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The latest figures published by the customs authorities show that counterfeiting is a growing issue in France. In 2010 the value of products seized amounted to €421 million, an increase of 55% in comparison with the figures for 2009. A total of 8.9 million articles were retained in 2011, plus 1.63 million packs of cigarettes.

China remained the main source of counterfeit products in 2011.

New phenomena include the increasing number of counterfeit mobile phones retained (560,000 in 2011) and an increase in counterfeit foodstuffs (650,000 products retained in 2011). The highest number of products seized originated from the clothing, shoes and accessories sectors. Other significant sectors include games and toys, perfume and medicines.

This chapter explains the simple steps that all rights holders in France should take in order to defend their rights effectively against

counterfeiting and piracy – in particular, the filing of an application for action by customs authorities.

## **Legal framework**

### ***National regulations***

IP regulation is codified in the IP Code. The code was amended by the Law Against Infringement (1544/2007, October 29 2007), which implemented the EU IP Rights Enforcement Directive (2004/48/EC). The amendment was followed by the application of Decrees 2008-624 and 2008-625 of June 27 2008.

Articles 38, 215, 215bis, 323, 414, 426, 428 and 437 of the Customs Code also apply.

### ***EU regulations***

The relevant EU regulations are as follows:

- the Council Resolution of March 13 2006 on a customs response to the latest trends in counterfeiting and piracy (OJ C67, March 18 2006);
- EU Regulation 1891/2004, laying down provisions for the implementation of the EU Customs Regulation (1383/2003) (OJ L328, October 30 2004), amended to include

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two new member states (OJ L261/12, October 6 2007);

- the IP Rights Enforcement Directive;
- the EU Customs Regulation (1383/2003) concerning customs action against goods suspected of infringing certain IP rights and the measures to be taken against goods found to have infringed such rights; and
- EU Regulation 515/97 on mutual assistance between administrative authorities of the member states, and cooperation between the latter and the European Commission to ensure the correct application of the law on customs and agricultural matters (OJ L82, March 22 1997).

### **Border measures**

Customs has broad investigative and anti-counterfeiting powers, including the right to seize counterfeit products. It acts not only at the borders, but throughout the whole French territory. Any individual transporting products into or through France must have documents evidencing the genuine origin of such products (eg, an agreement or invoice).

Two measures can be taken by Customs:

- the detention procedure, subject to a preliminary customs application by the rights holder; and
- the seizure procedure, limited to trademark and design infringement.

### **Customs detention procedure**

Generally, before detaining any goods, the rights holder must file an application for action by Customs. Such application may be specifically for France or may be an EU application designating France among other member states. When filing an EU customs application designating France, it is advisable

to file a translation thereof for French Customs and to file the French declaration in order to allow Customs to retain the products not only at the borders, but also in the whole French territory. The application is valid for one year, renewable on an annual basis. It is recommended that all rights holders file such an application for all their IP rights, as this constitutes the most efficient and cost-effective weapon against counterfeit goods.

In the application, the rights holder indicates the IP rights concerned and provides information on the authentic goods, as well as any information that may help Customs to determine whether goods are genuine, including a report on the differences between authentic and infringing goods. The rights holder must also sign an undertaking to pay all costs incurred through keeping goods under customs control, including destruction costs.

The application provides Customs with useful information for its investigations, including the contact information for the rights holder's representative (most frequently an attorney), who will be contacted to confirm whether the products detained are genuine.

Customs may detain all products that appear to infringe declared IP rights. Furthermore, even if the IP right in question has not been declared, Customs may detain suspect goods for three working days, during which time the rights holder may file the aforementioned customs application.

Customs will inform the rights holder or its representative of the products detained. It may take photographs and forward them to the rights holder for confirmation as to whether the products are counterfeit. From the date on which the goods are detained, the rights holder has a non-extendable 10-day period to file an

infringement action or take further measures. For the sole purpose of filing an infringement action, the rights holder may request additional information on the origin, provenance and destination of the infringing goods.

If the rights holder takes no action within 10 working days, the customs detention procedure is terminated and the products may be released. However, if the rights holder confirms that the products are counterfeit, Customs may decide, of its own volition, to seize the products and file an action based on breach of the customs regulation (discussed below).

