

Penal Law

The revision follows the tendency to decriminalise petty violations on the one hand and to raise the level for professional and organised breach of copyright on the other hand. Therefore, the unauthorised reproduction for one's own private use or for the use of a third person without remuneration does not result in penal sanctions. Article 91 paragraph 2(a) (new), however, raises the maximum prison term for professional breach of copyright from six months under the old law to two years. Prosecution takes place only upon the wish of the person whose rights have been violated.

Outlook for the Future

When the revision passed Parliament it was already clear that the next Directives would have to be implemented soon. The Database Directive will have to be implemented by the end of 1997. If and when the draft for a Directive on *droit de suite* is passed by the competent bodies, implementation will have to follow soon. The timing depends on the outcome of the decision-making process, which has not become easier within the last few months.

Finally, there is a definite need to change the Austrian law on collecting societies, which also dates from 1936. This will have to be done regardless of whether the European Union prepares a directive on this subject. The growing importance of the function of collecting societies makes it necessary to create the appropriate legal framework for their activities. It is quite obvious that this will not be easy with all the entrenched interests involved, but this task will have to be tackled soon.

All in all, it can be said that the 1996 revision of the Austrian Copyright Law brings it in line with both the relevant EU Directives and the modern standard for such laws prevailing in Europe.

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A Preliminary Injunction Concerning Unfair Competition in the Alcoholic Beverages Sector in Italy

The Scotch Whisky Association

The Scotch Whisky Association has been involved in much litigation against companies producing and bottling infringing brands (whisky or whisky-based liqueurs). The infringement consisted of selling brands with particular labels, and consumers were misled about their place of origin in thinking the brands came from Scotland when they did not. The Scotch Whisky Association has been granted many judgments in its favour in ordinary proceedings (taking from three to five years at first instance and the same time again on appeal, without even considering any second appeal before the Supreme Court of Cassation), but the principal case reported is in fact the first preliminary injunction granted in Italy (it took about four months).

The Scotch Whisky Association ('SWA') is an association under UK law counting among its members the main producers and exporters of Scotch whisky and of other spirits based on Scotch whisky produced in Scotland. SWA has on many occasions commenced actions in Italy and the rest of the world regarding unfair competition of producers and distributors of whisky or drinks based on whisky.¹ The standing to sue of SWA derives from Article 10^{ter} of the Paris Union Convention of 1883 and has been confirmed by the courts on many occasions.²

The protection of Scotch whisky in Italy was recognised in Law 1559 of 7 December 1951: Article 9 provides that the qualification 'Scotch whisky' within the context of alcoholic beverages is reserved for Scotch whisky. The courts have extended this protection, holding that the said Article must also be applied to all those whisky beverages which, although not expressly indicating the term Scotch whisky, bear elements such as names, lettering and pictures which may draw attention directly or indirectly to Scotland, making the consumer associate the product with that country.³ In Italy, an examination of the disputes involving SWA and its members shows that the objections raised by SWA can be divided into two categories: (1) imitation *sic et simpliciter* of the form or of the name of several well-known bottles of Scotch

1 Various decisions have been published (Court of Appeal of Milan of 21 October 1975 in *Giur. Ann. Dir. Ind.* 1975, 755; Court of Appeal of Milan of 15 May 1981 in *Giur. Ann. Dir. Ind.* 1981 No. 1418; Court of Cassation No. 5772 of 15 November 1984 in *Giur. Ann. Dir. Ind.* 1985, No. 1715).

2 *Ibid.*

3 For example, the Court of Bergamo: 'The panel finds that the label, while not containing the legally protected name Scotch whisky or Scotch, is a product which evokes in the average consumer the picture of Scotch whisky, because of the general impression which the appearance of the whole presents' (Court of Bergamo, 5 December 1985 to 3 February 1986).

whisky on the market in Italy;⁴ (2) use, on the label attached to the bottle, of typical Scottish features which, although not reproducing labels, names or forms of bottles which are already known, are misleading because they lead one to believe that the product contained within it is entirely of Scottish origin, which it is not.

