The INTERPATENT newsletter

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SENIORITY CLAIM, AN ADVANTAGEOUS OPPORTUNITY, BUT DID YOU CAREFULLY CONSIDER WHAT MAY HAPPEN IF YOU LET EARLIER NATIONAL TRADEMARKS LAPSE?

As known, a seniority claim enables the holder of a European trademark (EUTM) to claim prior rights in one or more EU member states based on existing national trademarks in the countries concerned.

If the claim is successful, it retroactively extends the EUTM's protection in those countries to the date of the earlier national registrations, which therefore might not necessarily be kept in force.

The seniority system promotes a more streamlined trademark portfolio while ensuring that owners do not lose their earlier rights.

Let's make an example:

An EUTM grants its owner protection across all member states from its filing date, say January 1, 2014. If the owner also holds an Italian registration filed on January 1, 2009, if a seniority claim has been recognized, protection of the EUTM in Italy would start from this earlier date.

Upon acceptance of a seniority claim, the EUTM registration would be treated as providing protection in Italy from the earlier Italian filing date. Thus, the national registration could be allowed to expire without the owner losing their rights accrued over the past ten years in Italy.

However, it is not always that smooth and easy as it seems...

How to Claim Seniority

A seniority claim can be made at the time of EUTM application or within two months after filing. Alternatively, it can be filed at any point after registration.

When submitting the claim, details of the national registration must be provided to the European IP Office (EUIPO), and sometimes additional supporting documents are required.

To successfully claim seniority, it is crucial to review the national registration to ensure that the scope of goods does not exceed that of the EUTM. Additionally, the owner's information on both registrations must match.

Seniority claims can only be made if the trademarks are identical, the owner is the same, and the EUTM encompasses all goods and services covered by the earlier national registrations. If the EUTM covers more goods than the national registration, the seniority claim will only apply to those goods originally covered by the national mark.

For example, if an Italian trademark includes "shoes" and the EUTM includes "shoes and belts," after claiming seniority, the EU trademark would grant rights in Italy for "shoes" from January 1, 2009, and for "belts" from January 1, 2014.

WHY IS IT ADVISABLE TO CLAIM SENIORITY?

Claiming seniority can reduce costs related to maintaining a trademark portfolio. With a seniority claim, the national registration can be allowed to lapse, saving renewal expenses.

However, it may not be always advisable to let those national rights lapse.

WHY IS IT ADVISABLE TO KEEP NATIONAL RIGHTS IN FORCE?

Despite the benefits of the seniority system, it faces some criticism, and certain considerations should be taken into account before letting national rights lapse:

- **Cancellation Risk**: EUTM registrations can be canceled if not used for five years. If a cancellation action occurs, the owner must prove usage to avoid losing the registration. National usage requirements may be different than those required by the EUIPO, which are often stricter even if use in a single country may be considered sufficient.

- **Invalidation Concerns**: EUTMs can be invalidated based on prior trademarks from any EU member state, particularly within the first five years of registration. If an EUTM is canceled after allowing the national rights to lapse, the earlier rights would be lost unless the EUTM is converted, which can be costly and complex.

- **Contractual Implications**: Any contracts reliant on the existence of national registrations will be impacted if those rights lapse. Adjustments to licenses or agreements may be necessary to reflect that the rights are now held under the EUTM.

- **Geographical Coverage**: National registrations often extend protection beyond the EU to territories linked to the nation. For instance, Danish trademarks cover Greenland and the Faroe Islands, while French trademarks provide protection in Corsica and various overseas territories.

  A similar situation applies to Italian national trademarks, too, which are also valid in the Republic of San Marino thanks to bilateral agreements between the two neighboring States. However, this concerns only national applications and not trademarks either designated through the WIPO or filed before the EUIPO, which would therefore not be valid in San Marino.

- **Challenge of Seniority Claims**: The validity of an accepted seniority claim can be contested. Indeed, the seniority claimed for the EUTM will lapse if the earlier trade mark in respect of which seniority is claimed is declared to be invalid or revoked. If such a challenge succeeds and national rights have lapsed, rights in that country will only apply from the EUTM filing date, effectively negating the seniority claim.

- **Historical Value**: Long-standing national registrations can hold significant value. Careful consideration should be given before allowing such registrations to expire, as they can be key to a brand's heritage. Let's think for example of the introduction in Italy of the so-called "historical trademarks of national interest" (**Marchio Storico**), specifically intended to denote the national historical significance of culturally relevant brand names used or registered for at least 50 years and protect them from misappropriation.

Conclusions

The concept of seniority offers a means to streamline your European trademark portfolio while retaining certain rights by allowing national registrations to lapse.

Before making any decisions, however, it is essential to critically evaluate the potential consequences, such as reduced geographical coverage of your rights and other critical risk aspects...

We all wish it will not happen again, but if any of the 27 member states decide to leave the EU, as the UK has recently done, the status of EU rights and corresponding seniority claims is not guaranteed. Whilst the UK has taken steps to ensure continuity of protection for brand owners, this may not be the case if another country decides to leave the EU and, depending on the terms surrounding the country's exit from the EU, there might be a risk of loss of rights.