### ***Seizure procedure***

The seizure procedure applies to trademark and design infringement. It is based on a breach of the customs regulation, pursuant to which any export or import of a trademark or design-infringing product is prohibited. Accordingly, Customs may, on its own initiative, seize any goods that infringe trademark or design rights. As a result, the products are taken off the market and placed under the control of Customs.

The rights holder and the public prosecutor are informed of the seizure and may decide to file an infringement action. However, such action is independent from the action that Customs may decide to bring.

Depending on the extent of the infringement, Customs may either negotiate a settlement with the infringer or file a criminal action before the courts. For a limited number of products, Customs generally negotiates a settlement with the infringer pursuant to which the latter agrees to surrender the seized products for destruction, while in turn Customs agrees not to file a court action against the infringer. However, in more serious cases, Customs can and will file a criminal action against the infringer (a so-called 'tax action') for breach of the customs regulation (discussed below).

### **Criminal prosecution**

Actions may be filed by Customs on the basis of a breach of the customs regulation for trademark infringement. Criminal actions may also be brought by the public prosecutor and/or by the rights holder on the basis of an IP infringement. The rights holder may also simply join the action filed by Customs to

request damages.

Under the IP Code, the distribution, offering for sale or rent, sale, import, export or manufacture of products that infringe IP rights constitutes a criminal offence.

Under the Customs Code, trademark infringement constitutes a tax offence brought before the criminal courts.

The following criminal procedures may be brought against the infringer for both infringement and tax actions:

- **flagrant felony** – the alleged infringer must appear immediately before the court (decision granted within a few weeks);
- **direct citation** – the plaintiff has sufficient evidence of the infringement and need not make an additional investigation (decision within about six months); and
- **regular criminal infringement action** – the brief of summons opens a judicial investigation before the so-called 'instruction' judge, who will conduct the investigation and then forward the case to the court for judgment (decision within one to three years).

If Customs files an action, it is recommended that the rights holder join the action, which will allow it to recover damages while incurring limited costs. If Customs does not file an action and the number of products seized is limited, it is advisable to file a direct citation, which does not entail significant costs and is an effective mechanism for deterring counterfeiters. A regular criminal infringement action with a judicial investigation should be limited to important cases where it is believed that the investigation will uncover a large counterfeiting network.

### ***Preliminary measures***

Customs will keep the alleged counterfeit products that it has seized until the court issues its decision.

In the event of flagrant felony, the individual suspected of infringement may be placed in custody until the court grants its decision. However, he or she may be released on payment of a guarantee.

### ***Remedies***

IP infringements are punishable by

imprisonment for between three and five years and a fine of between €300,000 and €500,000. The penalties may be doubled for repeat offenders. The court may order the destruction of the goods and of the equipment used to manufacture the products. It may also order the closure of the infringing entity for up to five years. In addition, if the rights holder is party to the procedure, it may request the payment of damages.

Under the Customs Code, trademark infringement constitutes a tax offence punishable by a maximum of three years' imprisonment and a fine of between one and two times the value of the products seized. When the infringement is committed by an organised criminal group, the penalty can be up to five years' imprisonment and a fine equal to up to five times the value of the products. The court may also order the destruction of the products, as well as confiscation of the equipment and other items used in the perpetration of the fraud.

### Civil enforcement

Special courts have exclusive jurisdiction for all IP matters. As the courts are specialised, they generally render better-reasoned decisions than the criminal courts. Moreover, the level of damages awarded is generally higher before the civil courts.

The rights holder may bring an infringement action before the civil courts. Under the IP Code, the distribution, offering for sale or rent, sale, import, export or manufacture of products that infringe IP rights constitutes a tort.

### Preliminary measures

The rights holder may ask the court, in an *ex parte* procedure, to authorise an infringement seizure in order to collect evidence of the alleged infringing acts. The court order allows a bailiff to seize samples of the relevant products and brochures and to make copies of documents, including accounts showing the origin and extent of any infringement. The rights holder can compile a seizure report based on this evidence.