In case (1) the right harmed is principally that of the individual member of the SWA producing and exporting the product which has been imitated (and in fact in such cases it is often the individual producer which commenced the action itself against the counterfeiter); in case (2) it is the entire association which is harmed (and it is the SWA which brings an action against the counterfeiter, since the product is produced and marketed to make it appear as if it were of Scottish origin, which it is not).

The Decision of the Court of Mondovi⁵

First of all it should be said that the decision cited above, in which a seizure and an injunction were granted, does not have many precedents at the precautionary stage. The order issued by the Court of Mondovi lends itself to various observations, some of a procedural nature, others which are more specifically inherent in the presentation of Article 2598 CC (Civil Code) in the field of infringement of alcoholic products; therefore it is appropriate to analyse briefly several decisions rendered in analogous cases, even though they concerned ordinary proceedings.

In particular, the following points will be examined:

- (1) the inadmissibility at the stage of the claim against urgent measures of filing documentation which was not produced during the claim under Article 700 CPC (Civil Procedure Code);
- (2) the standing to sue of the association to commence an action to protect the interests of its members, the only restriction thereto (clearly, other than that of pursuing a lawful purpose) being the objects clause of its memorandum;
- (3) the confirmation that for the existence of *fumus* it is not necessary that the reasons of fact and law underlying the application under Article 700 CPC are proven in an indisputable manner, but it suffices that arguments are put forward supported by documentation which could justify a positive decision, even though summary;
- (4) the possibility that the same unlawful conduct may constitute simultaneously the three different categories of unlawful acts of competition covered by Article 2598 CC.

This article will examine each point in turn.

- (1) The court held that during the claim new

4 In an action brought by a member of the SWA, John Walker & Sons Ltd, against a firm producing spirits, the Court of Imperia held unlawful a bottle of whisky called Johnny W. both for the name and the features, which recalled the better-known Johnny Walker produced and distributed by the plaintiff.

5 *Scotch Whisky Association v B&A Srl, Achino Srl, Fiorfiore SpA, Torrefazione Caffè antico*, Order of 25 October 1995.

documents may not be produced, distinguishing however between documents which are 'completely' new (with regard to the procedure carried out before the designated judge), and those with the function of 'supplementing' the documentation already produced in the files, holding that the production of the latter is admissible. Therefore the prior trend in case law on the merits is confirmed,⁶ compared to that found in the learned authorities, according to which during the claim procedure under Article 739 CPC, examined in the light of the new law of 1990, under Article 669terdecies, facts and circumstances pre-existing but not adduced in the first stage may be brought to the knowledge of the judge:

Article 669terdecies, allowing the suspension of the measure which is the subject-matter of the claim when for reasons occurring subsequently the same causes serious damage to the encumbered person, impliedly admits that new facts and circumstances occurring after the issue of the measure may be brought to the knowledge of the judge, and even more so, assumes that pre-existing facts and circumstances not adduced at the first stage may be brought to the knowledge of the judge. The possibility of asserting the said facts, the absence of any bar regarding pleas, allegations and pre-trial motions leaves the right of the petitioning party [and thus it is not clear why the said right may not be recognised also to the respondent] to be able to adduce new evidence and pleas unscathed, and therefore the claim exceeds the limits of the simple re-examination and assumes the features of a challenge.

- (2) The respondents (Achino and B&A) contested the standing to sue of SWA to protect producers of alcoholic drinks based on whisky. Achino and B&A's counsel stated that SWA had obtained unanimous judgments confirming its standing to sue, but always and solely for disputes relating to products entirely made up of whisky, which may not be extended to the case under discussion in which the unlawfulness of cream spirits based on whisky was contested.

The court, backed up by a previous decision of the Court of Milan relating to a dispute about whisky cream, and analysing the memorandum of the association, found that

the documentation filed for the claim bears out the said judgment definitively, where the memorandum of the SWA authorises the applicant to defend the interests of the Scotch Whisky 'trade' and thus of the entire sector, including also spirits based on Scotch whisky.

