

New rules on designations of origin and 'made in Italy' designations

Introduction

Italy is seeking to tackle the issue of the geographical origin of products with two new rules: one relating to designations of origin, the other to the use of the term 'made in Italy'.

The first rule is expected to be adopted soon as part of the revision of the Code of Industrial Property. The second rule has already been passed by Parliament [\(1\)](#) and will enter into force on October 1 2010. However, it presents a number of serious problems, as it appears to contradict EU law and the Italian Constitution.

The issue of national designations has been debated in Italy for many years. Economic globalization has come to mean globalization of the factors of production.[\(2\)](#) This raises obvious and serious problems for products that are strongly dependent on local input, have strong localized elements and seek to underline their local qualities with designations denoting their origin. However, such local qualities increasingly need protection that extends beyond the product's country of origin to its export markets. Much remains to be done, for although such protection is generally strong in a product's country of origin, it is unsatisfactory at international level.

Designations of origin differ significantly from trademarks and patents in this respect. The position of most developed countries in respect of trademarks and patents is essentially the same. However, the interests of countries such as Italy, with a strong tradition of creating quality local products, conflict with the economic approach of countries without such a tradition, which have already moved a long way towards delocalization. In Italy, this is an issue for agricultural products, but also for many manufactured goods, such as textiles and shoes.

These conflicting interests explain (without justifying) the minimal protection for geographical indications under the Agreement on Trade-Related Aspects of Intellectual Property Rights. Article 22 protects such indications only in the context of preventing the public from being misled. The most insidious way in which such indications are exploited is their use with terms such as 'type' and 'style', which do not mislead consumers as to the origin of a product, but imply a connection with the reputation of a geographical indication. However, such use is prohibited only for geographical indications relating to wines and spirits, which have traditionally enjoyed greater protection than other local products.[\(3\)](#)

Proposed revision of Code of Industrial Property

The proposed amendments to the code were prepared by a commission appointed by the Ministry of Economic Development. The revised Article 30 of the code would expressly protect geographical indications against unauthorized use that "allows for the undue exploitation of the reputation in the protected name".[\(4\)](#) This would bring the regime for designations of origin closer to that of other distinctive signs - particularly trademarks, which are protected against all forms of commercial parasitism.[\(5\)](#) For these purposes it would be unreasonable to distinguish between designations of origin that inform the public of the existence of certain characteristics or of a certain level of quality connected with a particular

geographical environment, and those designations that merely communicate the existence of a reputation connected to the environment in question.

The main EU legislation on designations of origin for agricultural foodstuffs is EU Regulation 92/2081,⁽⁶⁾ which protects designations of origin and geographical indications. Wines and spirits are protected by EU Regulations 2007/1234 and 2008/110, respectively. The proposed revision of the code would extend the protection available under the regulations to all designations of origin. Designations and geographical indications are protected primarily against "any practice liable to mislead the public", and against use on products that do not originate from the area in question, even if the true area of production is indicated or if the indications are used in translation or in qualified form. Such names are also protected against:

"any direct or indirect commercial use of a name registered in respect of products not covered by the registration, insofar as those products are comparable to the products registered under that name or insofar as using the name exploits the reputation of the protected name."

This provision is particularly significant, as it protects designations from wrongful exploitation outside the category of goods to which a designation properly belongs.

Italy's approach in extending protection to all designations of origin, not merely those applying to foodstuffs, is similar in some respects to the approach to trademarks with a reputation. The two regimes would become closer in terms of levels of protection and the importance of a sign's non-deceptiveness, creating a form of common law on business signs.

'Made in Italy'

The new rule on the words 'made in Italy' has been criticized as an attempt to use a designation of origin to hinder decentralization and the integration of production at international level; as such, it is seen as restricting business strategies that promote competition, reduce costs and ultimately benefit consumers.

