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New EU Customs Regulation

The new EU Customs Regulation (608/2013) came into force on January 1 2014. It replaces EU Regulation 1383/2003 and extends the powers of customs authorities regarding counterfeit goods detained at the EU borders.

The regulation strengthens the protection of IP rights through significant new provisions:

- More IP rights are covered – the topography of semiconductor products, utility models and trade names have been added to the list of IP rights that may be monitored by Customs (Article 2), in addition to trademarks, designs, copyright and related rights, geographical indications, patents, supplementary protection certificates (SPCs) for medicinal products and for plant protection products, and plant variety rights.
- The definition of ‘counterfeit products’ has been extended to include packaging, labels, stickers, brochures and similar items (Article 2(5)(c)), on condition that they reproduce a sign, name or term which is identical to or cannot be distinguished from a registered trademark or a protected geographical indication.
- The simplified procedure is mandatory and available in all countries.
- The possibility to destroy small consignments without the rights holder’s consent or involvement has been introduced (Article 26).

- Exchanges of customs information between member states and non-member states will be developed (Article 22).
- The rights holder will be held liable if the goods involved do not infringe its IP rights, resulting in an obligation to pay damages to the owner of the goods (Article 28).
- The costs incurred by Customs (eg, for storage or destruction) shall be reimbursed by the rights holder (Article 29).

The new regulation does not apply to:

- unauthorised parallel imports and overruns (goods manufactured in excess of the quantities agreed on by the rights holder); or
- goods carried by passengers in their personal luggage.

Goods in transit and parallel trade

The new regulation does not address the question of goods in transit. This issue is addressed by the draft EU Trademark Harmonisation Directive and the draft EU Trademark Regulation. According to a European Commission proposal (COM(2013) 161 final, March 2 2013), within the framework of commercial activity a European trademark holder would be entitled to prevent third parties from bringing counterfeit goods into the EU customs territory without them being released in the European Union for free circulation.

On February 25 2014 the European Parliament approved amendments to the EU Trademark Harmonisation Directive and the EU Trademark Regulation that would allow EU customs authorities to stop counterfeit goods in transit without affecting the trade of legitimate

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goods. However, the European Council, as co-legislature, still has to adopt its position.

Until the amendments to the directive and regulation are finalised and adopted, the issue of how to treat counterfeit goods in external transit (from one non-EU member state to another) will follow the European Court of Justice's (ECJ) 2011 decision in joined cases *Philips* and *Nokia* (C-446/09 and C-495/09). The ECJ ruled that customs authorities may detain counterfeit goods in external transit, but that such goods are not infringing goods if they were intended to be put on sale outside the EU market. However, such goods may infringe the right in question, and therefore be classified as 'counterfeit goods', if it is demonstrated that they are intended to be put on sale in the European Union. In order to demonstrate this intent, one may rely on proof of sale of the goods to a customer in the European Union, an offer for sale or advertisement directed to consumers in the European Union, or documents concerning the goods that clearly show that their diversion to EU consumers is envisaged.

Recent EU customs figures

In 2011 customs seizures increased to 115 million articles, up from 103 million articles in 2010. In 2012 customs authorities registered 90,000 detention cases (many regarding small parcels), while they detained 40 million articles worth approximately €1 billion.

The largest quantities of articles seized were cigarettes (30%), packaging (9%), clothing (8%), toys (4%), perfumes and cosmetics (3%). In 90% of detention cases, the products involved were destroyed.

In terms of overall quantities seized, China remains the principal source of counterfeit

products, with Morocco and Hong Kong following closely.

The number of EU applications for customs actions increased from 18,330 filings in 2010 to 20,566 in 2011. The detentions carried out by EU Customs remain particularly efficient, since the rights holders required the destruction of the goods destroyed under the simplified procedure or initiated a court action to determine the infringement in more than 90% of the detentions. This procedure allows rights holders to fight against counterfeits efficiently.

Since 2002 there has been a continual increase in cooperation between Customs and rights holders. The number of customs declarations for actions increased from about 1,500 in 2002 to more than 20,000 in 2012.

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, Community-protected designations of origin and geographical indications, and the future unitary patent.

The EU IP Enforcement Directive (2004/48/EC) harmonised the means of enforcing IP rights in all EU member states. The aim 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.