The examination of the memorandum carried out by the court in terms which were not particularly restrictive, moreover, confirms a more general principle developed by the courts according to which each association has standing to sue to protect the interests of its own members in the widest possible sense, with the only restriction on this being the objects clause of its memorandum of association (which in SWA is the whisky sector).

In the case examined by the Court of Mondovi, SWA's standing to sue the producer of a whisky cream

6 Court of Catania, 23 March 1995 in *Foro Italiano*, I, at 2271, 1995 and Court of Naples 25 March 1993 in *Foro Italiano*, I, at 1262 1993.

was clear, both because there are members of the SWA which produce spirits based on Scotch whisky deserving of the same protection offered by the Association to the producers of Scotch whisky, and because in any case the memorandum of SWA provides for the possibility of acting to protect the entire Scotch whisky sector (in this way, certainly the production and distribution of Scotch whisky cream liqueur comes within these objects). From this last observation it follows that SWA could institute legal proceedings against any alimentary product which is marketed through the unlawful utilisation of the Scotch whisky image. In other words SWA could take action to protect its rights which have been harmed, whenever a product based on whisky is put on the market (for example sweetmeats or chocolates) and presented in such a way as to make the product appear to be of Scottish origin, when it is not.

(3) The *fumus boni iuris* is constituted by a judgment of probability and likelihood with which the judicial authorities ascertain, in a summary manner due to the extremely restricted time-limits available compared to those in ordinary proceedings, the appearance of the law, 'assessing hypothetically the degree of probability of the law which is to be protected of being subsequently recognised in the judgment on the merits, namely - in a word - the reliability of the claim'.

The assessment of the degree of plausibility of the request on the merits from the point of view of its grounds is referred to the discretion of the judicial authorities seised. There are no precise references, either in the learned authorities or in case law, on what (or 'how much') the degree 'of plausibility' suitable to legitimise the granting of the precautionary measure should be. The learned authorities are particularly flexible, maintaining that the urgent measure does not allow a summary cognisance, and it follows that the authority seised should limit itself to assessing the probability of the existence of the right, seeing that the defendant's right is safeguarded by the nature of the order which is limited in time (and this exactly because the precautionary measure obtained - as well as being revocable on the appearance of the parties and in the subsequent course of the trial on the merits - will then be substituted by the final decision which results from the commencement of the action on the merits, without which the precautionary measure would lose its effect).

The courts have not adopted a steady approach on this point, but the decision of the Court of Florence is interesting, in that for *fumus* it requires the assessment to be more and more rigorous the more serious and incisive the effects of the precautionary order being issued will be.⁷

In the case under discussion the court considered, at the summary cognisance stage, both SWA's standing to sue and the existence of the right and the injury to the same to be sufficiently demonstrated, and this on the basis not only of an analysis of the contested

products (the photographs of the bottles exhibited) but also on previous decisions of a similar nature in which SWA obtained a favourable outcome.

Indeed the court stated:

although it is obvious that the contents of the aforesaid judgment (issued by the Court of Milan, No. 11381/93 *op. cit.*) cannot be binding in this action it is completely legitimate for this court to extract from the same the elements of the judgment suited to a positive pronouncement (even if summary) on the applicant's standing to sue.

At the precautionary stage, therefore, it is considered sufficient to ground *fumus* also on a previous judgment on the merits which strengthens the applicant's grounds, even though obtained against a different party.

