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RESPONSE TO THE CONSULTATION PAPER ON THE REVIEW OF EU LEGISLATION ON CUSTOMS ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

MARQUES was founded in 1987 and is incorporated in the United Kingdom as a not for profit company limited by guarantee. It has no shareholders, issues no dividends and its directors are expressly prohibited from being paid for their services. **MARQUES** represents the interests of European trade mark owners worldwide in the protection and utilization of trade marks as essential elements of commerce. Its current membership of trade mark owners and trade mark and design law practitioners representing trade mark owners is in excess of 750 members in 84 countries. Membership crosses all industry lines.

An important objective of **MARQUES** is to safeguard the interests of the public by ensuring the proper protection of trade marks and to safeguard the interests of trade mark proprietors with regard to the regime of trade mark protection. **MARQUES** attempts to achieve this objective by advancing the cause of trade mark laws which protect the public from deception and confusion. **MARQUES** is an accredited association before OHIM and an official non-governmental observer to the World Intellectual Property Organization (WIPO).

Therefore, **MARQUES** falls within the Commission's definition of stakeholder for this consultation, being a business association of IP right holders, i.e. an interest representative.

1. Scope of the Regulation: situations in which customs authorities should be competent to take action.

Concerning the competence of customs authorities for IPR enforcement, what should be the situations of infringing goods in which customs authorities should take action?

MARQUES recognises that counterfeit and pirated goods constitute one of the most pressing problems facing traders and consumers in the European Union. Much has been written about the significant level of the problem: that is not repeated here.

MARQUES recognises that counterfeiting and piracy is not confined to luxury goods and CDs/DVDs, but covers the whole range of products, including products which, if fake, can have a significant impact on public safety (for example, aircraft parts, car brake components and pharmaceuticals).

Given the significance of the problem and the undeniable impact on European Union citizens, entry into the physical boundaries of the European Union remains the more effective and productive point at which to identify and remove from circulation counterfeit and pirated goods. **MARQUES** is therefore of the view that the obligation and power of customs authorities to act should not be limited only to cases where goods are declared to be released for free circulation in the European Union or where there is evidence that those goods may be so released.

Rather, **MARQUES** considers that the fight against counterfeit and pirated goods is so important and the potential damage to the European Union and its citizens so great, that customs authorities should be empowered and obliged to take action against any infringing goods which are under their supervision, including particularly exportation, transit, transhipment, temporary deposit, customs warehousing procedures and placement in free zones or free warehouses. Particularly, **MARQUES** believes that customs procedures should be applied to goods in transit through the European Union.

MARQUES is aware of international obligations under Article 41(2) of TRIPS not unduly to hinder legitimate trade. However, the trade in counterfeit and pirated goods cannot in any sense be considered legitimate.

Presently, European Union jurisprudence preventing seizure of goods in transit rests on the legal presumption that they have not entered the European Union. Use in the course of trade requires introduction of the goods into the Community for the purposes of putting them on the market: *Class International BV v Colgate Palmolive Co and Ors* (Case C-405/03). Yet the goods are physically present in the European Union and customs authorities have, at that time, the best opportunity they are likely to get to take action to destroy the goods. If there is no legitimate use for the counterfeit/pirated goods, it is difficult to see any policy reason not to bring them under the control of customs authorities.

Obviously, the broadening of the powers and obligations of customs authorities in relation to counterfeit and pirated goods would require additional safeguards to ensure that legitimate trade is not unduly restricted. This may occur, for example, where goods infringe in the European Union, but not in the country of origin (if known) AND the country of stated destination (for example, because the trade mark owner does not have trade mark rights in both of these countries). (As an aside, we note that **MARQUES** members report that goods often indicate a destination other than that for which they are, in reality, bound. Especially, **MARQUES** members report that goods frequently state a destination in a country which borders the European Union, but the goods are then released into the European Union).

One suggestion to resolve this difficulty is to give customs authorities the power and obligation to seize goods if they would infringe an IPR in the European Union and then provide a "defence" if the consignee can demonstrate that the goods do not infringe any IPR in the country of stated destination. Our experience is that it is generally (although not exclusively) international brands that tend to be counterfeited – the

owners of these brands will generally have IPRs registered around the world. Thus, as a practical reality, the "defence" will rarely be successful.

