

Fabrizio de Benedetti and **Andrea Klein** of **SIB Società Italiana Brevetti** explain how IP owners can make the most of tougher sanctions in the country's Criminal Code in their fight against infringers

How changes to the criminal law will help IP owners

Traditionally in Italy IP owners have tackled patent and trade mark infringement using civil law provisions and ordinary court proceedings which, for the past few years, have come within the competence of specialised IP sections of 12 Italian tribunals and courts of appeal.

A change to this framework occurred in the past decade due to an increased number of counterfeit goods mainly imported into the EU from other countries, particularly China and other Asian countries. European Union legislation enabling right holders to apply for Customs action against goods suspected of infringing IP rights (Regulation 1383/2003) led to an increased use of criminal provisions since Customs authorities, once they have ascertained that there has been a crime of importing counterfeit goods, are obliged to inform a judge who, in turn, will institute penal proceedings likely to involve the application of criminal sanctions.

Italian Criminal Code provisions which came into play were articles 473 and 474. These deal with anyone who manufactures goods bearing a counterfeit trade mark or which are protected by a design registration, as well as those who import such goods into the country. The penalty for manufacturing was up to three years' imprisonment plus a fine and up to two years imprisonment plus a fine for importation.

Penal sanctions were rarely used in connection with the manufacture or importation of goods possibly infringing a patent for invention except in cases in which there was an alteration or counterfeiting of the patent certificate. This was the interpretation given by the vast majority of case law as well as by the most prominent academics. In fact, articles 473 and 474 of the Criminal Code fall within the section entitled "Crimes against public faith", which may well apply to trade mark or design counterfeiting which is likely to confuse the public, but is hardly applicable to the reproduction of a merely technical invention.

Remedies for patent infringement

Since patent infringement involves very delicate and difficult technical and legal matters, it has always been thought that civil court proceedings, in which both the plaintiff and the alleged infringer take part, would be much better suited to guarantee an equitable decision. In this connection, it is to be noted that, when dealing with the European Commission's proposal for a directive on the application of criminal sanctions to the counterfeiting of IP rights (COM(2006)168 April 26 2006), the European Parliament voted on April 25 2007 for patent infringement to be excluded from the proposal, which it said should be applied only to trade marks and designs.

Although the proposed directive seems to be dormant, on August 15 2009 Italy adopted a new law (Law No. 99 of July 23 2009) which strongly reinforces criminal penalties for activities infringing IP rights. The consequence is that the entire framework concerning the use of criminal sanctions against counterfeiters has changed, and the opportunities and risks to IP owners brought by the new legislation must be reconsidered.

Fabrizio de Benedetti



Fabrizio de Benedetti is the managing partner of SIB Società Italiana Brevetti. He is a qualified Italian and European Patent Attorney, Italian and Community Trademark Attorney and Community Design Attorney with over 30 years of practice covering all aspects of IP rights.

Fabrizio has contributed extensively to the drafting of intellectual property legislation, taking part in government bodies in charge of revising Italian intellectual property law, preparing an Intellectual Property Code and applying the Madrid Protocol and TRIPS Agreement in Italy.

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Fabrizio is very active in international and Italian intellectual property organisations: he is Council member and former president of ECTA, Council member of FICPI and member of INTA, AIPPI, LES, UNION and AIPLA, as well as of the Institute of International Affairs and of the Institute of Professional Representatives before the European Patent Office; he is a foreign member of the Chartered Institute of Patent Agents and of the Institute of Trademark Attorneys. Fabrizio is also Council member and former president of the Italian Industrial Property Consultants Institute and member of the Italian College of Industrial Property Consultants.

Andrea Klein



Andrea Klein is a partner of SIB Società Italiana Brevetti. He is a qualified Italian and European trade mark attorney and European design attorney with 11 years' experience of trade mark practice.

Andrea advises major multinational corporations and Italian companies on trade mark and copyright issues; he manages Italian, Community and international trade mark applications, and deals with trade mark clearance, filing and prosecution. He regularly counsels the Italian Patent and Trademark Office on trade mark classification issues.

He is an active member of INTA, taking part in the association's trademark office practices committee and OHIM subcommittee. Andrea is also a member of the Italian Industrial Property Consultants Institute.

Overall, the lawmaker's intervention has affected a number of provisions of the Criminal Code and of other laws. While rendering them more effective, it nonetheless opened the door to some interpretation issues which will need to be evaluated carefully in the future. This brief presentation will analyse changes to the most relevant provisions, without commenting in detail on the possible effects or consequences of them.

Increased penalties

The new law has increased penalties for crimes falling under articles 473 and 474 of the Criminal Code which target trade mark and design counterfeiting but might also encompass patent infringement. These two provisions punish, among other things, the production, the introduction into the territory of the state, the possession for sale, and the sale and marketing of goods bearing a counterfeit or an altered sign. Under these articles, as amended, infringers can be punished by imprisonment of between six months and three years and a fine of between €2,500 and €25,000 in cases relating to the manufacture of goods bearing a counterfeit or an altered sign.

There is a penalty of imprisonment of between one and four years and a fine ranging from €3,500 to €35,000 in cases involving the introduction into the territory of the state of counterfeit goods or of manufacturing goods bearing a counterfeit or altered design. Where an infringer is found in possession of infringing goods intended for sale, or sells or markets goods bearing a counterfeit or an altered sign, the punishment is increased to two years' imprisonment and the payment of a fine of up to €20,000.

