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LEGAL INFORMATION NEWSLETTER

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We are pleased to provide you with the new issue of our legal information newsletter.

Topical legal matters are discussed and those related to issues that you might encounter.

We hope that you will find it of interest.

We would welcome any comment you might have.

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**OVERVIEW ON THE EU AND DOMESTIC “MADE IN” PRODUCT LABELING STATUTORY RULES AND REGULATIONS**

Legislative sources:

EC Regulation N° 2913/92  
EC Regulation N° 802/68  
EC Directive N° 29/05  
1891 Madrid Agreement  
Act N° 55/10  
Act N° 99/09  
Act N° 80/05  
Act N° 350/03  
Legislative Decree N° 135/09  
Legislative Decree N° 206/05  
Legislative Decree N° 35/05

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**INTRODUCTION** – On July 7 2009, the Parliament definitely approved the Act N° 99/09 on the issue of the “Made in” product labelling. The “Made in...” labeling of a product brings a message globally recognized. It means all names or labeling, which express its origin from a certain geographical area

Statements about the geographical origin of a product are suited to influence purchase decisions of consumers, due to either the special quality of a product (e.g. as regards to foodstuff), its prestige,

or other characteristics on grounds of the geographical origin.

For several Italian products it's synonymous of an exclusivity to be protected.

Legal protection of the “Made in...” is granted through both administrative and criminal law statutory regulations about product labeling.

Domestic Jurisprudence clarified that the use of an origin mark is legitimate on products manufactured abroad if the manufacturing process is indicated by both the outsourcer and the outsourcee.

In general terms, no act of EC law is expressly regulating or defining the criteria allowing to label a product made-in (i.e. Made in Italy, Made in EC etc.), as referring to origin from a particular member state.

**SPECIFIC REGULATIONS** - Specific regulations exist only regarding geographical origin of foodstuff. For establishing criteria a look must be taken to EC law regulating similar fields.

Concerning Free movement of goods Article 36 European Community Treaty *“the provisions of Article 34 and 35 shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security, the protection of health and life of humans, (...) or the protection of industrial and commercial property.”*

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Articles 34 and 35 provide that quantitative restrictions on import/exports or equivalent measures are prohibited among Member States.

Name and business address of manufacturer, packager or seller in principle no made-in indication required.

The place of origin or provenance of foodstuffs has to be discernible from the label where failure to give such particulars might mislead the consumer.

Further specific directives or regulations regarding particular types of foodstuff (wine, beer, cheese - mozzarella di bufala, belgian chocolate, bakery, e.g.).

**COMMUNITY CUSTOM CODE** - The EC Custom Code and its implementation rules set forth provisions regulating products:

- Entirely manufactured in a single Country; or
- Those that are manufactured by business entities from different Countries.

A distinction is made between products of preferential origin and those which are not.

*Non-preferential rules* are used for all kinds of commercial policy measures, like, for instance, anti-dumping duties and countervailing duties, trade embargoes, safeguard and retaliation measures, quantitative restrictions, but also for some tariff quotas, for trade statistics, for public tenders, for origin marking, and so on.

**NON PREFERENTIAL ORIGIN** - Goods whose production involved more than one Country shall be deemed to originate in the Country where they underwent their:

- Last, substantial processing or working
- economically justified
- in an undertaking equipped for that purpose; and

- resulting in the manufacture of a new product or representing an important stage of manufacture.

**WHOLLY OBTAINED PRODUCTS** - If only one Country is involved in the manufacturing process, the "wholly obtained" concept will be applied.

This may determine recognition of a more favorable tariff treatment from the EU in relation to those goods originating from specific Countries having a cooperation agreement with the EU.

**THE LAST SUBSTANTIAL TRANSFORMATION** - In practice the criterion is expressed in three ways:

By a rule requiring a change of tariff (sub) heading in the custom nomenclature;

by a list of manufacturing/processing operations conferring on the goods the origin of the country in which these operations were carried out;

by a value added rule, where the increase of value due to assembly operations and incorporation of originating materials represents a specified level of the ex-works price of the product.

**1891 MADRID AGREEMENT** - The 1891 "Madrid Agreement for Repression of False or Deceptive Indications of Source on Goods" was adopted in 1891.

It provides for seizure of goods bearing a false or deceptive indication of place of origin.

However, the indication of source relates only to the geographical origin of the product and not its origin from a specific manufacturer.

**FINANCIAL ACT 2004 (N° 350/2003)**  
- It provides that the use of a "made in..." source on goods not manufactured in Italy is sanctioned with two years of imprisonment and a fine up to € 20.000.

Import and export for commercial purposes of products bearing false or deceptive source of origin constitutes a felony and is punished in accordance to provision of Criminal code, Article 517 Cp.

