

Parody Exception under Italian Copyright and Trademark Law: Italian Supreme Court—Decision 38165/2022

Gianluca Pojaghi

Franzosi Dal Negro Setti, Milan

Agata Sobol

Franzosi Dal Negro Setti, Milan

Copyright; Freedom of expression; Infringement; Italy; Parody; Trade marks

Abstract

The Italian Supreme Court has recently addressed the issue of the relationship between intellectual property and freedom of expression that is normally expressed through the so-called “parody” use of someone else’s work, also addressing the issue of interference between the latter and trade marks.

The Italian Supreme Court has recently addressed the issue of the relationship between intellectual property (IP) and freedom of expression that is normally expressed

through the so-called “parody” use of someone else’s work, also addressing the issue of interference between the latter and trade marks.

The dispute

The case started in 2007, when a United States (US) company owner of the commercial exploitation rights for the character “Zorro” and any relevant word and figurative trademarks (dating back to 1919) sued a firm who had commissioned a television and radio campaign to advertise their mineral water, featuring the abovementioned fictional character.

The plaintiff therefore asked the Italian Court to ascertain that (i) there had been infringement of its commercial exploitation rights, (ii) the name of the aforesaid character had been illegitimately used and the relevant trade mark infringed and (iii) the defendant had drawn illicit benefits from the misleading advertising spot to the detriment of the plaintiff.

Subordinately, the plaintiff asked the court to ascertain violation of competition rules under art.2598 of the Italian Civil Code (ICC) (use of names or distinctive signs of others, misleading imitation of a competitor’s products, appropriation of the qualities of products of others or other use of means that do not comply with the principles of professional fairness), with consequent compensation for damages, order for immediate termination of the airing of the spot at issue as well as publication of the ruling in Italian newspapers.

The firm who had commissioned the commercial, on the other hand, countered the plaintiffs’ claims asking that (i) the works (relating to the fictional character at issue) created before 1951 be declared to have entered the public domain, (ii) the trade marks enforced by the counterparty be declared lapsed due to non-use, for non-alcoholic drinks, (iii) lack of trade mark infringement (based on the argument that the use was not as a trade mark distinguishing a product but as a part of the ‘plot’ of the TV commercial of a product—mineral water—with its own and different trade mark, while Zorro was mentioned in a dialogue and shown in a parodistic version starring in the commercial and applauding that product).

In the first instance, the Court of Rome accepted the plaintiffs’ claims, ruling that there had been infringement of the rights enforced by the US company, whereas, in the subsequent appeal, the same claims were rejected based on the finding, which was considered overriding, that the character of Zorro had entered the public domain.

The case was then brought (a first time) to the attention of the Italian Supreme Court, which overruled the appeal judgment, excluding that the character of Zorro was then in the public domain and ordering that the case be remanded to the Court of Appeal.

In a new decision dated 2018 the Court of Appeal of Rome re-examined the matter, this time accepting the plaintiffs’ claims and ruling that (i) protection is afforded

under the copyright of the fictional character, (ii) the unauthorised imitation of said character is unlawful—as the parody exception is not applicable, since Italy has not implemented the optional exception pursuant to art.5 para.3(k) of Directive 2001/29 (Infosoc Directive),¹ and (iii) both the infringement of the trade marks at issue and unfair competition between the two companies had to be excluded, while also rejecting the application for forfeiture on the grounds of lack of use of the trade marks in question. As far as trade mark infringement was concerned, the Court of Appeal of Rome held that the use of the word ‘Zorro’ in the TV commercial could not be considered as the use of the same trade mark in its distinctive function, as it was merely mentioned in a dialogue between an anonymous admirer of Zorro and a person interviewing him.

The case was therefore referred once again to the attention of the Italian Supreme Court which re-examined it in the Order at issue, though not on a final basis, as the case was once again remanded to the Court of Appeal of Rome for a (third) ruling in application of the principles of law enunciated by the Supreme Court.