Both 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 28 member states:

- work together;
- are subject to common regulations; and
- exchange information through a centralised information system (enhanced by the new regulation).

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 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).

Thus, before Customs can take any action against alleged infringing products, the rights holder must:

- be able to avail itself of an IP right; and
- have filed a written application for intervention by Customs.

Ownership of IP rights

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;
- SPCs;
- Community designs;

- Community-protected designations of origin;
- Community-protected geographical indications;
- Community-protected geographical designations for spirits; and
- Community-protected plant variety rights.

The new regulation has extended the application to the following rights:

- trade names;
- utility models; and
- chips and devices enabling or facilitating the circumvention of technical measures.

The regulation offers broader IP rights protection: Customs can act against not only allegedly counterfeit or pirated goods, but also confusingly similar trademarks and trade names.

For non-Community rights – that is, national, European or international 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 them 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.

The new regulation provides a new form for the application and asks rights holders to provide all requested information. 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:

“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”

- 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.

If the rights holder decides to ask Customs to destroy small consignments on its own initiative, the rights holder must sign a specific form authorising Customs to do so.

The EU application may designate all or only certain 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.

Declaration renewal

The application is valid for one year, renewable annually. Under the new regulation, upon renewal of an application for action filed under the previous EU regulation, Customs may ask the rights holder to file a new form and, if necessary, to complete the information provided.

Measures and actions by national customs authorities

Measures before application for action

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 in the relevant country. If a declaration is not filed

within that period, the products shall be released.

Customs detention procedure pursuant to EU application

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 of the products detained. From the detention date, 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 request, for analysis and to secure evidence. In practice, in order to save costs and accelerate the procedure, customs officers 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 (three days for perishable goods), the customs detention procedure is terminated and the products are released.

New action for small consignments

The new regulation allows Customs to destroy small consignments without the rights holder's consent or involvement (Article 26), provided that:

- the rights holder consented to such destruction in the declaration for action;
- the goods involved are suspected of being counterfeit or pirated;
- the goods involved are not perishable;
- the consignments involved are small (up to three units or less than 2 kilograms); or
- the declarant or holder is informed by Customs and, within 10 days, either agrees to the destruction or does not respond. If no opposition to the destruction is filed, agreement is presumed.

If the declarant refuses the destruction, the rights holder has 10 days to file an infringement action.

Recording of all applications for action and IP rights infringements

Customs will record details of all applications for action and IP rights infringements in a new EU-wide central database, COPIS (Counterfeit and Piracy System). The database also provides country-specific information on suspected infringements.

Actions by rights holder Simplified procedure

The so-called 'simplified procedure' is now available in all countries. Suspected goods may be destroyed without court action if, within 10 days (three days for perishable goods) of notification, the following conditions are fulfilled:

- The rights holder confirms that the goods infringe its IP rights;
- The rights holder agrees to their destruction; and
- The declarant or holder of the goods agrees to their destruction; if no timely opposition to the destruction is made, the agreement is presumed.

If the declarant refuses to agree to destruction of the goods, the rights holder has 10 days (three for perishable goods) to file an infringement action. If no action is filed, the goods are released.

Legal infringement proceedings

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 alleged counterfeit products will be kept until the court issues its decision. The customs authorities may ask the rights holder to reimburse the storage costs.

Remedies

The first measure in cases of counterfeiting is the destruction of infringing goods or their removal from commercial channels. Any other measures should be taken to deprive the persons concerned of any economic gain. The destruction costs should not be borne by the member state concerned. If the defendant does not pay the destruction costs, such costs shall be supported by the rights holder.

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.

In all other cases – for example, where the declarant, holder or owner contests the destruction of the products – the products are released if the rights holder has not initiated legal proceedings within the 10-working-day period. [WTR](#)

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Caroline Casalonga has practised IP law since 1993. Casalonga Avocats, one of the largest IP litigation boutiques in France, is the litigation partner of Casalonga & Associés and the French representative of CAPIP, an alliance of leading law firms. Ms Casalonga has broad experience in trademark, patent, domain name, design, copyright and unfair competition litigation matters. She has extensive experience in anti-counterfeiting actions. Ms Casalonga is a frequent author and speaker on IP issues. She obtained her law degree from the University of Paris Assas (1991) and her LLM from Cornell University (1996). She was admitted to the Paris Bar in 1993 and is a registered French and European trademark attorney.



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