

DAINESE S.p.A.

“Industrial property as strategic success factor”

1) 1972 DAINESE IS ESTABLISHED

There are two words that best express the establishment and success of Dainese, “**passion**” and “**insight**”:

- passion of its founder and current CEO Lino Dainese for the world of motorcycles; passion that is the “heart” of **creativity**;
- insight, driven by this creativity, into the importance of “**safety**” and of “**protecting the motorcycle rider**”; for those who ride on a daily basis and for the professional pilot always seeking the limit of adherence. Someone had to think about their safety, and that someone was Lino Dainese.

That insight became the company’s “**mission**”; usually, companies try to “**satisfy**” a need of the consumer, whereas the strength of our company was that of “**anticipating**” a need that the consumer initially had no perception of; this happened for the back protector, for protective garments in general both for use on motorbikes and in dynamic sports, and will more than likely also occur in the near future for the air-bag, which will gradually replace conventional protections.

2) THE “KEY” STEPS OF DAINESE’S SUCCESS

The very first product to be marketed was motocross leather pants, soon extended to motorcycle suits for on-road use, where the number of users was much larger; collaboration with riders like Giacomo Agostini (1975), Barry Sheene (who was first to wear the back protector), Kenny Roberts (together with whom the *knee slider* was initially designed and introduced) and Freddy Spencer (whose spinal column was saved in 1981 by the Dainese back protector), through to riders of the present like Valentino Rossi, Lorenzo, Simoncelli, and with Dr. Costa’s Mobile Clinic and the most important university research centres, has contributed (and continues to contribute) enormously to the development of Dainese products, both in terms of “**safety**” and “**comfort**” (which are fundamental elements in the “active” safety of all our products).

At the start of the Nineties, the “protection” mission was extended to all garments, with the intention of ensuring full protection “**from head to toe**” and in particular: with the development and introduction of the helmet to the collection (anticipating Dainese’s acquisition, in 2007, of the legendary Italian brand founded in 1947: “**AGV**”), with the development of garments with integrated protections, with the use of Gore-Tex® and Cordura® fabrics and the development of boots and gloves with Kevlar®/carbon protection.

At the end of the Nineties, the experience acquired in the motorcycle world was transferred to the world of “**dynamic sports**” (first Downhill, then Ski, followed by Snowboard, Jet Ski, Kite Surf, etc.).

Just as for the motorcycle line, collaboration with top athletes allowed continuous evolution of Dainese products **in terms of protection and comfort**: Philippe Perakis in Downhill, in skiing Alberto Tomba (**anecdote on the use of our back protector**), Kristian Ghedina (**anecdote on the risk of disqualification of the athlete by the International Federation for presumed aerodynamic advantages**) and Deborah Compagnoni all used Dainese protections and they are still used today by important athletes, like the current holder of the overall Alpine Skiing World Cup, Aksel Svindal, whose back was saved by a Dainese back protector during a bad fall in 2007,

At the beginning of the Noughties, Dainese took up a new challenge: “protecting with air”. The Dainese Air Bag, D-Air®, will replace conventional protections, ensuring high impact absorption capacities and therefore greater protection for the motorcycle rider. Dainese was inspired by nature in the design of the D-Air®, with the idea of protecting the rider through a sudden change in position, following the example of some animals, such as the porcupine, when they sense danger.

The D-Air® is Dainese’s challenge for the twenty-first century, and has already attained important initial results, in particular in the “Racing” field (falls by Luethy, Ranseder and Jorge Lorenzo **at Brno and Phillip Island with activation of the system and Lorenzo’s first victory at Indianapolis with system active during the race**).

The D-Air® “*street*” (intended for everyday use) will be marketed from the end of 2010.

This is a brief summary of the history and “key” steps of Dainese’s success, but what are the factors that have contributed to the company’s success?

