT-UND ZIVILPROZESSRECHT IM GEWERBLICHEN RECHTSSCHUTZ UND URHEBERRECHT* (1960), and Draetta, *Conflitti di legge in materia di contratti di licenza brevettuale*, 118 *DIRITTO INTERNAZIONALE* 279 (1964).

of determining the place of conclusion of the agreement, is also not very well based, even though his view follows previous authority.<sup>9</sup> The reasons for the doubts lie in the fact that article 1326 contemplates the *moment* and not the *place* of conclusion of the agreement, and that the rule seems to refer to agreements concluded by an offer followed by a separate acceptance, rather than to agreements which are normally defined during negotiations and then formalized into a text bearing the signature of the two parties. Thus, even if Italian law did not govern the case for the reasons argued above, the court has not given good reasons for not finding that the agreement was concluded in Italy, and therefore that Italian law should govern.

The exclusion of any public policy implication is hardly convincing or at least not sufficiently substantiated by the court's reasoning. The mere fact that trademarks constitute real rights certainly does not exclude per se the possible existence of public policy limitations.

Comment on the merit of the judgment under consideration could be exhausted with the observation that the judge applied the law of the State of New York, when he should have applied the Italian law; consequently it is impossible to know the conclusions which he might have reached by applying the law of Italy. Even so it would have been interesting to examine the reasoning of the judge based on the law of the State of New York, to compare it with that of the American judges, whose judgment the Tribunal of Milan refused to recognize and enforce. But the only reference to American law which we can find in the decision is the following:

In other words, even if the Register of the Central Patent Office establishes that the Italian company owns the trademarks, it is however neither contrary to the law of the State of New York, governing in the matter for the above mentioned reasons, nor contrary to Italian public policy, to determine that a valid relation of a trusteeship nature existed between the parties, pursuant to which the Italian company appeared externally as the owner of the trademarks, while, with respect to the internal relationships between the parties, the trade-

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9. See Iaccarino, *Questioni in tema di "Delibazione"*, 20 DIRITTO INTERNAZIONALE 97 (1966). See also Draetta, *Orientamenti Giurisprudenziali sul luogo di conclusione del contratto*, 21 DIRITTO INTERNAZIONALE 77 (1967).

marks belonged in fact to the American company, which authorized the Italian company to register them in the name of the latter.<sup>10</sup>

It does not seem to us to be enough to state that all that "is not contrary to the law of the State of New York;" in our opinion the Italian judge should have examined New York law much more closely to see how it would apply to the case under consideration. It is true that the two American judgments exist on the matter, but it is also true that the picture of American case law on the matter appears rather complex and deserving of deeper examination.<sup>11</sup>

The paragraph which concluded this part of the decision is worthy of particular attention, since it reveals the confusion of ideas into which the Tribunal seems to have fallen: "The reality of trademark law does not exclude, on the contrary, the fact that the true owner is different from the apparent owner is indicated by the title on the public register."<sup>12</sup> Here it is not said to which law reference is made, whether to the American or to the Italian law, though perhaps we have to assume that the judge meant to refer to the American law. On a general basis, however, the judge confused the intellectual creation consisting of the name "Columbia" and the intangible property right consisting of the Italian trademark COLUMBIA. They are two distinct entities, likely to belong to different owners, and to circulate separately. One of them, the intellectual creation that has not yet become via registration an intangible property right, is unique all over the world. It has no territory because it is universal, and its creator has a right of authorship with respect to it which cannot be disposed of, like the right of the personality. The other, the intangible interest, is a legal interest of economic content, of the same nature as the "real" right, having a territorial character, recognized by a given state through a public deed, *i.e.* the registration. That right can belong to a person different from the author of the intellectual creation; it is possible that many distinct owners exist for the trademark COLUMBIA registered in the various countries.<sup>13</sup> Consequently the existence of a "true" owner of a

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10. *Columbia Nistri & Carta Carbone S.p.A. v. Columbia Ribbon & Carbon Mfg. Co.*, *Il Foro Padano*, 1969, I. 931, 933, Tribunal of Milan, March 17, 1969.

11. *See Ebb, supra* note 1.

12. *Columbia Nistri & Carta Carbone S.p.A. v. Columbia Ribbon & Carbon Mfg. Co.*, *Il Foro Padano*, 1969, I. 931, 933. Tribunal of Milan, March 17, 1969.

13. U. DRAETTA, *IL REGIME INTERNAZIONALE DELLA PROPRIETÁ INDUSTRIALE* (1967).

trademark, as opposed to the "apparent" owner resulting from the public register, is not conceivable. Whoever is the registered owner of the trademark on the public register is the true owner of the trademark as an intangible interest. The owner of the intellectual creation may be different, but its right has no economic content.