The issue of greater protection came to the fore with the approval of the Finance Law 2007, which amended Article 4(49) of the Finance Law 2004 and extended penalties under Article 517 of the Criminal Code to "the import and export for commercial purposes or the sale of goods bearing false or fallacious indications of origin". The entry into force of Legislative Decree 35/2005 clarified the application of the article, which is not confined to cases in which the marks could mislead the public as to the source of the goods. However, the Financial Law 2007 specified that:

"'False indication' includes the affixing of 'made in Italy' indications to products and works not originating from Italy according to the EU rules of origin. 'Fallacious indication' includes the use of signs, figures or anything else that may cause a consumer to believe that a product or work originated in Italy, even if the foreign origin of the product or work is indicated, including the fallacious or misleading use of company trademarks pursuant to the law on misleading commercial practices."

The legislature sought to allow for a broad interpretation of the prohibition on use of trademarks and other distinctive signs that "may mislead the purchaser as to the origin or quality of the work or product" under Article 517 of the code. The intention was to cover all cases of misleading use of a trademark. However, the courts did not accept the wider

interpretation introduced in 2007, finding that it contradicted EU law and the constitutional principle of equality.

In 2006 the Budget Commission of the Chamber of Deputies approved a much broader prohibition against the use of Italian trademarks on goods not originating in Italy pursuant to EU legislation. However, this would have been a step too far, as it would have prohibited the increasingly common practice among Italian firms of decentralizing production. Although the text did not become law, it highlighted an erroneous perception of the problems of infringement that is widespread among politicians.

A similar rule was passed in 2009. Article 17 of Law 99/2009 prohibited the affixing of trademarks of Italian firms to goods manufactured abroad, unless the real geographical origin of the goods was indicated by means of "clear words [or] another indication sufficient to avoid confusion as to their real foreign origin". However, this provision not only unjustifiably hindered the practice of decentralization, but also created a disparity in the treatment of goods made abroad by Italian firms and those made by firms from foreign countries, including other EU states. This appeared to be contrary to the Italian Constitution, quite apart from the problems of compatibility with EU law.

The outrage expressed by various business associations and the criticism of legal experts led to a hasty change of direction. The provision was partly abrogated by Article 16 of Legislative Decree 135/2009, (later converted into Law 166/2009), which introduced a new rule that entered into force on November 9 2009. Although the new rule repealed the criminal penalty, it replaced it with an administrative penalty of between €10,000 and €250,000, and goods are still confiscated. Furthermore, a marked disparity in treatment remains. Although the new article no longer uses the term 'Italian trademarks', it prohibits "the use of the trademark by the holder or licensee in such a way as to lead the consumer to believe that the product or good is of Italian origin", unless the real origin is indicated. Penalties apply not where there is any kind of difference between the apparent and real geographical provenance of the goods, but only where the goods misleadingly appear to originate from Italy. Therefore, a trademark used in a way that leads consumers to believe that the goods in question come from France, when they are actually produced elsewhere, will not be considered unlawful, even though the situations are essentially identical. It could be argued that this disparity in treatment violates: (i) Article 3 of the Constitution, whereby the law cannot apply different measures to regulate identical cases (as such treatment amounts to unjustified discrimination); and (ii) Article 28(30) of the EC Treaty, which prohibits quantitative restrictions and all measures with equivalent effect.

Legislative Decree 135/2009 applies criminal penalties under Article 517 of the Criminal Code - incongruously increased by one-third - to the use of:

"a sales indication that presents a product as entirely produced in Italy, such as '100% made in Italy', '100% Italia' or 'tutto italiano', in whichever language, or anything else which may lead the consumer to believe that the product was entirely produced in Italy, or signs or figures which induce the same mistaken belief."

In applying this condition to goods not "completely produced in Italy", the legislative decree requires a product's design, planning, production and packaging to have been carried out exclusively in Italy. Quite apart from the problems of compatibility with EU law, the provision appears to be imprecise and difficult to apply. Therefore, there is a risk that the provisions on such statements of Italian provenance will result in misconceptions and

disputes; the intended outcome could be achieved more easily with recourse to collective trademarks, which are recognized under both Italian and EU law.