The legal background

The Order at issue offers an interesting analysis of the following points of law: (i) protection of fictional characters, (ii) parody exception under Italian copyright law and (iii) use of a trade mark of others for parody purposes.

Protection of fictional characters

Under the first profile, the decision refers to the consolidated guidance of doctrine and case law whereby “fictional characters” that have a creative nature under art.1 of the Italian Copyright Law (Law no.633/1941, ICL) deserve protection under ICL regardless of the protection granted to the (literary, theatrical, cinematographic, television, radio, musical, comics or video game, as applicable) work of which they are part.

The first ruling in this sense, as referred to by the Supreme Court, dates back to 1978 (Decision no.810), when the Supreme Court examined for the first time the alleged counterfeiting of some fictional characters created, in that case, by Walt Disney (Pinocchio, Archimedes, Sylvester Shyster and Donald Duck) and confirmed the previous decisions on the merits, to the effect that the “characters” in question had figurative and denominative characteristics that made them recognisable as “typical creations”. As such, although originally created as drawings, they deserved protection “against any act consisting in a repetition of the author’s idea, by way of identity or expressive affinity, also considering the audience’s ordinary critical capacity” (in that specific case by reproducing the relevant images in the decoration of handbags and other objects).

¹ Directive 2001/29 of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society [2001] OJ L167/10.

This interpretation appears to us to be correct and has been repeatedly confirmed over time,² being a shared principle that the enumeration of the various types of works set out in art.2 ICL is without limitation and by way of example only, which means that the protection can apply to works of different genres from those originally included in the listing of the aforementioned art.2 ICL (provided, of course, that they have a creative nature).

Parody exception under Italian copyright law

In point of parody, the analysis carried out by the Supreme Court is more complex.

The Supreme Court recalls that “parody” (which the court itself defines as “elaboration of the work of others carried out through a caricatured imitation for satirical, humorous, and anyway critical purposes”) was introduced into the European Union (EU) legislative system by InfoSoc Directive 2001/29 as a faculty for the Member States to introduce exceptions or limitations to the rights provided for in arts 2 (Reproduction right) and 3 (Right of communication and of making available to the public), among others, when the work of others is used for the purpose of caricature, parody or pastiche (art.5.2(k)).

More recently, the provision was amended by Directive 2019/790 on copyright and related rights in the Digital Single Market (Digital Market Directive)³ which provided for the obligation of Member States to ensure that users can rely on the exception of use for purposes of caricature, parody or pastiche—art.17.7(b), implemented in Italy under art.102-h, 2 (b) ICL—but only when uploading and making available content generated by users on online content-sharing services.

In a nutshell, parody exception in the European Union has generally remained optional, whereas it has now become mandatory for online uses.

The above, with the given purpose of striking a balance between the fundamental rights laid down in the Charter of Fundamental Rights of the European Union, in particular the freedom of expression and the freedom of the arts, on one side, and the right to property, including intellectual property, on the other side (Whereas 70 of the Digital Market Directive).

Hence one of the reasons for appealing to the Italian Supreme Court against the judgment of the Rome Court of Appeal, on the grounds that the latter had, on the one hand, regarded as unnoticeable the necessary creative contribution in the elaboration of the original work (fictional character) while declaring, on the other hand, that the parody exception was not applicable to the case at issue as a result of Italy’s failure to implement the exception referred to in art.5.2(k) of the InfoSoc Directive in our legal system.

However, as the Italian Supreme Court points out, even without—and before—the explicit legislative provision referred to in art.5.2(k) of the InfoSoc Directive, parody was already grounded in the Italian legal system, and precisely in the constitutional rules on the free manifestation of thought (art.21 of the Italian Constitution) and free artistic creation (art.33 of the Italian Constitution), expressed in terms of exceptions of summary, quotation or reproduction of the work of others for purposes of criticism or discussion as provided for by art.70 ICL, which is evidently applicable, according to the ruling at issue, even when the discussion or criticism is conveyed through an “ironic register, used in satire, or a comic and farcical register, used in parody, where the typical elements of a work are ridiculed through grotesque provocation, ... being such elements physical features, qualities or attitudes, with the clear intention of overturning common stereotypes associated with that literary or artistic identity”.