As for *periculum in mora*, it must be said that the court has made considerable endeavours to identify: (1) the irreparable detriment, in the fact that with the putting on the market of the contested spirits the market of whisky cream liqueurs would be seriously prejudiced (and this in theory, quite apart from any concrete quantitative valuation in which the quantity of counterfeit goods is compared to the quantity of products of Scottish origin); (2) the imminent detriment, in the fact that various bottles of the contested product found on the market show their already widespread circulation (while it would not even have been necessary to record the concrete damage, since it is an uncontested principle that it suffices that the harmful event appears to be unequivocally prepared even if not actually begun, and that it shows itself to be harmful immediately). These efforts of the court are considerable because it could have passed over the point and stuck to the widely-held view that the *periculum in mora* in unfair competition matters is *in re ipsa*.⁸

(4) The court considered that Achino and B&A, with the production and putting on the market of the two disputed products, fell within the unlawful acts set forth in paragraphs 1, 2 and 3 of Article 2598 CC, namely:

- (a) for having used marks (including those not provided by the rules protecting distinguishing marks) likely to produce confusion with competing products and such as to bring about parasitic competition;
- (b) for having made use of false indication of origin of a product such as to heighten the quality of the product in the eyes of the consumer;
- (c) for having put on the market a product with characteristics such as to give rise to confusion on the part of the consumer regarding the origin of the product, through the use of means which do not correspond to the principles of professional correctness.

The decision issued by the Court of Mondovi has

⁷ Court of Florence of 19 September 1985, in *Foro Italiano* 1986, Vol. 1, at 543.

⁸ Court of Treviso of 14 July 1993, in *Giur. Ann. Dir. Ind.* 1993 No. 2981; Lower Court of Monza of 4 July 1988, in *Giur. Ann. Dir. Ind.* 1988, No. 2323; Court of Rome of 25 February 1988, in *Giur. Ann. Dir. Ind.* 1988, No. 2299.

precedents in other judgments in which the authority seized held that the same unlawful conduct may constitute an infringement of more than one of the heads set forth in Article 2598.⁹

To understand fully the analysis and interpretation of the court it is useful to recall several prior decisions of the courts made in cases involving the SWA in which the conduct of its competitors was declared unlawful under the three individual heads of Article 2598(1) (2) and (3).

Article 2598(1)

This type of unlawful conduct identifies competition creating confusion. Confusion here means engendering in consumers, through messages or in any event through products placed on the market, a false conviction as to the origin of the said products, in other words, making consumers believe that certain products originate from a different company.

The use of names or distinguishing marks which are the same as or liable to be confused with those of a competitor, such as the slavish imitation of the products of the latter and even the adoption of other practices likely to cause confusion, gives rise to unfair competition only to the extent that there is a real and potential confusion to be found.

In the actions brought by SWA or by its members, conduct likely to cause confusion among consumers was found to come within Article 2598(1), which for simplicity should be divided into two groups, namely:

- (1) cases in which counterfeiters put on the market products which use names or bottles of a shape which recall well-known products on the market, such as Scotch whisky products;
- (2) cases in which other means or acts likely to cause confusion with the products and activities of a competitor were adopted.

The following decisions come within group (1): the Court of Genoa,¹⁰ in a case in which the plaintiffs, producers of the Scotch whisky 'Logan's' disputed the infringement of its mark by the placing on the market of a bottle of whisky named 'Lloyd Logan', held that the use on the part of the defendant of the mark *Lloyd Logan* gives substance, even before the patenting of the plaintiff's analogous mark, to a case of unfair competition under Article 2598(1) CC. The Court of Naples¹¹ examined a case in which the plaintiffs, a member of the SWA and producers of the well-known Johnny Walker label, were involved in a dispute with the defendants regarding the Johnny Wolfgang product, both for having used a name, Johnny Wolfgang, closely similar from a graphic and phonetic point of view to that of Johnny Walker, and for the shape of the bottle which had colours and features on its label used by the Italian company which were very similar to those of the more famous Scottish product.

9 See Court of Turin of 18 December 1979, in *Giur. Ann. Dir. Ind.* 1978, 1105; Court of Como of 3 February 1993, in *Giur. Ann. Dir. Ind.* 1993, 2933.