Without the power and obligation for customs authorities to take action against goods in transit, we will continue to see examples such as that which arose in relation to fake mobile phones and accessories in the High Court of England & Wales decision in *Nokia Corporation v Her Majesty's Commissioners of Revenue & Customs* (currently on reference to the Court of Justice for a preliminary ruling). The judge in that case upheld the customs authority's decision to release the fake goods seized whilst in transit through the European Union, noting:

> "I recognise that this result is not satisfactory. I can only hope it provokes a review of the adequacy of the measures available to combat the international trade in fake goods by preventing their transhipment through Member States."

2. Scope of the Regulation: range of IPRs the Regulation should cover and possible derogations.

What should be the range of IPR covered by the Regulation?

In addition to the IPRs covered by the Regulation, **MARQUES** considers that it would be appropriate to provide powers and obligations to customs authorities to seize goods that infringe national laws with respect to public safety, consumer protection (for example, labelling requirements) and, at large, the safeguard of the public faith.

Counterfeiting of an IPR gives rise to a problem of a likelihood of confusion with respect to the origin of the goods. Nowadays, the types of counterfeiting have dramatically increased and the newly conceived kinds of counterfeiting are even more dangerous than the traditional one, as in exploiting and free-riding the identity and repute of the IPR they not only undermine rights holders' economic interests but, worse, they take unfair advantage of the good faith of consumers, for example as happens in the case of the use of signs which allude to prestigious geographic origins or even imitate the denominations of origin, which is a very common phenomenon in the food sector, or in the case of the deceitful imitations known as look-alikes.

MARQUES is primarily an association of brand owners – whilst brand owners also own patents and other IPRs, this submission concentrates on trade marks, copyright and designs.

3. Scope of the Regulation: possible derogations for which customs authorities will not be competent to take action in the light of the Regulation.

MARQUES submits that all three derogations discussed below should be withdrawn and the relevant provisions harmonised compulsorily across the European Union.

Should the derogation concerning small quantities of goods of a non-commercial nature contained in travellers' personal luggage be kept or should it be withdrawn?

MARQUES believes that the current derogation sends an inconsistent message to the European Union's citizens and creates difficulties for the internal market because of the

inconsistent application of the derogation across the European Union. **MARQUES** would like to see the derogation abolished and the same laws applied to travellers' personal luggage as is applied to other counterfeit and pirated goods.

Currently, we understand some Member States take action against goods contained in travellers' personal luggage. Some Member States do not. Given the increasing level of travel within the European Union and the fact that transport routes no longer mean that travellers necessarily enter the European Union in their "home" country, the inconsistency of application creates difficulties for travellers who may be surprised by different laws depending on where they enter the European Union. Harmonisation is therefore to be preferred.

The harmonisation options include making the current derogation compulsory across the European Union, or removing the derogation altogether. **MARQUES** favours the latter position. Counterfeit and pirated goods not only impact on rights owners, but are damaging to legitimate trade and can be life-threatening. No-one would suggest that small amounts of illicit drugs brought into the European Union for personal use should not be the subject of criminal liability. **MARQUES** considers that counterfeit goods pose a similar problem and should be treated similarly.

To avoid unnecessary embarrassment, however, **MARQUES** suggests that funding be made available to educate European Union citizens, including in airport and port arrival halls and that provision is made for travellers to throw out counterfeit and pirated goods before they pass through customs barriers. Similar facilities exist in some airports for the disposal of imported fruit and other food.

We do not consider that criminal action is necessary in relation to seized goods – rather, the traveller could be given a numbered receipt for the goods and 14 days to object to the seizure, following which the goods would be destroyed. Given the small costs of destruction, we do not consider that IPR owners' indemnities should be called on in relation to these seizures.

If, contrary to our submission, the derogation is to be kept, further guidance should be provided on what constitutes "goods of a non-commercial nature", particularly in terms of volume/number.

Should the derogation concerning overruns be kept or should it be withdrawn?

MARQUES considers that there is little difference in practice between overruns and counterfeit and pirated goods more generally. **MARQUES** therefore suggests that this derogation be withdrawn.

Should the derogation concerning parallel trade be kept or should it be withdrawn?

MARQUES recognises that parallel traded goods, whilst IPR infringements in the European Union, may not pose some of the dangers of counterfeit and pirated goods. But **MARQUES** members report that in many cases, parallel traded goods do pose dangers to European Union citizens, amongst other reasons because they may not meet labelling or health warning requirements, they may not come with valid warranties and/or the supply chain may have been disrupted so that their fitness for consumption cannot be guaranteed.