As regards patents, the legislator has provided for very high sanctions for a crime which, up to now, was interpreted as merely altering or counterfeiting of the patent certificate document. This opens the door to a new interpretation under which what is in fact targeted for patents is their substantial violation.

Violation of an IP right

The new law has repealed article 127 of the Industrial Property Code, a provision introduced into Italy's legal system in 2005 to grant IP right owners a minimum protection against wilful infringement including patent infringement.

The content of this article has, however, been transposed, with a partially different wording, in article 517 *ter* of the Criminal Code. The new provision expressly states that this crime is committed when the infringer, who might have known of the existence of an IP right, manufactures or industrially uses

The new law has introduced aggravating and extenuating circumstances, which gives judges the opportunity to increase or decrease the level of punishment for IP crimes in certain circumstances

products or goods violating an IP right or, for the purpose of procuring a profit for himself, introduces into the territory of the state, or holds for sale or sells these goods or products. The punishment which previously was a mere pecuniary sanction, now can consist of up to two years' imprisonment plus a fine of up to €20,000. For a criminal action to be brought, however, the IP rights holder is required to file what is known as a *querela* (a special criminal complaint filed by an interested party) with the competent public prosecutor's office, as criminal proceedings for this specific crime – unlike proceedings for

the crimes falling under articles 473 and 474 of the Criminal Code – may not be brought *ex officio*.

Aggravating circumstances

The new law has introduced aggravating and extenuating circumstances, which gives judges the opportunity to increase or decrease the level of punishment for IP crimes in certain circumstances.

More specifically, the new article 474 *ter* expressly states that where the crimes are committed in a systematic manner or through the use of organised activities or means (although not as part of a criminal organisation), the judge may increase the punishment from two to six years' imprisonment and a fine of between €5,000 and €50,000. For the mere conduct consisting of the possession for sale and the sale and marketing of goods bearing a counterfeit or an altered sign (article 474(2) of the Criminal Code) and for those falling under article 517 *ter*, the punishment may be increased to up to three years' imprisonment and a fine of up to €30,000.

These harsher punishments should not only guarantee that the counterfeiter is effectively sent to jail, but they should also allow the use of more effective measures during the investigation phase. Moreover, since in the vast majority of cases the business of counterfeiting is carried out in a systematic manner and through the use of organised activities or means, this aggravating circumstance should secure the application of more severe punishments. Conversely, the judge may now reduce by one half to two thirds the punishments set out under the new articles 473, 474 and 517 *ter* of the Criminal Code if the counterfeiters help the police authorities to fight these crimes or to gather evidence needed to identify accomplices, the means used or the profits gained (article 474 *quater* of the Criminal Code).

Seizure of goods

Another tool in the fight against counterfeiting is found in article 474 bis of the Criminal Code, which provides for the seizure of goods used to commit the crime or which are the object, product, price or profit of the same even though in possession of third parties. Where the seizure of counterfeiters' goods is not possible, a judge may now order that other goods of equivalent value belonging to the infringers be seized.

Companies' liability

According to the new law, fines can also be applied to companies operating counterfeiting businesses. In addition to these sanctions, interdiction measures ranging from the closing of the company to the revocation of the sale licence will be imposed on companies found liable of carrying out counterfeiting activities (amendments to Decree No. 231 of June 8 2001).

Encouraging police investigation

Because the resources given to police authorities to detect the real counterfeiters were often inadequate, the amended article 9 of Law No. 146 of March 16 2006 now establishes the non-liability of officers who, during investigations necessary to gather evidence of crimes punished under articles 473 and 474 of the Criminal Code, purchase, receive or conceal money or objects which are the results, price or profits originating from these crimes. Accordingly, in the future police officers should be able to place orders with counterfeiters for the purpose of identifying the counterfeiters' supply chain.

Purchasers' liability

To guarantee that the administrative sanctions against the purchaser of counterfeit goods are applied, Law No. 99 has modified the amount of the fine – originally determined as a maximum of €10,000 – from a minimum of €100 to a maximum of €7,000. By providing police authorities with the opportunity to impose a more realistic fine, lawmakers hope that administrative sanctions, rarely applied in the past for fear of too many appeals, will be used more often in the future in the fight against counterfeiting.

Landlords' liability

The new law also introduces the possibility of carrying out administrative seizure of the premises where counterfeit goods are manufactured, stored, held for sale or sold, unless the landlord is in a position to prove that he or she did not know that the premises were used for counterfeiting activities. We hope this provision will be a step forward in establishing the liability of landlords for counterfeiting activities carried out by tenants in their premises.

Turning point

The new Italian legislation may prove to be a real turning point in the way in which counterfeiting is fought in Italy. Criminal proceedings, according to the new provisions, cannot be ignored when deciding anti-counterfeiting strategies. They may offer opportunities for effectively prosecuting counterfeiters at low or reasonable costs provided the matter is monitored with sufficient expertise. Correspondingly, the improper use of this criminal instrument can generate undue damages to third parties, the responsibility of which falls

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entirely on the plaintiff. On the whole however, Italian legislation has taken a step forward in providing measures with far-reaching effects.



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