10 Court of Genoa, judgment No. 748 of 30 April 1976.

11 Court of Naples, judgment No. 4175 of 6 February/3 June 1980.

In this case the court made a finding of unlawfulness pursuant to Article 2598(1).¹²

On other occasions the judicial authorities, although not having contested the reproduction of names and/or similar shapes, held that the unlawful use of the term 'Scotch whisky' constituted an infringement of Article 2598(1): the Court of Busto Arsizio,¹³ in a case involving a product called 'Scotch Drink 100% Pure Scotch Whisky', held that 'the use of names and distinguishing marks such as Scotch Drink and Scotch whisky, come within the case set forth in Article 2598(1) in that the said names and marks are likely to produce confusion with those actually used by producers of original Scotch whiskies'.

The Court of Appeal of Genoa¹⁴ held that the presentation of a product with fallacious data, the use of inexact or ambiguous indications as to the components of the product, boasts regarding non-existent merits, the use of false indications of origin such as to disturb trade and deceive the public constituted unfair competition, in that all this was likely to create confusion with the products and activities of a competitor pursuant to Article 2598(1) CC.¹⁵

Article 2598(2)

The infringement of Article 2598(2) was instead found in cases of appropriating the good qualities of SWA's products. Learned writers take the view that 'good quality' (*pregio*) is any characteristic of the undertaking or of the products made by it considered by the market as being a positive quality (and, since one is dealing with products, in particular in the view of consumers), which consequently becomes a reason for market preference itself compared to the very undertaking or products to which it pertains.¹⁶

In the field of Scotch whisky,¹⁷ the courts have unanimously held that good quality means the place of origin of the production and bottling of the spirits themselves. It follows that placing on the market a whisky to which the qualification of whisky of Scottish

12 See the Court of Imperia, judgment No. 86 of 26 April to 7 May 1982, Note 4 above; also the Court of Rome, judgment of 19 June 1980, *Scotch Whisky Association v Finlander Ltd.*, in *Giur. Ann. Dir. Ind.* 1980, No. 1322.

13 Court of Busto Arsizio, judgment No. 364 of 30 June 1972; *SWA v Whisky and so Srl*, in *Giur. Ann. Dir. Ind.* 1972, No. 163.

14 Court of Appeal of Genoa, judgment No. 82 of 30 November 1982.

15 See Civil Court of Sanremo, judgment No. 554 of 18 October to 20 November 1985; Civil Court of Genoa, judgment No. 1900 of 22 July 1987; Civil Court of Genoa, judgment No. 2471 of 31 July 1990.

16 See Vanzetti-Di Cataldo, in *Manuale di Diritto Industriale*, Giuffrè, at 81; see also Ghidini in *La concorrenza sleale*, Utet, 1982, at 243.

17 For a less specific analysis of false self-attribution of qualities belonging to other undertakings see: Court of Milan of 31 January 1980 in *Giur. Ann. Dir. Ind.* 1980 No. 1278; Court of Milan of 9 December 1971 in *Giur. Ann. Dir. Ind.* 1972, at 48, in which the unlawful attribution of good qualities consists in the 'false statement regarding the existence in the product itself of good quality which on the other hand is a feature of the product of another and determines its reputation on the market'. See Court of Cassation of 21 November 1983 No. 6928 in *Giur. Ann. Dir. Ind.* 1983 No. 1607 and Court of Modena of 12 May 1984, in *Giur. Ann. Dir. Ind.* 1984, No. 1772.

origin is not due, through the use of details likely to lead the consumer to believe he has before him an original Scotch whisky, adds up under all counts to false indication of origin falling within the provision of Article 2598(2).¹⁸

Article 2598(3)

This provision is a sort of general clause which defines as unfair competition all those acts which do not correspond to the principles of professional correctness and are liable to damage the business of others. The Court of Bergamo¹⁹ held that SWA's competitor was liable under Article 2598 for infringing the principles of professional correctness by putting the disputed product on the market; the court took inspiration in this way from the more general principle of finding an unlawful act under this sub-paragraph in cases where any communication or message aimed at potential consumers is false *and* on condition that it consists of lies likely to mislead those at which it is aimed.