In addition, parallel imports remain IPR infringements and hence their sale into the European Union is unlawful. As a practical matter, the time at which the goods have been seized by customs authorities is the best, and perhaps the only, opportunity the rights owner will have to remove the goods from the internal market. Once released by customs, parallel imported goods tend to be rapidly distributed to small warehouses and retail outlets, such that taking action against them becomes prohibitively resource intensive, or impossible.

MARQUES therefore submits that the current inconsistent application of seizure powers across the internal market should be removed by harmonising European Union laws on customs intervention with respect to parallel traded goods. In **MARQUES**' submission, this should be done by removing the derogation and consistently applying the Regulation to parallel imported goods in addition to counterfeit and pirated goods.

If, contrary to our submission, the derogation is maintained, **MARQUES** considers that IPR owners should be able to use information provided by customs authorities (for the purpose of determining whether goods are counterfeit or pirated) for the purposes of enforcing their IPRs more generally, including commencing proceedings for enforcement of their IPRs. Currently, the position in some Member States that a separate court order needs to be obtained to enable the information to be used for the purposes of commencing infringement proceedings is unnecessary for the protection of the consignor/consignee and serves only to hamper the enforcement of IPRs in the European Union.

4. Simplified procedure enabling customs authorities to have infringing goods abandoned for destruction under customs control, without there being any need to determine whether an intellectual property rights has been infringed.

Should the implementation of the simplified procedure as described in Article 11 of Council Regulation (EC) No 1383/2003 be kept as optional for Member States? Or should it be compulsory and directly applicable by all Member States? Or should it be deleted?

MARQUES considers that the simplified procedure is an essential element of cost-effective and efficient IPR enforcement and should be made compulsory and directly applicable throughout the European Union.

Its compulsory implementation would allow IPR holders to save the time and expense of issuing legal proceedings in cases where there is no response from the importer or any other relevant interested party to the customs notification that the goods have been detained and the right owner has confirmed that they are counterfeit, within the time given (normally 10 days, if not the case of perishable goods) to consent to destructions of the goods.

The fact that where the goods are treated as abandoned for destruction, the rights holder must bear the expense and the responsibility for the destruction of the goods is a further issue of great concern that ought to be properly dealt with, in order to minimize, if and to the extent at all possible, the rights holder's burdens (cf. Observations on Question 6).

It would at least assist economic operators within the European Union if practice and procedure of national customs authorities were harmonised, for example:

- The same notification form should be used in all Member States;
- The notification form should include the information as to the consignor/consignee etc which the IPR owner currently has to request – the process would be accelerated if this information were automatically provided by customs authorities with the notification; and
- As noted above, it is important for the fight against counterfeit/pirated goods and the enforcement of IPRs within the European Union that IPR owners be able to use the information provided by customs for purposes other than the determination of whether the goods are counterfeit/pirated.

5. Small Consignments

Should a new procedure be envisaged to deal with small consignments? What should be the concept of a small consignment?

The recent rapid rise in Internet sales has seen a similarly rapid rise in the number of small consignments of counterfeit or pirated goods entering the European Union through the post or commercial courier companies (UPS, FedEx etc). The resources required of both customs authorities and IPR owners to stop, seize, store, examine and destroy these goods may be disproportionate to the value of the goods for both customs authorities and IPR owners. However, resources continue to be expended because the goods, although contained in a small consignment, may be of significant value (if sold as the genuine article) or may be dangerous to health (as in the case, for example, of pharmaceuticals).

MARQUES therefore welcomes the suggestion of a procedure to deal with small consignments without the need for rights owners to inspect the goods and provide a declaration that the goods are counterfeit/pirated.

MARQUES does not consider it appropriate to invoke an IPR owner's indemnity in circumstances where the IPR owner is not informed of the seizure of the counterfeit/pirated goods. Therefore, we suggest that the IPR owner is notified of the seizure of the small consignment at the same time as the consignee is notified. The IPR owner can then, if it wishes, inspect the goods. The notification to the IPR owner would, however, enable the customs authority to invoke the indemnity and charge the IPR owner for the costs of destruction of the goods.

For consistency across Member States, **MARQUES** believes that any small consignment procedure be mandatory for all Member States and directly applicable.

