

European Union

Contributing firm
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The issue of how to treat counterfeit and pirated goods in external transit (from one non-EU member state to another) continued to be a controversial subject during 2011. On February 3 2011 Advocate General Cruz Villalón issued his opinion in joined cases *Philips* and *Nokia* (C446/09), both of which addressed different aspects of this issue.

In *Philips* the issue was whether a court could find that goods in external transit were infringing Community IP rights on the basis of the ‘production fiction’, whereby such goods were to be treated as if they had been unlawfully manufactured in the member state in which they were in transit, regardless of whether such goods were destined for the EU market. Cruz Villalón rejected the production fiction argument, considering that infringement should be found only if the goods are destined for the EU market, as otherwise the condition that

the goods are “used in the course of trade” imposed by the different substantive regulations is unsatisfied. In *Nokia* the advocate general provided support to rights holders’ ability to act against goods in external transit. He considered that when counterfeit or pirated goods are in external transit, they may be seized by the customs authorities if there is ‘suspicion’ (defined as “the beginnings of proof”) that such goods infringe IP rights. It is not necessary for Customs to find that there is actual infringement as the customs measures are only temporary and provisional in nature.

If the court follows the advocate general’s position in both cases, it will be easier for rights holders to have Customs seize goods in external transit, but will continue to be difficult to obtain an infringement decision by the court against such goods without proof that they are destined for the EU market.

Legal framework

The legal framework for anti-counterfeiting consists of both IP and customs statutes.

The European Union has harmonised most national IP laws and has created some unitary rights at EU level. Trademarks, designs, patents for biotechnological inventions and certain aspects of copyright and related rights have been harmonised.

It has also created the Community trademark, the Community design, the Community-protected plant variety right and Community-protected designations of origin and geographical indications. Discussions are also underway with regard to creating a Community patent.

The EU IP Enforcement Directive (2004/48/EC) harmonised the means of enforcing IP rights in all EU member states. The objective of the directive is to ensure a high equivalent level of protection for IP rights in all EU member states.

Counterfeiting and piracy should be punished effectively. The directive approximates national laws with regard to:

- evidence;
- provisional measures;
- calculation of damages; and
- reimbursement of legal fees.

The EU Customs Regulation (1383/2003) addresses customs action against goods suspected of infringing certain IP rights and the measures to be taken against goods found to have infringed such rights. This regulation introduced common rules to prohibit the free circulation, import, export, re-export or entry of counterfeit and pirated goods in the European Union.

The Customs Regulation 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.

Both the national and EU-wide customs applications and the procedure for the detention of counterfeit goods by customs authorities have been harmonised across all EU member states. However, there is no unified EU customs entity. Rather, the national customs authorities of the 27 member states work together, are subject to common regulations and exchange information through a centralised information system.

EU application for action by Customs

The EU national customs authorities have broad investigative and policing anti-counterfeiting powers, 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. Any person transporting products into or through the European Union must have documents evidencing the genuine origin of such products (eg, an agreement or invoice).

Before the 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 the customs authorities is the application or registration of a Community IP right. The following rights may be referred to in EU customs applications:

- Community trademarks;
- supplementary protection certificates;
- Community designs;
- Community-protected designations of origin;
- Community-protected geographical indications;
- Community-protected geographical

designations for spirits; and/or

- Community-protected plant variety rights.

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 national customs applications 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, asking the latter to seize the suspected goods. The advantage of the EU application for action is that a single application provides all designated EU customs authorities with:

- a sufficiently detailed description of the goods to which the IP right applies; and
- the particulars needed to contact the rights holder at any time.

In the application, the rights holder indicates the Community IP rights concerned and provides information on the authentic goods, as well as any information that may help the customs authorities to determine whether the goods are genuine, including:

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

The rights holder must also sign an undertaking:

- to assume liability towards the persons 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 IP rights; and
- to pay all costs incurred by keeping goods under customs control, including destruction costs.

The EU customs application for action may designate all or only particular EU member states. Filing the request for action in all EU countries is strongly recommended, as the products may be introduced onto the EU common market through any country. The EU customs application for action is the most efficient and least expensive tool against counterfeiting and piracy.

The application is valid for one year,

renewable on an annual basis.

Measures and actions by national customs authorities

Measures before an application for action

Unfortunately, not all companies protect their intellectual property adequately by systematically filing an application for intervention with the customs authorities.

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

Detention procedure

The customs authorities may suspend the release of and detain all products that appear to infringe the IP rights cited in the EU application. The customs authorities will inform the rights holder or its representative of the products detained. 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 with jurisdiction.

The customs authorities will give the rights holder the opportunity to inspect the suspected goods. When examining the goods, they may take samples and, according to the rules in force in the member state concerned, 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. The samples should be returned on completion of the technical analysis. In practice, 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 provisions on the protection of personal data, 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 rights holder

Simplified procedure

Most member states have adopted the so-called ‘simplified procedure’ of Article 11 of the Customs Regulation, under which the products are abandoned for destruction under customs control without the need for a court decision on infringement. Under the simplified procedure, the rights holder informs the customs authorities within the 10-working-day period mentioned above that the goods concerned infringe its IP rights and provides such authorities with the written agreement of the declarant, the holder or the owner of the suspected goods to abandon them for destruction. Such agreement is presumed if the declarant, holder or owner of the goods has not specifically opposed destruction during this period, which may be extended by a further 10 working days.

The destruction is carried out at the expense and under the responsibility of the rights holder, and must be preceded by the taking of samples by the customs authorities to be kept as evidence admissible in legal proceedings in the member state in which they might be needed.

Preliminary measures

The alleged counterfeit products will be kept until the 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 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 the release of the goods on provision of security if all customs formalities have been completed. The security must be sufficient to protect the interests of the rights holder.

Remedies

The first measure in cases of counterfeiting is the destruction of infringing goods or their removal from commercial channels in such a way as precludes injury to the rights holder. Any other measures should be taken to deprive the persons concerned of any economic gains. The destruction costs should not be borne by the member state concerned. When the defendant does not pay for the destruction costs, such costs should be paid by the rights holder. However, this practice is not harmonised and in some member states, destruction costs are paid by the state.

The EU IP Enforcement Directive provides for harmonised measures, procedures and remedies that shall be “effective, proportionate and dissuasive”. When calculating damages, courts must consider the negative impact of the infringement, including not only loss of profits, 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.

Release of the products

In all other cases – for example, where the declarant, holder or owner objects 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 following table gives a short overview of EU customs practice in some member states. [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		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.	Available.
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		Not available. The rights holder must file an infringement action before the courts.
Poland	None required.	Available.
Portugal	None required.	Available.
Romania		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 practised 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 the French representative for CAPIP. 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. She is a frequent author and speaker on IP issues. Mrs Casalonga obtained her law degree from the University of Paris Assas in 1991 and an 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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