While seniority can be a useful tool to help strengthen and consolidate European trademark rights, **we recommend keeping national registrations in force at least in the most important territories and / or in connection with 'core' trademark rights**.

Saving money is not always the right decision, in particular in those countries like Italy in which renewal costs are very contained.

For tailored trademark protection strategies in Europe and for knowing our very competitive renewal prices, do not hesitate to contact us our Team.

LICENSE OF RIGHT: A FRUITFUL WAY TO EXPLOIT PATENTS AND SAVE ANNUAL FEE COSTS

Italy, among several other countries, provides for the possibility of a License of Right in respect of patent applications or granted patents.

Provided that no exclusive license has been recorded with the Italian Patent and Trademark Office, **a licence for non-exclusive use of that invention can be offered to the public** either upon filing of the patent application or during pendency of the application or after grant of the patent.

The **offer declaration is filed once** – i.e. it does not need to be periodically renewed – and is valid until revoked.

Once the offer has been recorded by the Italian Patent and Trademark Office, the applicant/patentee is entitled to benefit from a **50% reduction in annual fees for maintenance of the application/patent**.

The offer of license of right for a patent is recorded in the on-line Italian Patent Register and published in a dedicated Bulletin. After that, any interested person can obtain a licence on the patent and the effects of the license shall start from the notification to the applicant/patentee of acceptance of the offer, even if the remuneration is not accepted.

If licensor and licensee do not agree on the remuneration, an Arbitration Board or, in certain cases, the Court shall determine the amount thereof and the relevant methods of payment. If new circumstances arise or are disclosed that make the determined remuneration clearly inadequate, the remuneration can be modified in the same manner as adopted for the determination of the original amount.

Applicants and patentees should be made sensitive to the advantages of offering a licence of right, which lie not only in the already mentioned reduction in annual maintenance fees, but also in the **opportunity for a better exploitation of their inventions by widening the range of potential licensees** they may not have thought of before.

For additional information about licence of right in Italy, please feel free to get in touch with our patent attorneys.

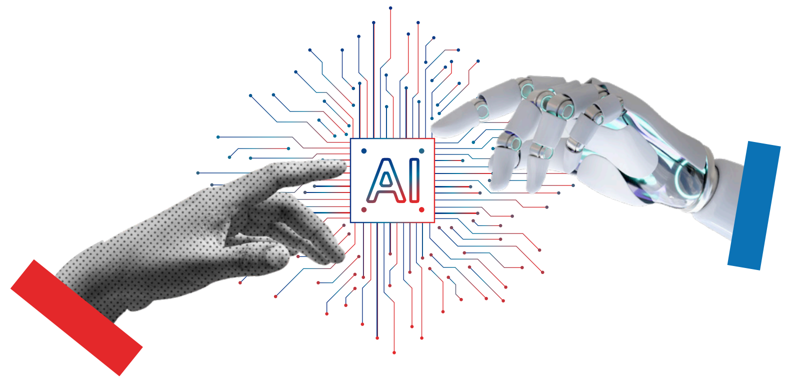
ARTIFICIAL INTELLIGENCE: THE IMPACT OF THE AI ACT ON AI PATENTS

The Regulation (EU) 2024/1689 issued by the European Union and effective 1 August 2024 (so-called "**AI Act**") is the first regulation in the world that **sets rules to artificial intelligence**, a technology which is increasingly impacting on the lives of us all.

Artificial intelligence has powerfully emerged as a tool to simplify the creation of content - text, images, video, audio, software code, etc. - in response to specific user requests. While this is already enough to **raise the question of the authorship of the content produced by artificial intelligence systems**, as well as **concerns about the legitimate use of the enormous amount of data** (often subject to copyright) used to instruct such systems, **even greater risks arise from the potential use of this technology** to spread disinformation, increase public scrutiny, discriminate, commit crimes and fraud, and ultimately even endanger human life itself.

Against this background, the Regulation aims "to improve the functioning of the internal market" and "to promote the uptake of human centric and trustworthy artificial intelligence (AI) while ensuring a

high level of protection of health, safety, fundamental rights as enshrined in the Charter of Fundamental Rights of the European Union (the 'Charter'), including democracy, the rule of law and environmental protection, to protect against the harmful effects of AI systems in the Union, and to support innovation."



In this Regulation, the European Union has set out a number of **requirements that AI systems must meet depending on the level of risk involved in their use**: the higher the risk of infringing individual and collective rights, the more stringent the requirements.

In short, there are four levels of risk covered:

- **Unacceptable risk**: contradiction of EU values and principles, such as respect for human dignity, democracy and the rule of law. AI systems that present this kind of risk are forbidden to those who are not involved in higher national interests, such as military and national security;

- **High risk**: significant impact on people's fundamental rights or security. AI systems with this level of risk include those used for personnel selection and recruitment, admission to education, and the provision of essential social services;

- **Limited risk**: possibility of influencing the rights or wishes of users, but to a lesser extent than high-risk systems. AI systems with this level of risk include those used to generate or manipulate audiovisual content (such as deepfakes), or to provide personalised suggestions (such as chatbots);

- **Minimal or no risk**: no direct impact on people's fundamental rights or security, and the provision of wide margins of choice and control to users. AI systems presenting this level of risk include those used for recreational and aesthetic purposes, such as video games or filters for editing photographs.

