

## **Is there a future for demoscopic surveys?**

### Introduction

The Italian Court of Cassation recently issued a decision (no. 5491 of 18<sup>th</sup> February 2022) holding that demoscopic surveys – in other words, market surveys – are not necessary to prove the existence of a de facto trademark.

The Court held that this type of evidence, in fact, is not expressly required by any statutory provision: the judge's assessment can be based on any means of evidence. Therefore, a demoscopic survey is only one of the various tools that are useful and admissible for the evaluation of the public perception of an unregistered trademark, even when such evaluation is carried out by an expert appointed by the judge.

This decision is issued in the wider context of a jurisprudential debate between one position, concerned that the inherent limits of a demoscopic survey may negatively affect the judicial assessment, and a more positive viewpoint, holding that a market survey is an essential tool for proving distinctiveness of a trademark.

### The case

In the present case, BasicNet S.p.A., owner of the well-known K-WAY clothing brands, sued the Armani fashion house, challenging Armani's use of colored stripes that appear very similar to those constituting a registered trademark and a de facto trademark by K-WAY. In particular, the plaintiff claimed infringement of the de facto, and thus unregistered, trademark referred to as "colored stripe", distinguished by three vertical bands of yellow, orange and navy blue. Armani filed a counterclaim requesting the court to declare the de facto trademark invalid due to lack of distinctiveness, requesting a demoscopic technical expertise, in order to prove the lack of recognition of the K-WAY stripes as a distinctive sign among the relevant public. The first instance court declined to order such a technical expertise, and held the mark to be valid.

Unsuccessful in both the first instance proceedings and on appeal, Armani appealed to the Court of Cassation, claiming that the "colored stripe" de facto mark lacked distinctive character. Specifically, the appellant alleged that the lower court judges erred because they had based their conclusions exclusively on the use of the mark "*for many years without any variation on different types of products*", without any formal, court-ordered assessment of the public perception of the sign.

The Court of Cassation rejected Armani's appeal and confirmed that a judge is free to ground their decision in light of any means of evidence that he or she finds sufficient, as Italian IP law does not obligate the judge to grant a request for a demoscopic survey to examine public perception within the scope of an examination of the validity of a de facto trademark. While surveys can be evaluated in conjunction with other elements when it is necessary to determine whether or not the sign is distinctive, it is not compulsory to undertake such a survey in the scope of validity proceedings.

### Comment

The decision of the Court of Cassation (n. 5491 of 18.2.2022) allows one to reflect on the role of demoscopic investigations as an evidentiary tool, not only with regards to de facto trademarks, but

also in all other cases in which the public perception is relevant, like in cases regarding the secondary meaning or reputation of a trademark.

Demoscopy consists of a statistical survey of public opinion: the research is aimed at collecting data and information through questions asked to a sample group, in the form of a questionnaire. The findings of the study consist in a statistical comparison between two or more variables.

Within a courtroom, demoscopic investigations can be filed by the parties or ordered by the judge, and are carried out by a neutral technical expert, appointed by the court. While investigations carried out by the parties can be authoritative and persuasive, only a judge-ordered technical expertise, as an unbiased activity, is considered to have a high degree of reliability.

Italian national case-law has traditionally been rather skeptical of market surveys. Mathematical aggregations, the method on which a demoscopic survey is based, have been considered to represent "*average quantities or majorities of consumers who take on certain attitudes or share certain beliefs*"<sup>1</sup>, thus disregarding the ontological characteristics of the average consumer.<sup>2</sup>

In order to overcome this limitation, a demoscopic analysis must be conducted with rigorous methods, and this rigor must be accounted for by specifying the criteria and methodologies used to conduct the survey.<sup>3</sup> The analysis is all the more reliable the larger the reference sample, which, however, cannot be so large as to move outside the merchandise sector being investigated. As a result, the type of goods and services being investigated are the starting point for selecting a sufficiently consistent and specialized sample.<sup>4</sup> Upstream, therefore, the survey consists of a first analysis aimed at better delineating the sample and, only in a subsequent phase, considers the design of the survey: administration of the questionnaire, aggregation of data and the analysis of the results. The increasing rigor of the method is inevitably accompanied by a lengthening of procedural timelines, and costs.

