

## **Anti-counterfeiting - an industry approach**

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A recent report has revealed that the market for counterfeit products in Italy generated a turnover of over €7 billion in 2008, of which clothing and fashion represented 56%, fashion accessories a further 35% and multimedia and IT products 9%. This suggests that piracy remains a marginal concern where fakes pose a greater risk to consumers, such as in the pharmaceutical, food, and automobile components sectors.

Deputy Prime Minister Gianni Letta has highlighted the twofold problem in the national fight against counterfeiting: "Italy is the country in the world most affected by counterfeiting and, at the same time, it is... among the main manufacturers of counterfeit goods." The distinction of being the European Union's most prolific manufacturer of fakes - and third in the world - is particularly unwelcome because of the prominent role of organized crime in the counterfeit goods trade. Moreover, Italy's famous luxury and other brands suffer more than most. In light of this problem, anti-counterfeiting efforts in Italy are not only driven by economic concerns, but also pursued on public order grounds.

### **Political and social perspective**

The social and political dimensions of the fight against counterfeiting ensure that it is often discussed in public debates and included on government agendas.

In early 2009 the Ministry of Economic Development, the government body responsible for anti-counterfeiting, was extensively restructured. The Department for the Fight Against Counterfeiting was created and the post of high commissioner for the fight against counterfeiting was abolished.

The department is also in charge of coordinating and implementing the development of the Italian Patent and Trademark Office. Furthermore, an Anti-counterfeiting National Committee, as foreseen under Article 145 of the Industrial Property Code, is expected to be established soon. This committee will be "empowered to monitor any signs of the infringement of industrial property rights... and to coordinate and study measures to combat [such infringement], as well as to assist enterprises for [their]... protection against unfair competition practices".

In 2009 the department launched media campaigns to raise public awareness of the damage caused by the trade in counterfeit goods, as well as the social and personal risks involved.

From a legislative perspective, the government asked Parliament to approve amendments to the Criminal Code and other legislation in order to tighten anti-piracy measures and protect Italian industries. The criminal law generally offers the most powerful weapons against counterfeiting, but Italian law affords more than one approach to IP rights protection.

### **Civil action**

Any action against counterfeiting would be in vain in the absence of a reliable IP rights enforcement system.

As previously reported (in WTR Issue 19, June/July 2009, page 72), the introduction of specialized IP court sections, which handle only IP cases, has made the Italian enforcement system more effective. Moreover, Italy has implemented the EU IP Rights Enforcement Directive (2004/48/EC).

Once counterfeit goods and details of an infringement have been discovered, a trademark owner can obtain a preliminary injunction quickly and effectively. Of the possible interim injunctions available to trademark owners, restraining orders and injunctions for seizure of the infringing goods are likely to be most appropriate and useful in anti-counterfeiting actions. However, trademark

owners must remember that ordinary court proceedings must be commenced within one month of an interim injunction being issued, as failure to do so nullifies the injunction.

Civil law tools are useful and effective when the act of counterfeiting and the party responsible are already known to the trademark owner. However, the hardest task is normally identifying the exact location and scale of the infringing operation, the channels through which goods are distributed and information about the organization behind the activity.

Certain private organizations promote collective investigations and actions, the most influential being INDICAM. Nevertheless, a trademark owner's main recourse is to the police and Customs.

### **Criminal enforcement and role of the police**

All of Italy's policing bodies have internal departments devoted to the investigation of IP infringement cases.

The *Guardia di Finanza*, Italy's tax police, is empowered by Legislative Degree 68/2001 to "act against counterfeiting of trademarks (and audiovisual piracy) in order to safeguard the economic development of the country". It has created a marks, patents and IP division in order to analyze, investigate and act against counterfeiting and related crimes.

Special departments of the police may conduct investigations under the direction of public prosecutors or may act on the basis of a report by a trademark owner.

When police officers discover goods that they believe may infringe IP rights, they may make a criminal seizure and will usually ask the trademark owner to cooperate in the resulting investigation. In such cases the police force acts on the basis of Articles 473, 474 and 517 of the Criminal Code, which were implemented by Law 99/2009 of July 23 2009. They provide for the prosecution and punishment of parties that:

- counterfeit, alter or use distinctive signs belonging to a third party;
- bring into the country and place on the market products which falsely bear marks or signs;  
or
- sell industrial products which falsely bear marks or signs.

