

Regional focus

European Union

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The issue of how to treat counterfeit goods in external transit (ie, from one non-EU member state to another) has been partially resolved by the European Court of Justice (ECJ) decision in the joined cases *Philips* and *Nokia* (C-446/09 and C-495/09), which was issued on December 1 2011.

The ECJ ruled that customs authorities may detain counterfeit goods in external transit, but that such goods are not infringing if it was intended that they be put on sale outside the EU market. However, such goods may infringe the right in question and therefore be classified as counterfeit if it can be demonstrated that they were intended for sale in the European Union. Intent may be demonstrated through proof of sales of the goods to EU customers, offers for sale or advertisements directed at EU consumers, or documents that clearly show that the goods' diversion to EU consumers is envisaged.

The latest figures published by the European Commission show that the number of counterfeit goods seized by EU Customs has increased significantly, rising from 103 million articles in 2010 to 115 million in 2011.

The majority of articles seized were medicinal products, accounting for nearly 24% of the overall amount (27,465,134 articles). The figures for pharmaceuticals, perfumes and cosmetics are particularly worrying, as these products can pose a serious health threat.

In terms of overall quantities seized, China remains the principal source of counterfeit products, with almost 73% of all articles seized originating in China, against 64.4% in 2009.

The number of EU applications for customs action increased from 18,330 filings in 2010 to 20,566 in 2011. Detentions operated by EU Customs were particularly efficient, since rights holders requested destruction of the goods under the simplified procedure or initiated court proceedings to determine infringement in over 90% of cases.

This chapter explains the simple steps that EU rights holders should take in order to defend their rights effectively against counterfeiting and piracy – in particular, by filing an application for customs action in the 27 EU member states.

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 aligned. It has also created the Community trademark (CTM), 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 enforcement of IP rights in all EU member states. The directive is

designed 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 actions against goods suspected of infringing certain IP rights and the measures to be taken against goods that are 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.

However, EU customs practices 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 are different in each member state.

EU application for action by customs authorities

The EU national customs authorities have broad investigative and policing powers, including the right to detain goods that are 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 evidencing the genuine origin of such products (eg, an agreement or invoice).

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

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

IP registration

The first condition for filing an EU application for customs action is the application for 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 (ie, national, European or international rights), the rights holder must file national customs applications with the relevant national customs authorities.

Filing an EU application

The second stage involves the rights holder lodging a written EU application for customs action, requesting seizure of the suspect goods. The advantage of the EU application for customs 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 IP right concerned and provides information on the authentic goods, as well as any information that may help the customs authorities to determine whether goods are genuine, including:

- a report on the differences between

- authentic and infringing goods;
- information on the types of fraud commonly perpetrated; and
- details of the routes used by traffickers.

The rights holder must also sign an undertaking:

- to assume liability towards persons who are subject to the seizure or destruction of allegedly infringing goods in the event that the procedure is discontinued owing to an act or omission on its part, or if the goods 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 application for customs action may designate all or only a particular number of EU member states. Filing the request for action in all EU countries is strongly recommended, as goods may be introduced onto the EU common market through any country. The EU application for customs action is the most efficient and least expensive anti-counterfeiting tool available.

The EU application is valid for one year, renewable on an annual basis.

Measures and actions by national customs authorities

Measures prior to an application for action

The customs authorities can intervene on their own initiative by suspending the release of suspect goods or detaining them for three working days, during which time 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 goods will be released.

Customs detention procedure pursuant to an EU application

The customs authorities may suspend the release of and detain all goods 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 goods detained. From the date on which the goods are detained, the rights holder has a non-extendable 10-working-day period in which 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 suspect 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 suspect goods and forward them to the rights holder for confirmation as to whether the goods 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 suspect goods.

If the rights holder takes no action or if the goods 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 goods are released.

Actions by rights holder
Simplified procedure

Most member states have adopted the so-called ‘simplified procedure’ set out in Article 11 of the Customs Regulation, under which the goods 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 infringe its IP rights and provides such authorities with the written agreement of the declarant, the holder or the owner of the 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.

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.

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 suspect goods will be detained until the court has issued 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 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 rights holder's interests.

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 to preclude injury to the rights holder. 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. Where the defendant does not pay the destruction costs, these must be covered by the rights holder. However, this practice is not harmonised and in some member states destruction costs are paid by the state.

Damages will be awarded only if the rights holder files an infringement action before the court and requests payment of damages for lost profits, and any unfair profits made by the infringer. In addition, the court may order publication of the decision or extracts thereof in newspapers or magazines.

Release of the products

In all other cases – for example, where the declarant, holder or owner contests the

destruction of the goods – the goods are released if the rights holder has not initiated legal proceedings within the specified 10-working-day period.

The table opposite provides a brief overview of EU customs practices in the 27 member states. Two questions are addressed:

- Are there any additional requirements when filing an EU application for customs action in the relevant member state?
- Is the simplified procedure under Article 11 of the Customs Regulation available?

EU member state	Additional requirements when filing an EU application for customs action	Simplified procedure under Article 11
Austria		Available.
Belgium	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 Rep		Available.
Denmark		Available.
Finland		Available.
France	French translation is advisable. It is recommended that a French declaration be filed at the same time in order to grant Customs the right to retain goods not only at the borders, but also throughout the whole territory.	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 further action by the rights holder.
Germany		Available.
Greece	Greek official translation required.	Available.
Hungary		Available.
Italy	Italian translation advisable.	Available.
Lithuania		Available.
Netherlands		Available.
Malta		Not available. The rights holder must file an infringement action before the courts.
Poland		Available.
Portugal		Available.
Romania		Available.
Slovenia		Available.
Spain	Spanish translation required.	Available.
Sweden		Available.
United Kingdom	English translation required.	Not available. If the rights holder declares samples to be counterfeit, Customs will seize the goods without legal action. If no appeal is filed by the importer or other interested party, the goods will be destroyed.

This chart has been compiled by members of the CAPIP network.

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