**FALSE INDICATION** - Any Made-in indication on products not originating from the Country declared in accordance to the European provisions on the origin indications or those of the EU Custom code - C.D.C.

The use of Made-in is legitimate on those products entirely manufactured in a Member State or on those products conceived, projected, and assembled in the Member State.

**DECEPTIVE INDICATIONS** - In general terms an indication of source is deemed to be deceptive when the use of marks, images or anything else may induce consumers to believe that the products originates from a specific Country.

Act 35/2005 has extended protection of law even in cases of non-correct indication on the origin of the products.

**COURT CASES** - The Court of Cassation through its judgment N° 34103 of 23.9.05, confirmed that relevant for the quality of products, which depend on the technical skills of the manufacturer as well from its origin from a specific business, is the manufacturing from an entrepreneur that is legally, economically and technically liable of the manufacturing process.

Domestic Courts are divided onto the meaning of the expression "*origin*" that provisions about Made-in set forth.

Some Courts held that this refers to the concept of "manufacturing geographical origin", t.b.d. in accordance with provisions of the Community custom code, some others that the expression refers to the "juridical origin" of a product, which is exclusively connected

to the manufacturer having responsibility on the product itself.

The expression "*designed and produced by Alfa srl Rovereto Italy*" on apparel products manufactured in Moldavia has been deemed capable to deceive consumer on the geographical origin of the product.

Use on the product labelling of either the Italian flag or the deceptive indications about Italy are deemed suitable to deceive consumers as to the origin of the product.

The Court of Cassation found that criminal sanctions do not apply to the use of a domestic trademark without any reference as to the origin of the product.

However, an Administrative Court found that administrative fines may apply to the same fact pattern, if the geographical origin of the product is not stated, based on provisions of the 1891 Madrid Agreement.

Criminal sanctions have been excluded for the use of the potentially deceptive expression "*Italian design*".

**ACT N° 99 OF 9.7.09** - Besides provision of Article 4, par. 49 of the Financial Act 2004, the new provisions of the Act N° 99/09 set forth that the use of a trademark constitutes a deceptive indication whenever is made:

With features as such as to induce consumer to believe that the product is of Italian origin in accordance with the European legislation on the origin;

Without:

(a) Evident and clear indications on the product as to its foreign origin; or

(b) anyhow sufficient to avoid any consumer misunderstanding as to the origin of the product; or

(c) without a statement rendered from the trademark owner or licensee, as to the

information that will be released upon its trade on the foreign origin of the product.

**CUSTOM POSITION ON THE TOPIC** – The domestic Custom authority clarified that deception as to the origin may be avoided by accompanying the product with an informative appendix, to be applied on the product, its packaging, or by using a label or a separate hang-tag, as follows:

- Manufactured in...
- Manufactured in a non EU Member State
- Originating/imported from outside the EU
- Not manufactured in Italy.

Administrative sanctions for non compliance are quite high, as Article 4, par. 49bis provides for fines ranging from € 10.000 to € 250,000, besides the possibility of distraint of the infringing goods, save when the infringement is timely cured by those responsible.

If the infringing products are purchased by a trade operator, importer, or anyone different from the final purchaser, the administrative sanction is fixed between a minimum of € 20,000 up to € 1 million.

**100% ITALIAN PRODUCTS** - A product is entirely made in Italy, when its (a) drawing, (b) projecting, (c) processing and (d) assembling are entirely made in Italy.

Whoever uses a sale indication suggesting that the product is entirely made in Italy commits the felony that Article 517 of the Criminal code sets forth and punishment therein provided is increased of one third.

**ACT N° 55/10** – This brand new statutory regulation is on trade of textile, leather and shoe products. The aim of this new provisions is to ensure adequate information about the manufacturing process of these products, through mandatory labeling of finished and unfinished products, which evidences the place of origin of each step of the

manufacturing process to ensure traceability of the products.

The use of the indication “Made in Italy” for these kind of products is allowed exclusively for those finished products where the manufacturing process took place mainly within the national territory and specifically if two steps of manufacturing for each sector were carried out in the same territory, provided that traceability of the remaining manufacturing steps is ensured.

The conformity of this legislation with the principles of European competition law within the European Union Member States is yet to be assessed.

**CONCLUSIONS** - EC law regulates only geographical indications regarding specific products in the agricultural/food sector.

Protection of other geographical indications by Member States, in particular “made in..” indications, admissible, no EC legislation.

Criteria for such protection to be defined in principle by the legislation or the case law of the Member States, considering EC law on unfair competition.

Italy legislation and case law provide for protection as to the geographical origin of the products as well as from a specific trademark owner manufacturer by forbidding both false and deceptive information on products.

Understanding of consumer is essential in the assessment.

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