Further to the seizure, the rights holder must file the infringement action within 20 working days or 31 calendar days according to

Decree 2008-624. If the action is not introduced within such period, the seizure report is no longer admissible as evidence.

In addition, the court may order any preliminary measure designed to prevent imminent harm to IP rights or to cause the cessation of infringing acts. Urgent preliminary measures may also be ordered in *ex parte* procedures when the circumstances are such that a delay would cause irreparable harm to the rights holder. In order to take such preliminary measures, the court requires evidence of actual or imminent infringing acts. The court may prohibit all alleged infringing acts and order the seizure of all allegedly infringing products.

If the rights holder can prove that there is a risk that it may not recover the requested damages at the time of the decision, the court may order the preliminary seizure of the alleged infringer's assets, including its bank accounts. The court may also grant a provision where the damages cannot be reasonably contested.

All of these preliminary measures may be subject to guarantees from the rights holder and are subject to the filing of an infringement action within a period to be determined by decree.

### Remedies

The courts consider the negative impact of the infringement, including not only the loss of profits, but also the infringer's profits and the moral harm to the IP right. Article L716-14 of the IP Code states that the court may, as an alternative, 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 the publication of extracts of the decision in newspapers or magazines and on websites. The court may also order the destruction of the infringing products, and of instruments and materials used in their manufacture, at the defendant's cost.

### Anti-counterfeiting online

#### *Unauthorised online commerce*

Customs has reinforced inspections of merchandise sent by mail or express freight with the objective of intercepting counterfeit

articles purchased online. The number of articles that were seized in this way increased from 75,000 in 2006 to more than 1 million in 2010. The sale of counterfeit products on internet auction websites or retail websites is considered as an infringement. Individuals offering counterfeit products for sale on the Internet that are available to French consumers may be sued before the French courts.

For example, the French courts considered that the unauthorised use of the trademarks LANCOME, HYPNOSE and MIRACLE for the sale of counterfeit perfumes on the Internet through eBay constituted trademark infringement, as well as unfair competition (Paris Court of Appeal, *Lancôme Parfums v Ducroq and Klafczynski*, September 30 2009).

#### **Online investigation strategies**

The best online investigation strategy is to monitor Google, eBay and other important auction and specialised online sales websites continuously. In addition, when applicable, the rights holder (or its attorney) should use the relevant IP rights notification procedure (eg, eBay's Verified Rights Owner policy).

#### **Preventive measures/strategies**

##### **Product identification**

The quality of counterfeit products makes it increasingly difficult to identify fakes. Accordingly, it is crucial to identify each genuine product with an identification number. With that number, the rights holder can immediately identify the origin of the product and determine:

- whether it is genuine;
- where it was manufactured; and
- whether it was duly authorised for the EU market.

This will enable the rights holder to confirm to Customs within the 10-day period whether the products retained are counterfeit and should be seized, or whether they may be released.

##### **French translation of EU customs declaration and French declaration**

The practice of EU-wide and French customs declarations shows that in order to obtain good customs results in France, it is crucial to submit

a French translation of the EU-wide declaration (generally filed in English) to French Customs. It is also strongly advisable to file a French declaration together with the EU declaration in order to allow Customs to retain the goods not only at the French borders, but also in the whole French territory. When an EU declaration has been filed, the French declaration consists of a single-page declaration to be signed by the rights holder.

##### **Police and customs information**

The police and Customs are efficient in their actions against counterfeiters. The rights holder or its attorney should liaise closely with Customs and the police, and notify them of:

- any new product lines;
- any change of place of manufacturing; and
- new counterfeit products that may have been found in other countries.

Such reports demonstrate the rights holder's interest in fighting counterfeiting and may give the authorities a greater incentive to defend those rights. [WTR](#)

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Caroline Casalonga has been practising IP law since 1993. Casalonga Avocats is a leading and one of the largest IP litigation boutique in France. It is the litigation partner for Casalonga & Associés, an established patent and trademark attorney firm. Ms Casalonga has broad experience in patent, trademark, domain name, design, copyright and unfair competition litigation matters. She has extensive experience in anti-counterfeiting actions, including customs actions. Ms Casalonga is a frequent author and speaker on IP issues. She 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.