Article 2598 and the Protection of Consumers

Article 2598 is a provision aimed at protecting commercial operators, which fixes rules of conduct for undertakings in such a way as to ensure free competition in compliance with civil provisions, but with the further purpose of protecting consumers. The connection between Article 2598 and consumers is particularly relevant in reading sub-paragraph (1) and the various types of act considered by the courts as coming within sub-paragraph (3). Some acts are considered unlawful to the extent to which they may mislead consumers as to the origin of the same products.

To stress the close connection between companies and consumers (as subjects protected directly or indirectly by the provision), reference should be made to the Court of Bergamo in the decision cited above, where it was considered that the unlawful competitor, in misleading consumers as to the nature and origin of the product, had also caused damage to the plaintiff.

The Community legislators, perhaps more sensitive towards an immediate and direct protection of consumers,²⁰ have for some time now made provision for direct rules to avoid the risks for consumers of being deceived about the place of origin of alimentary products.

Directive 112/79/EEC and Regulation 1576/89/

¹⁸ See Court of Appeal of Milan of 21 October 1975, in *Giur. Ann. Dir. Ind.* 1975, No. 755; Court of Milan, judgment No. 5436/1977.

¹⁹ Court of Bergamo, judgment No. 140/1986.

²⁰ In the same spirit see the decision of the European Court of Justice of 5 July 1995, Case 46/94, although in the area of wines it still concerned misleading labels and therefore referred to EC Regulation 2392/89 of 24 June 1989 (having the same purpose as that for alcoholic substances mentioned above), holding that the aim of the provisions on the origin of wines is that of protecting consumers from the risk of confusion. In this specific case the product, which had pictures decorating the bottle bearing no relation to the wine placed on sale, was held to be unlawful, even though the declarations of origin of the product and all the other declarations were in accordance with the law, since these were not sufficient to exclude the existence of the misleading labelling.

EEC (supplemented by the subsequent Regulations 1014/90 and 1781/91) provide, in cases of risk of confusion regarding the country of origin of alcoholic products, for the obligation to indicate the country in which the product was made. The *ratio* of the EC regulation is that of avoiding a risk of confusion, making it in particular cases obligatory to indicate the place of production of the spirits on the label.

The regulations are directly applicable in the Member States under the Treaty of Rome; directives on the other hand will have direct effect whenever they are of a sufficiently specific nature and do not contain conditions, as is the case here. The Italian legislators conformed to Community standards regarding the labelling of alimentary products after some years, with the issue of Decree by Law 109/92. In particular, Article 2 provides that the labelling, presentation and advertising of alimentary products should not mislead purchasers about the characteristics of the product and, in particular, about the nature, degree, quality, composition, durability, place of origin, manner of obtaining or producing the product itself.

The examination of the cases above allow one to see that the courts have simply anticipated the legislators (at least in Italy) censuring those unlawful acts involving the putting on the market of bottles of whisky which use in the presentation of the product features evoking Scottish tradition (such as Scottish clothes, thistles, coats of arms, bagpipes or typical names), but taking care not to indicate in clear letters the place of origin of the product.

The two provisions (Article 2 of Law 109/92 and Article 2598 CC) have the same purpose of contributing to the regulation and correct marketing of alimentary products even though aimed at the protection of different persons: Article 2598 may be relied on only by competing undertakings, while Decree by Law 109/92 may also be invoked by consumers.

The latter provision also offers the possibility of intervention by a third authority for the purposes of inspection and repression, as well as by the magistrature, both civil and criminal.²¹ The Inspectorate for the Repression of Fraud has been set up at the Ministry of Agricultural, Food and Forestry Resources, with local branches, and has the task, *inter alia*, of checking compliance by operators of current legislation, with a view to protecting the citizen (and not the individual competing undertakings, which can take legal action instead).

Such a body, if efficient and actually given the full powers provided by the rule, cannot fail to bring benefits not only to private consumers but also to those undertakings operating on the market, placing trust in mutual compliance with the rules governing free competition.

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²¹ The unlawful conduct described above is punishable as a criminal offence pursuant to Articles 515 and 517 Criminal Code.