Law 99/2009 introduced new provisions, some of which are particularly significant. Article 473*bis* provides for the forfeiture of counterfeit goods and any materials used for counterfeiting, while Article 473*ter* provides that the involvement of a criminal organization dedicated to piracy will be considered an aggravating circumstance. Such criminal acts may result in heavy fines, prison sentences of up to four years and the destruction of infringing goods by order of the criminal court.

The Industrial Property Code sets out further criminal law provisions in Article 127, which states that "without prejudice to the application of the... Criminal Code, whoever manufactures, sells, exhibits, displays, makes industrial use of or introduces into the country items violating a valid industrial property right, pursuant to the rules of the present code, shall be punished - at the opposing party's request - by a fine of up to €1,032.91".

Trademark owners should consider certain key aspects of the criminal enforcement route. Case law has established that criminal law provisions apply only to registered trademarks, not to applications. Moreover, these provisions do not extend to counterfeit goods that are deemed 'gross' fakes. The criminal law protects a public interest - that is, public confidence - rather than the private interests of a trademark owner. Thus, a criminal action, once initiated, will be controlled by the police and the public prosecutor. However, the owner of the infringed trademark will be called upon to cooperate with the investigation and may seek damages during the criminal trial.

Although in 2006 the European Commission adopted a proposal to strengthen the application of the criminal law to IP offences, the Italian legal system is one of the few in the European Union to provide for criminal enforcement of IP rights.

## **Administrative route and role of Customs**

So far, this article has considered the trademark owner's position where infringing goods are manufactured in Italy or have been imported into the country. The task of preventing infringing goods from entering the Italian territory lies with Customs.

Italian administrative law provides further rules. Article 146 of the Industrial Property Code establishes the right of a major or prefect to order the administrative seizure of counterfeit goods and - with the relevant court authorization - to dispose of such goods at the counterfeiter's expense. Furthermore, Law 80/2005 of May 14 2005 provides that purchasers of counterfeit goods may be fined between €500 and €10,000.

Customs operates according to the EU Customs Regulation (1383/2003) concerning customs action against goods suspected of infringing certain IP rights. Italy has applied the regulation in the same way as other EU states. The regulation provides that a customs authority can act against suspect goods in two ways.

First, the authority may act *ex officio* if it has sufficient grounds to suspect that goods infringe a party's IP rights. It may suspend the release of the counterfeit goods or detain them for three days, in which time it may ask the rights holder to provide information to confirm the initial suspicion of infringement.

Second, action can be taken at a rights holder's request. Once a decision has been issued accepting the application, and after consulting the applicant if necessary, the authority may suspend the release of suspect goods or detain them for 10 days. Such a measure may apply only to goods covered by the application. On detaining or suspending the release of goods, the authority will inform the rights holder and, if the necessary preconditions are met, will report to the police.

If the authority is not notified that criminal, civil or administrative measures are being taken against the detained goods, it must release the goods.

In Italy, Customs is extremely active. In 2002, of a total of nearly 85 million items seized in the European Union, over 35 million were seized by Italian Customs. A smaller but still significant proportion - 11.6 million out of 76.7 million - was reported in 2005.

These results have been made possible partly by the implementation of sophisticated information systems and, in particular, FALSTAFF - the Fully Automated Logical System Against Forgery Fraud. This database is continually updated by customs authorities, applicants, associations and consumers. Its aim is to collect as much information as possible in order to make the checks on goods more accurate. The database can display images of products and other useful information in order to help customs authorities to determine whether a product is a fake.

## **Comment**

Italy offers a comprehensive set of tools to combat counterfeiting and piracy effectively.

A company seeking to avoid the dangers of counterfeiting in Italy should consider filing an application with Customs under the regulation. There are also benefits to establishing a close working relationship with Customs, including through use of the online tools that the authorities provide.

In addition, constant monitoring of the market (eg, through distributors) enables a company to act promptly in determining whether it to request police intervention in a case of suspected infringement.