

Italy has introduced new rules to stop manufacturers deceiving customers about where their products were made. **Simone Verducci-Galletti** and **Donatella Prandin** of **Bugnion** explain how they could catch out the unwary

Cashing in on Italian cachet

In recent years, there has been a growing effort to protect the term “Made in Italy” for both political and economic reasons. This is because some companies have falsely claimed that their products are totally or mostly produced within Italy on the grounds that Italian products – particularly in the fashion, design, furniture and mechanics sectors – have a reputation for style and quality. Of course, this reputation extends only to certain industries – even Italians recognise that South Korean and Japanese companies produce some of the best technology in the world.

Italian products have a reputation for quality related to the use of experienced artisan labour, although now many Italian companies rely heavily on immigrant labour or manufacturer their goods outside of the country.

As a result, in this era of globalisation it may seem pointless to promote the idea of a “Made in Italy” label. However, we believe that it is important to outline recent developments in the law in this area which might provide useful hints to other countries that may approach this issue. Besides Italy, a number of other EU member states including France and Spain are promoting debates on this issue in the European Community institutions.

There is now a draft EC Regulation pending on the indication of the country of origin of certain products imported from third countries (COM (2005) 661 final). In October 2009, the European Commission re-launched the issue with a document entitled: *Possible options to facilitate the adoption of the proposal for a Council Regulation on the indication of the country of origin of certain products imported from third countries.*

The European perspective

As many readers may know, a number of the EU’s main trading partners, including Canada, China, Japan and the US, already impose indication of country of origin rules on imported goods.

There are no clear rules in international law regarding the origin of goods. The only rules are in the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods of April 14 1891, with some additional direction provided by GATT.

European Community law includes Regulation No 450/2008 of April 23 2008 (Community Customs Code) which provides at article 36 that goods wholly obtained in a single country or territory shall be regarded as having their origin in that country or territory; and goods the production of which involved more than one country or territory shall be deemed to originate in the country or territory where they underwent their last substantial transformation. However, the scope of such rules is limited to Customs and it is not at all related to indication of country of origin.

With reference to the indication of country of origin, the EU is oriented towards restraining member states from imposing such an indication. In this regard, in decision 1201/85 (*Commission v UK*) the European Court of Justice ruled as follows:

“Indications and markings of country of origin allow con-

Donatella Prandin



Donatella Prandin is a partner of Bugnion and manages the firm’s foreign department. She graduated in law from the University of Milan and joined the firm in 1991. She is a registered Italian trade mark attorney and a Community trade mark and design attorney. Ms Prandin has extensive IP experience and her practice covers trade mark, copyright, designs and domain name issues including trade mark prosecution, contracts, licensing, due diligence, infringement and out-of-court proceedings.

She is the author of a number of articles about IP law and is a member FICPI (Italian Collegio), INTA, MARQUES, PTMG, ECTA and AIPPI.

Simone Verducci-Galletti



Simone Verducci-Galletti is an associate with Bugnion. He is a registered Italian and Community trade mark and design attorney who graduated in law from the University of Perugia, where he specialised in EU law and economics. Before joining Bugnion’s Milan office in 2004, Mr Verducci-Galletti worked as a consultant with IP firms in Rome and Alicante.

His areas of practice cover trade marks, designs, indications of origin, domain names, copyrights and related legal issues. He is in charge of Bugnion’s Community trade mark team and he is a member of ECTA and INTA sub-committees. He has authored a number of IP-related articles.

sumers to distinguish national goods from imported goods and provide, therefore, the opportunity of claim eventual prejudices against foreign products. [...] the EC treaty goal is the fusion of national markets into a [...] single internal market. In this vein, marking the origin of a product makes not only more difficult the selling of good of a member state in another member state, but also it makes more difficult the commingling of markets and barring the work competence partition among the member states”.

It follows that from the European perspective there is only the possibility of marking the origin of a product (at least according to the Customs Code), but member states may not impose an obligation on companies to use such indications.

There are different perspectives when it comes to opinions about the need for an indication of country of origin: the neutral and the business perspective. According to the neutral perspective, mere information about the origin of a product would not influence consumer choice. In contrast, the business perspective suggests that consumers may well choose products according to what they perceive to be the particular quality of different countries' products. For the past six years, Italian law makers seem to have adopted this latter perspective.

Italy's Made in Italy rules

Before 2004, the purpose of Italian rules of indication of country of origin was to prevent manufacturers from deceiving consumers about the country of origin of their goods.

On the administrative law side, a statutory law had been enacted in 1967 to enforce the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods of April 14 1891. As far as the criminal law is concerned, article 517 of the Italian Criminal Code took into account the sale of products bearing a name, marks or signs “able to deceive the consumer on the origin and quality of a product”. Deceptions could be punished by imprisonment and a fine of up to €20,000.

In 2003 the Italian Parliament approved Act 350/2003

Since the entry into force of those provisions, Customs have interpreted and applied them strictly, seizing goods bearing ambiguous and contradictory indications, even if formally correct

including an article (4.49, amended in 2005 and 2006) which made article 517 directly applicable to the “import, export and commercialisation of goods bearing false and deceiving indication”. This article makes it clear that it applies to “false and deceiving indication of the marking ‘Made in Italy’ on goods not originating from Italy according to EC regulation of origin of products” (Community Customs Code).

We wish to focus on another part of the article, which goes on to state: “even in case the actual foreign origin of a good is indicated, the use of signs, devices, or similar elements that may lead consumers to believe that a product is of Italian origin must be considered as deceptive”.