Worse was to follow. On April 8 2010 Law 55/2010 - known as the Reguzzoni-Versace Law - came into force, regulating the labelling of products in the field of textiles, shoes and leather goods. The new rules state that all such products marketed in Italy, including intermediate products, must bear:

"clear, concise and specific information on the conformity of the manufacturing processes with the rules in force on labour matters, guaranteeing compliance the conventions signed with the International Labour Organization throughout the supply chain with regard to the certification on hygiene and product safety, the exclusion of child labour from the production process, consistency with EU regulations and conformity with international agreements on environmental matters."

However, this rule (which holds for all products marketed in Italy, irrespective of their origin) is clearly contrary to EU law, since it violates Article 28(30) of the EC Treaty. Moreover, Article 1 of the new law states that the words 'made in Italy' cannot be used unless two stages of the manufacturing process [7](#) take place in Italy and (implicitly) that to this purpose the last of these stages is not necessarily included, while the EU Customs Code provides that:

"goods wholly obtained in a single country or territory shall be regarded as having their origin in that country or territory. 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."

Furthermore, the new law makes use of the 'made in Italy' indication conditional on the traceability of the other stages - a requirement that also appears in the code.

Conflict between a national rule and an EU norm is likely to expose Italy to an infringement procedure under Articles 226 to 228 of the treaty. The Italian legislature is well aware that the issue is specifically a matter for the EU legislature, and that the European Commission is discussing a 2005 proposal for a regulation on obligatory origin labelling for certain categories of product from outside the European Union.

The new norms are also clearly unconstitutional on grounds of inequality, since they impose rules applicable in Italy on the use of the indication 'made in Italy', but not on indications such as 'made in France' or 'made in Germany'.

The fact that the new provision is scheduled to enter into force in October 2010, instead of the usual 15 days after publication in the *Official Gazette*, should allow the EU authorities to express their own opinion. It is to be hoped that these rules will not even come into force.

Comment

The recent intervention by the Italian legislature - like those of 2009 on the same issues - demonstrates a new protectionist tendency, which is probably related to the economic downturn. However, it completely contradicts the recent positive evolution of IP law in Italy. Both case law and legislation have shown a trend towards a realistic and concrete approach to the protection of IP rights, based on a realistic consideration of what the values underlying

these rights represent on the market, and of the place of IP rights in the dynamics of economic activity, the interrelation of enterprises and research.

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Endnotes

(1) Law 55/2010.

(2) For a further discussion of this point, see Carli, "*Indicazioni di Provenienza e Denominazioni di Origine: Il Ordinamento Comunitario*", in *Enc Giur Treccani*, volume 10, Rome 1999, page 3 ff. and Galli-Falce, "*Globalization Of The Economy, Protection Of Designations of Origin And Limits To Production*", in *IIP*, 2006, page 76 ff."

(3) Article 23.

(4) See Galli, "*The Scope of Trade Mark Protection and the 'New' Trade Mark Infringement*" in the *ECTA Gazette*, 2006; and "*La Tutela contro il Parassitismo nel 'Nuovo' Codice della Proprietà Industriale*" in *La Revisione del Codice della Proprietà Industriale*, Ubertazzi (ed), Milan, 2007.

(5) On this argument, see Vanzetti, "*I Marchi nel Mercato Globale*", in *Riv dir ind*, 2002, I, 92 ff, page 102; and Galli, "*L'Allargamento della Tutela del Marchio e i Problemi di Internet*", *id*, 103 ff, pages 123 and 124. Both essays are in *Il Futuro dei Marchi e le Sfide della Globalizzazione*, Galli (ed), Padua, 2003.

(6) Now replaced by EU Regulation 2006/510.

(7) The law indicates four or five such stages, depending on the product. Ministerial decrees are intended to provide more precise guidance.