Therefore, even if it is undoubtedly true that Italy has not implemented the optional provision referred to in art.5.2(k) of the InfoSoc Directive, it is also true that there was no need for such legislative action in Italy, as the parody exception has already a place in our legal system, as it was (and still is) included in art.70 ICL (use of criticism or discussion).

The characterising element of the parody exception, whether it refers to the Italian provisions on criticism or discussion, or to the European provisions on caricature, parody or pastiche, is the principle of fair balance between the holders of the rights (of reproduction, communication and making available) on the work subject to exploitation and the freedom of expression of the user of the parodied work, who invokes the exception. Said principle requires that the exception is invoked within the limits of said purpose and that it is not in competition with the commercial exploitation of the work itself (which obviously does not mean that the parodied work cannot be used for profit to the benefit of the author of the parody).

Two are the requirements that qualify parody: first, the (parodied) work must be instrumental to the (parody) purpose and, second, the original work and the work created through parody must not be in a relationship of competition with each other. Accordingly, any exploitation that involved, for instance, mere denigration instead of parody, or that placed the derived work in competition with the parodied one should be regarded as prohibited, as they would determine an economic prejudice against the authors of the parodied work, which would not be justified under the right of free expression of the authors of the former work.

² See for example Court of Bologna, decision 2 February 2023 (*Pulcino Pio*); Court of Rome, decision no. 6504 of 16 April 2021; Court of Milan, decision of 21 January 2008 (*Calvin & Hobbes*); Court of Verona, decision 17 August 1993 (*Topo Gigio*).

³ Directive 2019/790 of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC [2019] OJ L130/92.

Parody and trade mark infringement

The core of this case being focused on copyright infringement, the issue of trade mark infringement was considered as a secondary element during almost all the stages of this long and complex case. Only when the case arrived for the second time in front of the Supreme Court, more light was shed on the arguments of the plaintiff concerning the existence of infringement even if the trade mark was not used on the advertised adversary product but as an element of such product's advertising.

The following were the facts of the case at issue. The plaintiff enforced its several trade marks on grounds of reputation (which did not seem to have been questioned by the defendant), among which the word trademark 'Zorro' and the figurative trade mark consisting of the word and the image of Zorro (with easily recognisable mask and a hat). The defendant made a TV commercial in which a (rather clumsy) admirer of Zorro disguised as him and holding a bottle of the advertised mineral water explained why that water was his favourite. The commercial was using the Zorro character as a clear parody.

The defence against the alleged infringement was lack of distinctive use of the trade mark, as the advertised product's brand was different (Brio Blu) and the Zorro character and name were used only as a part of the dialogue and the plot of the commercial. The defence seemed reasonable to most of the judges of the lower instance court, and the Court of Appeal of Rome rejected the plaintiff's requests relating to trade mark infringement twice. Even the Public Prosecutor for the Supreme Court (a figure similar to the Attorney General at the ECJ) issued recommendations advising the court to reject the request, as art.20 of the Italian Intellectual Property Code (IPC), considered as infringement of a well-known trade mark the use for "purposes other than those of distinguishing products and services" only as of 2019, while the case concerned facts prior to 2007 to which the new provisions do not apply.

The Supreme Court disagreed and indicated two substantial reasons for its decision:

- 1) a parodistic use is not, per se, a valid defence against trade mark infringement;
- 2) even if the revision of the Italian IPC extending the cases of trade mark infringement to the trade mark use that does not require the use of the disputed sign on the products or services is quite recent, the prior IPC version thereof must be interpreted in compliance with the ECJ case law that introduced this rule well before.