This was subsequently amended in 2006 with the addition of the words: “the misleading or deceiving use of trademarks according to the provision of unfair commercial practice falls into the above-indicated case”.

It is important to underline that the deceiving indication of goods may be dealt with on the administrative level by removing the signs, devices, or similar elements that may lead consumers into believing that a product is of Italian origin. It fol-

lows that in cases where goods are stopped by Customs on the basis of these provisions, the goods may be released after the removal of the deceiving element. However, the criminal offence remains and could result in a trial.

Legislators maintained this position when, in the second half of last year, they passed act L.166/2009, confirming DL.135/2009. According to this law, it is deceptive to use a mark in a way that would lead consumers to believe that a product is of Italian origin according to the European rules on origin, without clear, evident and precise indication that the goods originate from abroad, or in any case without a statement made by the trade mark owner or the licensee giving information on the foreign origin of a product. Fines are a minimum of €10,000 and a maximum of €250,000.

Within the same Act, rules regulating the use of indications such as “100% Made In Italy” and “tutto made in Italy” have been introduced.

A question of interpretation

As you can imagine, it is not always easy to interpret the scope of the rules. Since the entry into force of those provisions, Customs have interpreted and applied them strictly, seizing goods bearing ambiguous and contradictory indications, even if formally correct.

The literal tenor of the rules has allowed the seizure of products bearing accurate information (for example, “Made in China”), but with the addresses of Italian companies as the licensor or the company responsible for the product, or trade mark with Italian names, or simply the denomination Italy or Italian symbols (such as monuments), or the Italian flag.

The history of cases at the Italian Supreme Court (Corte di Cassazione) testifies to these difficulties. In their decisions the Supreme Court judges have tried to neutralise the negative effects caused to Italian companies which have shifted their production outside the country by the strict interpretation of such rules.

The Court has tried to shift attention from the concept of geographic origin to the concept of business origin (decisions 3352/2004 and 13712/2005), discharging companies which, for instance, produced in China as part of an Italian project or under strict control from Italy.

Some academic commentators noted that such rules, which were in principle introduced for the benefit of Italian companies, have, in practice, created problems for them. Furthermore it has been noted that the rules might not be considered in line with principles of equal treatment set forth by the Italian Constitution and with the free circulation of goods established by EC treaties (there are no references to indications different from “Made in Italy”).

It is clear that Italian legislators took into account the interests of Italian corporations when developing the rules. We believe nonetheless that foreign corporations will also be affected by the rules because they will influence trade mark law in general and the rules relating to deceptive use of trade marks in particular.

Effects on trade mark law

It is not easy to construe the effect of this new statutory law on trade marks. Despite that, there are two main circumstances that may be affected by the new rules.

Firstly, where deceptive use of a trade mark may lead consumers to believe that a product is of Italian origin, even if the actual origin is indicated.

Secondly, where there is deceptive or misleading use of

trade marks under the provisions of unfair commercial practice that may lead consumers to believe that a product is of Italian origin even if the actual origin is indicated.

A third issue may arise, although it seems a sub set of the second; that is, where “use of a mark by its holder or licensee in a way to lead consumer to believe that a product is of Italian origin according to the European rules on origin, without clear, evident and precise indication that the goods are originating from abroad, or in any case without the statement made by the holder or the licensee that the commercialisation will be made”.

If the rules are not challenged on constitutional grounds we believe that the first scenario may be affected by the application of the rules on the deceptiveness of the trade marks both by the Italian IP Office and the courts.

In particular, these provisions seem to establish a new special case of deceptiveness dedicated to the supposed Italian origin of mark.

In fact, since this rule simply makes reference to a sign, and not to its use, we believe that this will impact on the evaluation of the mark itself. For example, on the basis of such a provision, it will be possible to challenge, on the basis of the rules provided by the Italian IP code on illegal trade marks, an Italian-sounding (or words which may recall an Italian origin) mark filed by a non-Italian company. That is true unless it is not a company well known for having a plant or a business address in Italy. In view of the new provisions, in our opinion this will be possible without any evaluation related to the goods distinguished by the mark applied for.

Therefore, under the new provisions, trade marks including words or phrases such as “Italy”, “Italian style”, names of Italian cities or representation of Italian monuments or the like, should become non-registrable for non-Italian IP owners,

unless those marks are claimed for products of Italian origin.

For example, if an Italian trade mark (with an Italian-sounding name) is acquired by a non-Italian company and the manufacture of the related goods is subsequently moved out of Italy, the new law will force the acquiring party to be particularly careful both about the ways in which they make that information public and the ways in which they sell the products.

Goods imported into the EU

Finally, we wish to report that a requirement to mark products imported into the EU with an indication of origin is already enacted as Italian statutory law (D.Lgs 206/2005). However, the entry into force of such provision has been delayed because the implementing regulation for the provision has not yet been approved.

In the absence of similar rules elsewhere in the EU (please consider the above-referred project of regulation), the scope of such a provision would remain very limited. In fact, by virtue of the principle of free circulation of goods in the EC, these rules would not apply to goods for sale in markets other than the EU and imported to Italy.

Advice to IP owners

To sum up, the application and scope of the new rules is still unclear, their utility for the purposes of the legislator are questionable and, moreover, it is very likely that if challenged in front of the European Court of Justice or the Italian Constitutional Court they will be deleted.

Nevertheless, for foreign companies whose products may fall under one of the categories described above, our advice is to try to give the public as much information as possible to avoid any ambiguity which may lead Customs to apply the rules and seize the goods.