

European Union

Contributing firm
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The treatment of counterfeit and pirated goods in external transit (ie, being moved from one non-EU member state to another) continues to be a controversial issue. On February 3 2011 Advocate General Cruz Villalón issued his opinion in the linked cases of *Philips* and *Nokia* (C446/09), both of which address different aspects of this issue.

The *Philips* case focuses on whether a court can find that goods in external transit infringe Community IP rights on the basis of the so-called ‘production fiction’, whereby goods are treated as if they are unlawfully manufactured in the EU member state in which they were in transit, regardless of whether they are destined for the EU market. Cruz Villalón rejected the production fiction argument, considering that infringement may be found only if the goods are destined for the EU market, as otherwise the condition that the goods be

“used in the course of trade” imposed by the different substantive regulations is not satisfied.

His opinion in *Nokia* supports rights holders’ ability to act against goods in external transit. He held that when counterfeit or pirated goods are in external transit, they may be seized by customs authorities if there is a ‘suspicion’ (defined as “the beginnings of proof”) that they infringe IP rights. It is not necessary for the customs authorities to find that actual infringement has taken place, as customs measures are only temporary and provisional in nature.

If the European Court of Justice follows this position in both cases, it will be easier for rights holders to have customs authorities seize goods in external transit. However, it will remain difficult for them to obtain a court ruling of infringement without proof that the goods were destined for the EU market.

Legal framework

The European Union has harmonised most

national IP laws and created some common rights. Trademarks, designs, patents for biotechnological inventions and certain aspects of copyright and related rights have been harmonised through the creation of Community trademarks, Community designs, Community-protected plant variety rights and Community-protected designations of origin and geographical indications. Discussions are also underway with regard to the creation of a Community patent.

The EU IP Enforcement Directive (2004/48/EC) harmonised the enforcement of IP rights by ensuring a high equivalent level of protection for IP rights in all EU member states establishing that counterfeiting and piracy should be punished effectively.

The EU Customs Regulation (1383/2003) establishes customs action for use against goods that are suspected of infringing certain IP rights and the measures to be taken against such goods. It is implemented by EU Regulation 1891/2004, which provides:

- application forms for EU-wide and national customs action; and
- instructions on how to use the forms.

The national customs authorities of the 27 member states:

- work together;
- are subject to common regulations; and
- exchange information through a centralised information system.

However, customs authorities still have certain particularities in each member state. In addition, even if the means of enforcing IP rights have been harmonised, civil and criminal procedures remain different in each member state.

Applications for action by EU customs authorities

National customs authorities throughout the European Union have broad investigative and policing powers with regard to anti-counterfeiting, including the right to detain goods suspected of infringing IP rights. They act not only at EU borders, but also across the entire territory of each member state. Anyone transporting products into or through the European Union must have documents proving that they are genuine (eg, an agreement or invoice).

Before customs authorities can take any action against alleged infringing products, the rights holder must have:

- obtained a Community IP right; and
- filed a written application for intervention by the customs authorities.

IP registration

The first condition for filing an EU application for action by customs authorities is the application or registration of a Community IP right.

For non-Community rights – that is, national, European or international rights (including national and international trademarks, European and national patents, copyright and related rights) – the rights holder must file a national customs application for action with the relevant national customs authorities.

Filing an EU application

The second stage involves the rights holder lodging a written EU application for action by the customs authorities. In the application, the rights holder should indicate the Community IP rights concerned and provide information that might help the customs authorities to determine whether goods are genuine, including:

- a report on the differences between authentic and infringing goods;
- information on common types of fraud; and
- details of the routes used by traffickers.

The rights holder must also sign an undertaking:

- to assume liability towards persons that are subject to the seizure or destruction of alleged infringing goods in the event that the procedure is discontinued owing to an act or omission on its part, or if the products are subsequently found not to infringe the IP rights in question; and
- to pay all costs of keeping the goods under customs control, including destruction costs.

EU customs applications for action may designate all or only a particular number of EU member states. It is recommended that a request be filed for action in all EU countries, as the products may be introduced onto the EU market through any member state.

Actions by national customs authorities

Measures to take before filing an application for action

Customs authorities can intervene on their own initiative by suspending the release of suspected goods or detaining them for three working days, during which time the rights holder may file a customs application in the relevant country. If a declaration is not filed within that period, the products will be released.

Customs detention procedures pursuant to an EU application

The customs authorities may suspend the release of all products that appear to infringe the IP rights cited in the EU application. From the date on which the goods are detained, the rights holder has a non-extendable 10-working-day period either to:

- obtain an order, where applicable, that such goods be destroyed; or
- initiate an infringement action before the national court that has jurisdiction.

Customs officers may take samples and hand them over or send them to the rights holder, at its express request, for the purposes of analysis and to facilitate the subsequent procedure. In order to save costs and accelerate the procedure, customs officers usually take photographs of the suspected goods and forward them to the

rights holder for confirmation as to whether the products are counterfeit.

Depending on national data protection provisions, the rights holder may request additional information on the origin, provenance and destination of the suspected infringing goods.