The requirements applicable to high-risk AI systems include to establish, implement and document a **risk-management system**, i.e. a continuous iterative process planned and executed throughout the life cycle of an AI system and aimed to eliminate or reduce the risks associated with the use of AI systems.

Among other requirements for high-risk AI systems, it is worth stressing the obligation to provide a **detailed description of the elements of the AI system and the process related to its development**, including the training data sets used (e.g. information on their origin and how they were obtained and selected). Still speaking of high-risk AI systems, there is also an obligation to register them in a special database, draw up a declaration of conformity and obtain the EC marking.

For AI systems with low or minimal risk, there is instead **the obligation to inform users that they are talking to a chatbot and not a human, and the obligation for images and texts to contain the information that they have been generated by an AI system**.

The Regulation also introduces fines for violations of the established obligations. These fines range from 35 million euros (or 7 per cent of turnover) for the most serious violations, relating to systems with unacceptable risk, to 15 million euros (or 3 per cent of turnover) for violations relating to data security and management, e.g. failure to provide documentation and information to the authorities, to 7.5 million euros (or 1 per cent of turnover) for providing inaccurate or misleading information.

In the light of this Regulation, **it is important for owners of patent applications relating to AI systems to make appropriate assessments of the level of risk of their systems**, paying particular attention to cases where user interfaces are provided through which personal information can be entered or where tools (e.g. microphones or cameras) are provided programmed to automatically acquire personal information continuously over time.

In such cases, **it will indeed be of paramount importance to assess how such information is used by the particular AI system**, especially when the AI system makes decisions or predictions on the basis of such information, in order to avoid, for instance, potential unfair or discriminatory practices against particular categories of people or entire populations. Similarly, all those cases in which AI systems create user profiles or collect user preferences should also be assessed, as this could potentially fall within the critical scope of using such data to make assessments on various aspects of people's lives.

Besides the cited obligations, there remains an **effort for legislators to promote the responsible development of artificial intelligence and to protect intellectual property rights**, with the enforcement authorities called upon to protect the legitimate interests of the holders of such rights, be they patents or trade secrets.

For instance, the Regulation provides for **free access for SMEs to so-called regulatory test spaces (*sandboxes*)**, which are to be set up by member state authorities in order to provide an environment for the development, training, testing and validation of AI systems under the supervision and support of national authorities. Regulatory testing spaces should also allow testing of AI systems under real-life conditions.

The Regulation applies to all entities offering products using artificial intelligence aimed at the European market. This also includes non-European players, thereby ensuring a level playing field that prevents non-EU companies from gaining a competitive advantage due to less stringent standards applied outside the EU itself.

It is clear from the above that the aspects of the AI Act and the issues posed by it are numerous and multifold.

Applicants should therefore be made sensitive to the importance of seeking expert advice in relation to their AI patent applications, software and trade secrets, and our team at Interpatent would be glad to assist them in this respect.

EUIPO SME FUND - VOUCHER 1 (IP SCAN), VOUCHER 2 (TRADEMARKS & DESIGNS) AND VOUCHER 3 (PATENTS) CLOSED AGAIN

After reopening not a long time ago, Voucher 1 (not usable in Italy), Voucher 2 and Voucher 3 of the EUIPO SME Fund have recently been **closed again due to exhaustion of available funds**.

Voucher 4, dedicated to plant variety protection before the Community Plant Variety Office (CPVO) and allowing a 75% reimbursement of online filing and examination fees, is instead still open and we are available to assist our Clients and Associates in this respect.

LET'S MEET IN MANILA NEXT MONTH!

We are delighted to announce that Manuela Bruscolini will attend the 76th Council Meeting of the Asian Patent Attorneys Association (APAA 2024), to be held from 18 to 21 November 2024 in the bustling heart of Metro Manila, a unique networking opportunity to connect with IP professionals and industries from Asia and across the globe.

This year's Council Meeting in Manila is designed to illuminate the forefront of Intellectual Property through productive workshops and round table discussions on emerging trends and challenges in Asia and around the world, as well as to reveal the rich culture of the capital of the Philippines.

Manuela is very much looking forward to meeting APAA Members and Observers and discussing the most recent developments in Intellectual Property in Italy and in Europe as well as exploring ways to build or consolidate cooperation with colleagues and associates from all over the world. For a possible meeting please contact Manuela at m.bruscolini@interpatent.com.
In the meantime, safe travels to you all!

The aim of this newsletter is to keep our Clients and Associates updated about developments in the sector of Intellectual Property in general and our firm in particular. In this way, we wish to provide a broader view of the tools that the field of trade marks, domain names, patents, designs and related rights offers to entrepreneurs to enhance and protect their efforts in researching and developing new solutions and ideas.

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