

Overhaul of Code of Industrial Property: origins and effects on trademarks

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Introduction

On July 30 2010 the government approved a legislative decree to revise the Code of Industrial Property. It was published in the *Official Journal* on August 18 2010 as Legislative Decree 131/2010 and came into force on September 2 2010. This update considers the scope and process of the reform and - among the many aspects of IP rights affected by the changes - considers its effects on trademarks and other distinguishing signs.

The new decree consists of 130 articles; even comparing this to the code as a whole, which comprises 246 articles, it is clear that this is not a minor amendment. Rather, the new instrument outlines an essentially new code, characterised by a realistic approach. The redrawn framework aims to provide commensurate protection for specific forms of IP rights, based on what each of them represents on the market and, ultimately, their real-world value. In so doing, it seeks to strike a balance between exclusivity and competition.

The renewal of the enabling act for the revision of the code was provided for by Article 19(5) of Law 99/2009,⁽¹⁾ which restarted an amendment process that was interrupted in 2006. The code itself had provided for such an update since its entry into force,⁽²⁾ allowing for a trial period in which to identify necessary amendments or adjustments.

A commission of experts drafted an amending decree, which was submitted for examination by government ministries, the trade unions and the competent parliamentary commissions, and which was subsequently approved in modified form. The most significant changes (i) introduced a new provision on copyright protection of design works, and (ii) cancelled the proposed new rule on university inventions, leaving the code unchanged on this topic.

Commission's review

The text of the decree is ordered on the basis of an earlier commission's work. The 2005 commission was not limited to amending material errors in the code and reinstating previously cancelled provisions (particularly on 'inner' priority for filing patent applications),⁽³⁾ but was tasked with fundamentally rethinking the rules of the code.

The 2005 commission's work focused on:

- the amendment of material errors and inconsistencies, particularly in the rules concerning the recording procedure - as might be expected in a text of 246 articles that replaced 35 different laws;
- the restitution of provisions that were repealed when the code was approved, particularly on inner priority and inventions by university researchers;
- the clarification of ambiguous provisions; and
- a thorough revision of the code to enhance the protection of IP rights as a key factor in Italy's economic competitiveness.

The importance of intellectual property to the national economy was also a key focus for the new commission. It sought to put into legislative form the course set in the enabling act - namely, the alignment of the Italian IP system with international and EU regulation. The enabling act stated that such adaptation was to be pursued particularly in view of such regulations as had come into force after the enactment of the code. Thus, reference could also be made to pre-existing international and EU regulations and this was the approach that the committee took.

Within the commission there was a drive to follow the trends of recent years at international and EU level. In contrast with the new protectionism in Law 99/2009, introducing the new 'made in Italy' regulations,⁽⁴⁾ developments beyond Italy have followed a practical approach that protects IP rights on the basis of the realities of the market and, above all, the dynamics of economic activity and enterprises' communication and research. This realistic attitude has a clear basis in international conventions and EU law. It sets a balance between exclusivity and competition, with contractual protection being granted only to elements that genuinely require it. Such rules are intended to regulate material realities and they are closely related to practical experience and interactions in the field of intellectual property.

Enabling act principles and their interpretation

The commission had to balance this internationally inspired approach with the specific principles in the enabling act. Some of these principles were consistent with this approach, particularly the provisions on simplification and the mandate to modify procedural rules, whereas others appeared to give the commission less latitude. Among its more restrictive provisions, the act:

- required the commission to "define the penalties to be applied in the event of violation of the provisions on judicial protection of biotechnological inventions";
- provided that "in the case of inventions by university researchers or other public research organisations, the university or the administration begins the patent procedure by obtaining the rights in the invention"; and
- allowed a municipality to "obtain acknowledgement of a trademark and exploit it for commercial purposes", "to identify with graphic and distinguishing elements the cultural, historical, architectural [and] environmental legacy of the country" and to retain control of the exploitation of such a mark "even through merchandising activities, provided that the related income is used to fund [its] institutional activities or to balance its pre-existing deficit".

In enacting these principles, the commission had to take a measured approach in order to minimise conflicts with the systematic outline of the code. Moving too far from the principles of the act might have exposed the changes to a charge of unconstitutionality for having exceeded the enabling act. This would have seriously compromised legal certainty in this area and was a reasonable cause for concern, as three articles of the code had previously been declared unconstitutional by the Constitutional Court.

Trademarks and distinguishing signs

The changes to the code in respect of trademarks and other distinctive signs in many ways exemplify the reform's overall approach, focusing on what such signs represent in commercial markets, as central pillars of an enterprise's communications, and in the world in general. The amendments in this area are aimed at providing more effective and consistent protection for

trademarks, designations of origin and other distinctive signs against all forms of behaviour that seek to make unlawful use of the commercial goodwill in such signs. In general, the revised code forbids all forms of free riding and parasitic exploitation, allowing enterprises to enhance the results of their IP rights use.

The revised code includes "domain names of websites used in economic activities" as possible objects of protection (as well as possible interference with third-party owners of trademarks rights) by amending the previous ambiguous definition of 'company domain names'. The new term reflects the language used in Article 20 of the code to define the scope of protection for trademarks, thus making clear that such protection extends to all cases in which a sign is used for economic purposes, even if it is not used in the ambit of an enterprise's activities.

On this basis, an Italian court has granted protection to one of the country's most famous luxury goods trademarks, Bulgari, against its unauthorised use as a pseudonym of a pornographic actress for calendars, films and shows. The court considered that such use unlawfully exploited the mark and tarnished its reputation, damaging the image of sophistication and elegance that was closely linked to it. When applied to domain names, this rule will allow rights owners to fight cases of parasitic exploitation, even where the exploiters use similar or identical signs as unauthorised domain names or metatags, whether to encourage visits to websites as a vehicle for the sale of counterfeit goods or simply to insert pay-links or pay-banners (in either case taking unlawful advantage of the well-known original trademark).

Equally significant is the amendment of Article 8, which prohibits not only the registration but also the unauthorised use of well-known signs outside the field of commerce in order to prevent unauthorised third parties from linking to them.

Further protection is provided by: (i) the addition to Article 22 of the words "other distinguishing sign" to the list of signs that may interfere with a trademark (and with which a trademarks may interfere); and (ii) the provisions of Article 30 concerning the protection of geographical indications against all unauthorised use that "allows [a party] unlawfully to exploit the reputation of the protected denomination", similar to the existing EU rule on protected designations of origin and protected geographical indications in the fields of food and farming.

The new provisions seek to elevate public perception as the decisive factor, both in deciding whether a sign is protectable and in defining the limits of such protection. In doing so, they seek to provide enterprises with more effective forms of protection against the newest and most insidious forms of counterfeiting.

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Endnotes

(1) Published in the *Official Journal* on July 31 2009 and entered into force on August 15 2010.

(2) Law 306/2004, Article 2.

(3) Since introduced by Law 99/2009.

(4) Law 55/2010, the so-called Reguzzoni-Versace Law, has already been criticised by the European Commission (for further details please see "[New rules on designations of origin and 'made in Italy' designations](#)").