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Anti-counterfeiting 2009

A Global Guide

European Union

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The latest figures published by the European Commission show that counterfeiting is a growing phenomenon in the EU market. In 2007 EU Customs seized more than 79 million counterfeit and pirated goods and handled more anti-counterfeiting cases than ever before. A total of more than 43,000 cases were dealt with in 2007, up nearly 17% from 2006. Compared to 2006, counterfeiting increased in almost all product sectors. In addition to medicines, where counterfeiting increased by 51% compared to 2006, the 264% increase in intercepted counterfeit articles for personal care is a worrying trend.

The statistics for 2006 showed an increase of 70% over 2005 (to 128 million counterfeit and pirated articles seized) across most industry sectors. This was particularly worrying for pharmaceutical products (up 384% over 2005) and perfumes and cosmetics (up 141% over 2005), as these products can

pose a serious threat to the health of the general population. Clothing and accessories have also shown a significant increase.

In terms of overall quantities seized, China remains the principal source of counterfeit products, with 79% of all articles seized originating in China. In the pharmaceutical sector, India and the United Arab Emirates were the principal sources of counterfeit products (31% each), followed by China. Together, these three countries are the source of 80% of all counterfeit medicines seized.

This chapter explains the simple steps that all owners of IP rights in the European Union 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 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 harmonized most national IP laws and created some unitary rights at EU level. Trademarks,

designs, patents for biotechnological inventions and certain aspects of copyright and related rights have been harmonized. 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 Rights Enforcement Directive (2004/48/EC) harmonized 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;
- the calculation of damages; and
- the 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 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 have been harmonized in all the EU member states. There is no unified EU customs entity, however. Rather, the national customs administrations of the 27 member states:

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

However, EU customs practices still have certain particularities in each member state. In addition, civil and criminal procedures are different in each member state.

EU application for action by Customs

The EU national customs administrations have broad investigative and policing anti-counterfeiting powers, including the right to suspend release and to detain goods suspected of infringing IP rights. They act not only at the EU borders, but also across each member state. Any person transporting products into or through the European Union must have documents evidencing the genuine origin of such products.

Before Customs 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:

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

- Community-protected geographical designations for spirit drinks; 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 administration.

Filing an EU application

The second stage involves the rights holder lodging a written EU application for action by Customs, 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 Customs 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
- the routes used by traffickers.

The rights holder must also agree:

- 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 a particular number of EU member states. Filing the request for action in all EU countries is strongly recommended. 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 prior to an application for action

Unfortunately, not all companies will protect their intellectual property adequately by systematically filing an application for intervention with Customs. 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 in the relevant country. If a declaration is not filed within that period, the products will be released.

Customs detention procedure pursuant to an EU application

Customs 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.

Customs will give the rights holder the opportunity to inspect the suspected goods. When examining the goods, Customs 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 most cases, in order to save costs and accelerate the procedure, customs officers take photos 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

| EU member state | 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. The customs administration 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 | French translation of the application advisable | Not available. For trademark matters, if the IP 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 IP 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 | Italian translation of the application advisable | Available |
| Lithuania | None required | Available |
| Netherlands | None required | Available |
| Malta | | Not available. The IP 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 IP 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 |

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 interest 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, such practice is not harmonized and, in some member states, destruction costs are paid by the state.

The EU IP Rights Enforcement Directive provides for EU harmonized measures, procedures and remedies that shall be “effective, proportionate and dissuasive”. When calculating damages, courts have to 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 IP rights holder damages equivalent to the royalties that it would have received if the infringer had been a licensee.

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

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 table gives a short overview of EU customs practice in some member states. Two questions are addressed:

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

‘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. Under the simplified procedure, the rights holder informs the customs authorities within the 10-working-day period that the goods concerned infringe its IP right(s) 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 Customs to be kept as evidence admissible in legal proceedings in the relevant member state.

Legal infringement proceeding

Criminal or civil proceedings are different in each member state, with harmonized 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 conditions for storage depend on national laws, but may not give rise to costs for the customs administration.

However, in the case of goods suspected of infringing design rights, patents,

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