Thus, there are many aspects of the court's decision which can be criticized. It is hard to conceal the belief that the judge was convinced that, on an equitable basis, the arguments of the defendant were well founded, and tried to marshal legal support for said arguments. An alternative way existed, however, for discerning legal grounds for the acceptance of the major part of the arguments of the American company, without making all the aforementioned mistakes, and in particular without having to conclude that the Italian company had no title to the trademarks.

When, in 1934, the Italian company registered the trademarks in its own name it certainly acquired title to them. The acquisition, however, was based on a non-written agreement in which the American company committed itself: (a) to let the trademarks filed by it in 1924 elapse; (b) not to assert its 1924 trademarks in opposition to prevent the registration of the 1934 trademarks by the Italian company; and (c) to allow the Italian company to continue using the company name "Columbia" (which obviously was an intangible interest different from the trademark COLUMBIA) which name never ceased to belong to the American company. This contractual relationship did not need, at that time, to be embodied in writing because the Italian company was then controlled by the American company. It was rendered explicit when, in 1949, the American Columbia lost such control and the compensation agreed upon at that time was in fact the compensation for the contractual obligations mentioned in points (a), (b) and (c) above.

When the relationships between the two companies became critical in 1959, from the legal point of view the situation appeared as follows: The Italian company was the owner of certain trademarks, and the title was acquired as an original act (*i.e.* not as a consequence of a transfer or an assignment) though the acquisition of such title was made possible only as a consequence of certain non-contested undertakings on the part of the American company. The opinion that there was a transfer of trade-

marks from the American company with a consequent obligation to give them back is not convincing, both because there was no transfer in the proper sense—as we have seen—and because the defendant never advanced a claim for getting back these trademarks, not even when, in the years from 1946 to 1949, the nationalistic climate no longer existed in Italy and the American company still controlled the Italian company. The Italian company was using a company name owned—beyond any doubt—by the American company.<sup>14</sup> As compensation for the above, the Italian company committed itself to pay to the American company a certain sum in given installments over the years.

At a given point the Italian company did not fulfill its commitments, since it refused to make the agreed upon payments. Consequently, the defendant very properly asked for the termination of the agreement by default of the plaintiff. But what were the consequences of such termination? Since the agreement was of a continued implementation type, the consequences, of course, in no way extended to the obligations already fulfilled.<sup>15</sup> First of all the Italian company had to lose its right to include the name "Columbia" in its company name, and consequently had to be required to modify said name. Accordingly, the Milan judge was right in so deciding.

What was then the nature of the trademarks? The Tribunal decided that they must be considered as registered in the name of the American company and ordered its decision to be transmitted to the Central Patent Office for change of the registration. In so deciding, the Tribunal went even further than the requests of the defendant, which had asked for the transfer of the trademarks and thereby implied it deemed the ownership of the trademarks legally belonged to the Italian company at the time of the request. It would have certainly been preferable if the Tribunal had simply limited itself to accepting the requests of the defendant; but it would have been more correct to decide as follows.

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14. As to this point, articles 13 and 14 of the Italian Trademark Law would likely confer on the Italian company in its capacity as owner of the trademark COLUMBIA, the ownership of the company name "Columbia." TRADEMARK LAW art. 13-14 (No. 924, June 21, 1942). However, Article 8 of the 1883 Paris Convention would prevent such a result. 1883 International Convention for the Protection of Industrial Property, June 6, 1884, art. VIII, 25 Stat. 1372, 76 (1887) states:

The commercial name shall be protected in all the countries of the Union without obligation of deposit, whether it forms part or not, of a trade or commercial mark.

15. C. Civ. art. 1458 (Hoepli 1965).

## TRADEMARKS

The trademarks in question belonged to the Italian company. These trademarks, however, were obtained thanks to a given course of conduct which the American company committed itself to undertake. Such commitment no longer bound the American company as a consequence of the non-performance by the Italian company. Consequently, the American company was entitled to enforce all its rights concerning the name "Columbia" owned by it, including the exclusive right, deriving from article 13 of the Trademark Law, to register such name as trademark.<sup>16</sup> Therefore the American company was entitled to ask for the cancellation of the trademarks (only those based on the word "Columbia") registered by the Italian company, which no longer had any right to the name "Columbia"; the American company could then proceed to new registrations of these trademarks in its own name, if it were not possible to revive those of 1924.

So deciding, the Tribunal would have substantially accepted the arguments of the American company, which on an equitable basis appear better founded than those of the Italian company, without having had to make the errors in legal doctrine which are contained in its decision.

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16. TRADEMARK LAW art. 13 para. 2 (No. 924, June 21, 1942) states:

Those who have the right to a tradename have also the exclusive right to use it as a trademark for their business activities or commerce.