3) TECHNOLOGY, CULTURE OF PROTECTION AND DESIGN: FACTORS THAT HAVE ALL CONTRIBUTED TO THE COMPANY’S SUCCESS

Factors that have greatly contributed to our company’s success are undoubtedly a strong propensity for innovation and technology, together with the “culture of protection” of the entire working Group and with particular attention to design; the title of a book on the history of Dainese, written by Virginio Briatore and published by Abitare Segesta, “**il design salva la vista**” (design saves lives) hits the mark.

So, sources of success have been:

- **STRONG PROPENSITY FOR INNOVATION AND TECHNOLOGY**; important investments in technological research; from studies of composite materials for the production of protectors, to study of the D-Air®, to study of the “*Biosuit*”, the challenge of the future, a suit for space walks to be used by astronauts in the mission to Mars (being organized by NASA for 2030) and that Dainese is developing together with the MIT, the top research university in the world, to the creation of a highly automated logistics centre in Vicenza.

- the “**CULTURE OF PROTECTION**” has become part of the DNA of Dainese work Groups, in which technical and scientific knowledge in the field of biomechanics (the study of movements of the human body), the knowledge of traumatology (the study of

lesions to the human body and relative causes) while practicing motorcycling and other dynamic sports, and the resourcefulness of “creatives” all converge and interact.

Dainese work Groups are composed of experts in sectors also heterogeneous with each other; an example is the D-Air® Project, where experts in traumatology and biomechanics collaborate with experts in electronic engineering, and therefore they are formed of “knowledge workers” who pool their skills and personal experiences to create the “culture of protection”, first of all within the company; the idea, which initially seems “visionary” is made “tangible” by the work Group, composed of people with extremely high skills, each in his or her own field, placed at the disposal of the others with synergistic commitment to reach a single strategic or design objective.

- **PARTICULAR ATTENTION TO DESIGN: “DESIGN SAVES LIVES”**; the continuous search for design solutions: the introduction of “colour” in the early Seventies, drawing inspiration for its products from nature (armadillo and lobster) and history (medieval and renaissance armour), collaboration with successful designers like Marc Sadler, the Dainese *T-Age* (patented) suit which in 2001 won the *Golden Compass* prize (until then a prerogative of chairs and lamps of all kinds) awarded by ADI (an association that represents the design world); the *Bap* (patented) back protector that was short-listed for the *Golden Compass* prize in 2004; the opening as from the Nineties of a chain of Dainese single-brand *Flagship Stores* throughout the world, both owned and not owned, highly characterized by an exciting design; these are some of the important steps in the evolution of design in our company.

“**Technology**”, “**culture of protection**” and “**design**”, therefore, the success factors that have allowed the company to open new markets and to retain its leadership in these markets.

Therefore, the correct use and defence of its intellectual property rights have taken a strategic role in the company’s success.

4) TECHNOLOGY AND DESIGN: HOW TO PROTECT THEM? INTELLECTUAL PROPERTY AS STRATEGIC SUCCESS FACTOR

Each year Dainese invests around 0.3% of its turnover in trademark filing and maintenance activities, patent filing and international extension and activities to combat counterfeiting.

In order to protect the company’s trademarks and patents, world markets and filings are monitored continuously (through surveillance services) and intense measures are also taken to protect against counterfeiting. Since 2000 Dainese has brought 115 legal actions for patent/trademark/design counterfeiting and in opposition to trademarks/patents.

In the last three years alone, Dainese has obtained, besides injunctions prohibiting marketing of counterfeited products, compensation for damages from trademark and patent counterfeiting of over 210,000.00 euro.

TRADEMARKS: THE COMPANY'S COFFER

Trademarks are the company's "coffer", they are a company asset that contain the image and goodwill of the company. The trademark reaches beyond economic crises, fashions, it has deep roots and is a guarantee of continuity.

Management of company trademarks must never be underestimated.