The notion of a "small consignment" is open to interpretation. We believe that some guidance should be provided on a European Union-wide basis. We consider that a small consignment is one sent by post or express courier service (such as FedEx or UPS).

6. Costs of storage and destruction

What should be the scope of the provisions regarding costs in the IPR customs enforcement regulation? Should it refer to any cost or should it be limited to the costs incurred by customs authorities, leaving other costs to be borne in accordance with the common provisions regarding civil or criminal IPR enforcement applicable in the territory of the Member State where action has been taken?

MARQUES considers that the provisions of the Regulation regarding costs should not extend beyond the costs incurred by customs authorities in the storage and destruction of goods.

MARQUES would also welcome greater consistency and transparency around costs. There are significant differences between Member States (and within Member States, significant differences between ports) as to the costs passed on to IPR owners. These costs can be significant, so transparency on the calculation of costs is important to rights owners.

MARQUES also believes that, in certain circumstances, the Regulation should provide for seized goods to be destroyed by the IPR owner, rather than for destruction to be undertaken by customs authorities. IPR owners are not generally informed about how goods are destroyed – it is to be hoped that glass, paper etc are, where possible recycled. Further, certain goods (for example, agrochemicals, pharmaceuticals, alcohol) need to be destroyed in particular ways and it is likely that IPR owners are best able to do this. **MARQUES** therefore urges the inclusion into the Regulation of a power for customs authorities to provide counterfeit and pirated goods to the IPR owner for destruction "under oath" (i.e., the IPR owner provides a sworn statement that the goods have been destroyed). This should be at the request of the IPR holder (i.e., it is the IPR holder's option to ask to destroy the goods, not the custom authority's). Given that IPR owners will often have existing facilities (or access to facilities) for environmentally friendly destruction of their own goods, the cost of destruction may be less than customs authorities are able to achieve.

MARQUES also would welcome the specific inclusion in the Regulation of the ability for IPR owners to claim the costs of destruction from the consignee/owner of the counterfeit or pirated goods. At present, this is not clear or consistent between Member States. Preferably, any amount the IPR owner is required to pay to customs authorities should be enforceable as a debt in the courts of the Member States in the same way as, for example, OHIM costs awards. An importer of counterfeit or pirated goods risks those goods being seized and destroyed – the additional risk of the costs of destruction would appropriately place that burden on the infringer, rather than the IPR owner or the customs authority.

What should be the responsibility, regarding costs of storage and destruction, of each of the economic operators involved – voluntarily or involuntarily – in the international trade of IPR infringing goods? In addition to the right holders and the holder of the goods, there are several intermediaries involved, such as shippers, carriers, consignors, customs declarants and holders of customs warehouses.

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MARQUES favours holding shippers, carriers, consignors, customs declarants and holders of customs warehouses responsible for IPR infringement where they knew, or ought reasonably to have known, that their services were being used to infringe an IPR. Therefore, where the costs of storage and destruction cannot be recovered from the consignee/owner, **MARQUES** favours the IPR owner being able to pursue those knowingly involved in the infringement (or who ought reasonably to have known). **MARQUES** also favours these third parties being liable for the costs of storage and/or destruction if the third party objects to destruction, thus removing the ability of customs authorities to use the simplified procedure.

MARQUES does not consider that placing this responsibility on intermediaries is unfair – rather, it is the intermediary who has had the most significant contact with the infringer and who has benefited financially from the infringement (by selling services to the infringer). The intermediary will be well placed to protect itself through insurance and/or contractual obligations with the infringer (including, for example, the right to pursue the infringer). The intermediary will also often have contact details and/or credit card details for the infringer which will not be available to the IPR holder or to customs authorities.

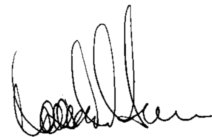
Because of this latter point, in addition to holding intermediaries responsible for the costs of storage and destruction, **MARQUES** also favours imposing on intermediaries an obligation to provide information about the infringer (as above). Restriction on the use of that information by customs authorities and the IPR owner should be removed.

Should these provisions be set out without prejudice of the right of the person liable for costs to seek redress through the judicial system from any other party involved according to common provisions in force?

MARQUES considers, as set out above, that an IPR owner should be able to pursue the consignee/owner for costs through the judicial system, but without the need for a further action – rather, the customs authority's request for payment under the indemnity should be enforceable against the infringer as a debt.

Respectfully submitted

21st May 2010



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