Then, this position holds that there is an inevitable risk that the market survey will compromise the full scope of the judge's discretion: in cases in which there is a request for a declaration of invalidity of a trademark, a demoscopic survey concluding that there is a lack of distinctiveness for the sample population, then imposes a motivational burden on the judge in the event he or she, in light of all the evidence presented, disagrees with that conclusion, which burden is all the more onerous the more meticulous the market analysis has been.<sup>5</sup>

Ultimately, this traditional position rejects the notion that the judge is bound to the results of the survey, as it considers market research merely one of the possible factual elements that the judge is free to assess. This approach gives more importance to the technical and abstract notion of the average consumer, which refers to the critical capabilities of a person of average diligence and intelligence who, in the absence of further elements of proof (such as advertising investments, opinions by experts in the field, the presence of the brand associated with the products in brochures), disregards single episodes of confusion in their day to day activities.<sup>6</sup>

At the same time, the opposing opinion holds that these obstacles can be overcome.

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<sup>1</sup> Court of Appeal of Turin, sentence, 28<sup>th</sup> December 2002, Il Foro Italiano, 2003, vol. 126, no. 6, 1869/1870 (Nougatine case: Venchi v. Pastiglie Leone).

<sup>2</sup> Vanzetti A. – Di Cataldo V., *Manuale di diritto industriale*, Milan 2005, p. 45.

<sup>3</sup> See note no. 1.

<sup>4</sup> Botteghi M., *Riforma dell'art 121, comma 1, c.p.i.: inversione dell'onere della prova ed uso "effettivo" del marchio da parte del titolare idoneo a evitare la decadenza del segno*, note to judgment Trib. Milan 11th June 2018, Il Diritto Industriale, 2019, p. 614.

<sup>5</sup> Further considerations on the relations between demoscopic expertise and discretionary power of the judge in Sandri. S., Bias & Noise *nelle ricerche demoscopiche*, published on [www.sprint.it](http://www.sprint.it) on 14th December 2021.

<sup>6</sup> See note 2.

First of all, this second position contests the assertion that the technical difficulties involved in undertaking a demoscopic survey in the course of a judicial expertise constitute an impediment to the use of this valuable tool: that the expert assessment should not be undertaken where it is so complex in requiring a methodological effort to define its object. Basically, always.

On the other hand, a market analysis cannot be disregarded when dealing with a notion – such as distinctive capacity – which fundamentally requires an evaluation of the consumer's perception of the sign in question. The other indicators, such as advertising investments or the presence of the sign in brochures and commercial documents, are insufficient on their own to prove actual recognition of the sign by the public. These means of proof are functional to the purpose that the sign imprints itself in the mind of the consumer and that they associate it with the owner's products, but they do not prove that this purpose has been achieved.

Therefore, this position holds that the parties have a right to access and produce demoscopic evidence through market surveys<sup>7</sup>, meaning that the features of the average consumer should be defined through means that are as close to the average consumer as possible.

Indeed, in another decision, the first civil section of the Italian Court of Cassation explicitly supported this second orientation, which is favorable to the use of a demoscopic survey by a court-appointed expert, by highlighting the connection between the analysis of consumer perception and the potential for market surveys to faithfully report such perception (19<sup>th</sup> April 2016, n 7738). Considering the context of whether a trademark had acquired secondary meaning, the decision points out that the means used to achieve the goal of imprinting the sign in the minds of the public as a trademark – such as, for example, advertising investments – are not in themselves sufficient to demonstrate the attainment of that goal and, in the event that the judge considers the results of a technical consultancy commissioned by a party, and filed in court, to be unreliable, then he or she must be allowed to utilize the tools available to produce such evidence through a judicial expertise investigation (point 3 of the decision).

## Conclusion

The two decisions presented herein are obviously in contrast regarding the role to be afforded to a demoscopic technical expertise as an evidentiary tool. On the one hand, in decision no. 7738 of April 19, 2016, market surveys were considered to be essential to prove that the public has perceived the sign as distinctive; on the other hand, the Court of Cassation's most recent decision, dated 3<sup>rd</sup> February 2022, no. 5491, gives more importance to the judge's decision-making power and leaves it up to the judge's to decide, in their discretion, whether or not a technical expertise is appropriate. It appears, therefore, that the Supreme Court has reversed its previous decision by repudiating any automatic obligation to perform a neutral demoscopic survey within the course of proceedings, also considering that is not imposed by Italian IP law, in favor of a re-established limited judiciary discretionary power.

As a result, it would appear that there is not yet a consistent position of the judiciary on this issue.

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<sup>7</sup> Floridia G. – Minneci U., *Secondary meaning e indagini demoscopiche*, Rivista di Diritto Industriale, 2018, 6, 461.