- Filing strategies:

We have filed:

- in countries in which we are "productively" and "commercially" present (EC, international and national filing of trademarks) in the relevant product classes (9, 18, 25, 28 and 35 which includes "signs", as Dainese has a network of single-brand Stores with the Dainese sign); care must be taken over filing the trademark in China, in Chinese characters (difficulty in transliteration of the trade name into Chinese ideograms);
- in countries where there is a risk of counterfeiting (counterfeiting case in Pakistan);
- in countries with potential commercial development in the short-medium term.

- Internet domains: registration of "generic" domains (org, info etc.) and "country-code" top-level domains, in all countries in which our trademark has been filed; the Internet is the present, but above all it is the future, also from a commercial viewpoint and it is extremely important to register domains corresponding to the trademark .

- Protection of trademarks: activation of a worldwide trademark surveillance service, customs surveillance, legal actions against counterfeiting (good in France and in Germany, not so good in Italy, but after the establishment of specialized sections on the subject of industrial property, our legal system has greatly improved, both in terms of competence and efficiency; **attention to counterfeiting on the Internet** and in particular through portals for private sellers (eBay, Taobao etc), it is becoming the preferred trading outlet for counterfeiters, often fictitious names offering products for sale conceal organizations dedicated to counterfeiting also of large numbers of products (with a view to this, we have joined eBay's "VeRO" program, which allows offers of counterfeit products to be removed in real time).

- Dainese Group trademarks "in figures"

Registered marks (trade names and trade marks): no. 39

World filings of the aforesaid marks: no 518

Countries in which at least one mark has been filed: no. 94

Product classes claimed: no. 17 (classes 3, 6, 9, 12, 14, 16, 18, 19, 20, 21, 24, 25, 27, 28, 35, 41, 42; the main classes in relation to Dainese's core business are 9, 18, 25 and 28)

Registered internet domain names: no. 60

PATENTS AND MODELS/DESIGNS: THE ADDED VALUE OF DAINESE PRODUCTS

Patent activity is of fundamental importance to protect Dainese's know how and innovations and represents a true "competitive advantage" of Dainese products.

- Filing strategies: just as for the marks, these represent an important company asset.

We carry out continuous filing of invention and industrial design patents in close collaboration with D-Tec®, the R&D Department, and through collaboration with our external industrial property consultants.

We are very careful that the innovation is not disclosed before being filed (to avoid the patent from becoming void due to “prior disclosure”).

At strategic level, we generally file in Italy, which allows us to limit costs, ascertain whether the product has been successful or has been modified in the meantime and, within a year of Italian filing (time limit for proceeding with international extension), decide whether to extend it abroad (through European patent or PCT).

Particular attention is paid to protecting the industrial secret; in fact we have employees and suppliers sign specific confidentiality agreements.

We also indicate in our catalogues (and where possible on the products) the patent number or the wording “patent pending” (this has dual validity: 1) it indicates the added value of the product to the consumer and 2) it is an important deterrent for the competition, always very interested in “learning” from Dainese innovations).

- Protection of patents: with the valid support of our sales force we are able to promptly identify products using solutions patented by us and bring the necessary actions (case of the patent for the lumbar joint for back protector – we brought legal action in France, Germany, Italy and other countries, which gave great satisfaction both to myself and to the company and without doubt helped the company to maintain its leadership in the marketing of back protectors in countries in which the patent was filed).

- Dainese Group patents “in figures”

Patents filed (Italian, PCT and European): no. 93

Validation of European patents: no. 71

Countries in which there is at least one patent protection in Dainese’s name: no. 22

Utility models filed (only Italy): no. 5

Models/designs filed (Italian, EC and international): no. 27

Countries in which there is at least one model/design protection in Dainese’s name: no. 32

CONCLUSIONS

Intellectual property has undoubtedly contributed to the success of our company, valorising our products and continuously transmitting values and company mission, the true raison d’être of our company.

Intellectual property is not like a product, which sells if it is attractive and whose success is immediately apparent: “turnover”; intellectual property must not be seen as a cost, but rather as an investment; if Intellectual property is managed correctly, the company will reap undoubted and important medium-long term benefits and it will be fundamental for the attainment of strategic goals set.