If the rights holder takes no action or if the products are not abandoned for destruction within 10 working days (or three working days in the case of perishable goods), the customs detention procedure is terminated and the products are released.

Actions by the rights holder

Simplified procedure

Most member states have adopted the so-called ‘simplified procedure’ of Article 11 of the Customs Regulation, under which products are abandoned for destruction without the need for a court decision as to whether they are infringing. The rights holder informs the customs authorities within 10 working days that the goods infringe its IP rights and provides a written agreement from the declarant, holder or owner of the suspected goods to abandon them for destruction. Agreement is presumed if the declarant, holder or owner of the goods does not specifically oppose destruction during this period, which may be extended by a further 10 working days.

Destruction is carried out at the expense and under the responsibility of the rights holder. Before destruction, customs authorities should take samples of the products, to be kept as evidence admissible in legal proceedings in the member state in which they might be needed.

Legal infringement proceeding

Criminal and civil proceedings are different in each member state, with harmonised rules for evidence, provisional measures, calculation of damages and reimbursement of legal fees.

Preliminary measures

The seized goods will be kept until the relevant court issues its decision. The conditions for storage depend on national laws, but may not give rise to costs for the customs authorities.

However, in the case of goods that are suspected of infringing design rights, patents, supplementary protection certificates or plant variety rights, the declarant, owner, importer, holder or consignee of the goods may request their release on provision of security and the completion of all customs formalities.

Remedies

The first measure is the destruction of infringing goods or their removal from commercial channels so as to preclude injury to the rights holder. The costs of destruction should not be borne by the member state concerned – where the defendant does not pay for the destruction, these costs should be borne by the rights holder. However, this practice is not harmonised and in some member states these costs are paid by the state.

When calculating damages, the courts must consider the negative impact of the infringement, including not only the loss of profits suffered by the rights holder, but also any unfair profits made by the infringer and any other elements, such as moral prejudice, caused to the rights holder by the infringement. As an alternative, the courts may grant the rights holder damages equivalent to the royalties that it would have received had the infringer been a licensee.

In addition, the court may order publication of the decision or extracts thereof in newspapers or magazines and on websites.

Release of the products

In all other cases (eg, where the declarant, holder or owner objects to or contests the destruction of the products), the products are released if, within the specified 10-working-day period, the rights holder has not initiated legal proceedings to determine whether an IP right has been infringed under the law of the member state where the products are detained.

The table gives a short overview of EU customs practice in some member states. It addresses two questions:

- Is there any additional requirement when filing an EU application for action by the customs authorities in the relevant member state?
- Is the simplified procedure of Article 11 of the EU Customs Regulation available? [WTR](#)

EU member states	Additional requirement when filing an EU application for action	Simplified procedure under Article 11
Austria	None required.	Available.
Belgium	The application must be in French, Dutch or German. Customs may ask for a translation of the documents attached to the application.	Available.
Bulgaria	None required.	Available.
Cyprus	Greek or Turkish translation required.	Available.
Czech Republic	None required.	Available.
Denmark	None required.	Available.
Finland	None required.	Available.
France	A French translation of the application is advisable. It is also advisable to file a French declaration at the same time for Community infringement and border seizures.	Not available. If the rights holder declares samples to be counterfeit, Customs will, in most cases, seize the goods and have them destroyed without the need for an action by the rights holder. The destruction costs are paid by Customs.
Germany	None required.	Currently not available as the necessary provisions have not yet been passed into German law.
Greece	Greek official translation required.	Available.
Hungary	None required.	Available.
Italy	An Italian translation of the application is advisable.	Available.
Lithuania	None required.	Available.
Netherlands	None required.	Available.
Malta	None required.	Not available. The rights holder must file an infringement action before the courts.
Poland	None required.	Available.
Portugal	None required.	Available.
Romania	None required.	Available.
Slovenia	None required.	Available.
Spain	Spanish translation required.	Available.
Sweden	None required.	Available.
United Kingdom	English translation required.	Not available. If the rights holder declares samples to be counterfeit, Customs will seize the goods without the need for an action by the rights holder. If no appeal is filed by the importer or other interested party, the products are destroyed.

Source: CAPIP network

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Caroline Casalonga has been practising IP law since 1993. Casalonga Avocats is one of the largest IP litigation boutiques in France. It is the litigation partner for Casalonga & Josse, an established patent and trademark attorney firm, and is the French representative for CAPIP, an EU-wide network of law firms.

Mrs Casalonga has broad experience in trademark, patent, domain name, design, copyright and unfair competition litigation matters. She has extensive experience in anti-counterfeiting actions, including customs actions. Mrs Casalonga is a frequent author and speaker on IP issues. She obtained her law degree from the University of Paris Assas in 1991 and her LLM from Cornell University in 1996. She was admitted to the Paris Bar in 1993 and has been a registered French and European trademark attorney since 1999. Mrs Casalonga is a member of the European Communities Trademark Association, the International Trademark Association (INTA), the International Anti-counterfeiting Coalition and the International Association for the Protection of Intellectual Property.



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