

New counterfeiting regulations in Italy

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NEW PROVISIONS

Law No. 99 of 23 July 2009 (Law 99) added several new elements to Italian IP law, in particular regarding criminal sanctions. Articles 473 (concerning counterfeiting) and 474 (concerning the introduction into Italy and the sale of products bearing counterfeit signs) of the Italian Penal Code (IPC) have been entirely rewritten, increasing both the periods of imprisonment and the fines for IP right infringers. The penalties for infringement now are:

- Counterfeiting trade marks: six months to three years imprisonment and a fine of between EUR2,500 (about US\$3,460) to EUR25,000 (about US\$34,640).
- Infringing of patents or models: one to four years imprisonment and a fine of from EUR3,500 (about US\$4,850) to EUR35,000 (about US\$48,500).
- Importing of products bearing counterfeit trade marks into Italian territory: one to four years imprisonment and a fine from EUR3,500 to EUR35,000.
- Introducing those products into the market: up to two years imprisonment and a fine of up to EUR20,000 (about US\$27,700).

This article looks at the new provisions and discusses the changes in comparison with the old law and the likely effects on companies doing business in Italy.

Counterfeiting

Before the changes made by Law 99, in theory, establishing the crime of counterfeiting required proof that the infringer was subjectively aware that the infringed trade mark has been registered. The law itself did not give any indication of whether or not the infringer had to have known of the existence of the violated property right to be guilty of counterfeiting. However, in interpreting the subjective element, the jurisprudence had always considered wrongful intent as the will to counterfeit and awareness of the violated right and Italian Court of Cassation had ruled that, in the crime of counterfeiting, wrongful intent consisted, not only of the intention to counterfeit, but also of the awareness that the infringed trade mark (or distinctive sign) had been registered. The Court of Cassation also considered intent to include probable intent, so establishing intent required only demonstrating an acceptance by the infringer of the risk that the mark was registered and failure to verify the existence of the right by consulting the public record was evidence of the existence of the subjective element of the crime.

The new law now simply states that, to be guilty, a party must have been able to know of the existence of the industrial property right. The change, while seeming to extend criminal protection, may not make much difference in practice. Arguably, the new

law agrees with the jurisprudence in making awareness of the right not dependant on positive subjective knowledge of the existence of the right, since it is enough to have accepted the risk that it exists. According to this interpretation, the change merely makes the subjective element (in the form of probable intent) an objective element of the crime. Therefore, it is sufficient to prove the violator's merely being able to know about the existence of a trade mark and the burden is now on the defence to demonstrate excusable ignorance. Arguably however, the formula "being able to know" is ambiguous. It could, in fact, demonstrate the legislature's intention to add negligence as a way of evaluating the infringer's behaviour, although this is not the preferable interpretation. These changes only apply to the counterfeiting of trade marks or distinctive signs and not to that of infringement on patents, designs or models, since the law on these is unchanged.

Sale of counterfeit goods

Penalties are harsher in the new formulation of Article 474 of the IPC, providing a separate punishment for the introduction of counterfeit goods into Italy as distinct from holding them for sale and putting them in circulation. The separation of the crime into two elements was accompanied by the requirement that it be done "for the purpose of deriving profit" (this is broader than simply saying "for profit"). While the old text referred to goods introduced into Italy "for trade", the new law applies to the importation of counterfeit products for generic profit even without offering them for sale.

Misleading information - "Made in Italy"

The law on the sale of industrial products with misleading information was changed twice in a few months. The list of examples of false or misleading indications of origin was extended to add the use of Italian companies' trade marks on products or goods not originating in Italy, without a precise indication, in obvious characters, of their country or place of fabrication or production, or other indication sufficient to avoid any error about their foreign origin (*Article 17, paragraph 4, Law 99*). A criminal sanction (that given by article 517 of the IPC, but increased by a third) was imposed for the use of a sales marking that presents the product as entirely made in Italy, in any language, or other indications that similarly wrongly indicate to the consumer the product's Italian production.

This new rule created problems of conformity to EU law and the Italian Constitution, and remained applicable for little more than a month. First, it conflicted with the basic principles of the free circulation of goods within the EU as the TFEU expressly prohibits member states from imposing measures that are equivalent to quantitative restrictions on the circulation of goods.

Second, the amendments created a disparity of treatment between products made abroad by Italian businesses and foreign

amounting to criminal conspiracy under Article 416 of the IPC (*Article 15, paragraphs 4, 5 and 6, Law 99*).

Police investigatory powers

Law 99 allows police officers to assist those who have committed the counterfeiting crimes proscribed by Articles 473 and 474 of the IPC for the sole purpose of acquiring proof of those crimes (*Article 17, paragraph 1, of Law 99 (amending Article 9 of Law 146/2006)*).

Consumer penalties

The new law imposes a more realistic penalty on consumers who purchase counterfeit merchandise, an administrative fine of between EUR100 (about US\$140) and EUR7,000 (about US\$9,700) (rather than between EUR500 (about US\$690) and EUR10,000 (about US\$13,860)) (*Article 17, paragraph 2, of Law 99 (amending Article 1, paragraph 7, of DL 35/2005 converted to Law 20/2005)*).

The legislature has eliminated the requirement that a guilty party must have purchased counterfeit goods without having first ascertained its legitimate origin from the definition of the crime. Instead liability is based on the goods' appearance of illegality, based on who is selling it, its price and quality.

Confiscation of land

Where a crime has been committed, the new regime provides for the confiscation of buildings and premises where the counterfeit

materials were produced, stored, held for sale or sold, while protecting the rights of landlords who acted in good faith (*Article 17, paragraph 3, Law 99 (amending Article 1 of Law 35/2005)*).

To sum up, the recently introduced provisions have resulted in a stricter and more severe system of laws in the fight against counterfeiting. The general effect is to induce both producers and consumers to consider the danger behind the crime of counterfeiting and to provide the courts with broader powers concerning penalties. The new "Made in Italy" provisions will certainly raise issues of compliance with the EU laws but it is too early to predict their practical effect. The new laws certainly raise producers' awareness of the importance of avoiding the importation of products bearing false designations of origin or misleading information for consumers.

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