On the first remark, the Supreme Court highlights that, in order to assess trade mark infringement, a principal requirement must be met: the accused mark should be *used in commerce* that is to say, it should be used commercially on the market by the third party in order to obtain economic advantages. If a trade mark is used without any commercial purpose, then there will be no trade mark infringement. A use of a third party's trade mark in a parody is generally considered as an example of use without commercial purpose. However, the Supreme Court holds that not all the parodistic uses are made without a commercial purpose. In fact, there is parody which is made for the purpose of a mere criticism or for comic purposes, but there is also parody which has a commercial purpose. The defendant's commercial is, according to the court, a perfect example of the latter situation. It is undeniable that the Zorro parody was used by the defendant within a commercial made for commercial purposes (promotion of the defendant's mineral water and the use of a trade mark in *in advertising* is considered as act of infringement by art.20.2 IPC). Then the Supreme Court passed to analyse if the use for commercial purposes that does not consist of the use of the third party's trade mark on the advertised product can be considered as an act of infringement.

On the second remark, the Supreme Court argues that the ECJ provided numerous examples of the prohibited uses of the third party's trade marks that were different from producing/offering/promoting/using on the market of the goods or services distinguished by that trade mark. Reference is made to the use of the trade mark as a mere sign of support by fans of a sporting club,⁴ a mere decorative use,⁵ use of a trade mark as a keyword⁶ and in certain circumstances also use in comparative advertising.⁷ According to the Supreme Court what is essential to analyse in cases of, let's say, 'not classic trade mark infringement situations' is whether such use of third party's trade mark causes a prejudice to the trade mark or an undue advantage to the user. The Supreme Court held that in case of well-known trade marks their parodistic use *does create a link with the message that they carry*, and such link is *often causing an advantage to the parody's author or the erosion of the trade mark's value or both*. Therefore, it is not necessary to use the third party's trade mark on own products in order to infringe it: it is sufficient to mention it in the commercial's dialogue, if such mention is meant to attract attention and to ride on the positive image of the trade mark.

Final comment

With reference to copyright, the Order at issue provides an important systematic reconstruction of the parody exception, both in EU law, which has expressly defined

⁴ *Arsenal Football Club Plc v Reed* (C-206/01) EU:C:2002:651; [2003] Ch. 454.

⁵ *Adidas-Salomon AG v Fitnessworld Trading Ltd* (C-408/01) EU:C:2003:582; [2004] Ch. 120.

⁶ *Google France Sarl v Louis Vuitton Malletier SA* (C-236/08) EU:C:2010:159; [2010] E.T.M.R. 30.

⁷ *O2 Holdings Ltd v Hutchison 3G UK Ltd* (C-533/06) EU:C:2008:339; [2008] 3 C.M.L.R. 14.

it, and in Italian law, where such exception is to be regarded as already part of the right of criticism and fair comment pursuant to art.70 ICL, and only partially adopted in art.102-nonies, 2(b) ICL with the implementation of art.17.7 (b) of the Digital Market Directive.

With reference to trade mark infringement, the Supreme Court confirmed that a parodistic use made in a TV commercial, even when not implying the use on the advertised products, might result in an act of infringement. The court declared that the following principle should now be followed by the lower Court of Appeal, where the case was remanded for the renewal of the process:

“With reference to trademark cases concerning the law prior to the revision of art. 20 IPC introduced by art. 9.1 letter a) of decree no 15/2019, the use of a third party’s well-known trademark should be forbidden if the use of such mark is made without due cause in the commercial activity and it allows to take unfair advantage or be detrimental to the

distinctive or the repute of the trademark, being irrelevant if the trademark is not used to distinguish products or services of such user, as in case of parodistic use of the trademark in question”.⁸

We shall see what the final outcome of the litigation will be, but for sure this decision already offers a very good outline of the boundaries of the parody exception, under both copyright and trade mark, and gives right-owners of copyrighted materials and owners of well-known trade marks in Italy an important new argument: the subsistence of the parody exception must be carefully verified and the parody defence might not necessarily be sufficient to exclude the infringement, when falling outside the scope of the freedom of expression and artistic creation and falling into competition with the original copyrighted work or bringing unfair advantage to the user of the trade mark, or causing detriment to the distinctiveness or the reputation of such trade mark.

⁸ Italian Supreme Court, Case No.38165/2022.