



**MARQUES SUBMISSION**  
**ON THE PROPOSAL FOR A REGULATION OF THE EUROPEAN  
PARLIAMENT AND OF THE COUNCIL CONCERNING CUSTOMS  
ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS**

**EXECUTIVE SUMMARY**

Some of the definitions in the draft Proposal for a Regulation of the European Parliament and of the Council concerning customs enforcement of intellectual property rights (hereinafter **the Proposal**) are too narrow and might cause practical problems to both Customs authorities and brand owners. In particular, **MARQUES** is concerned by the fact that the definition of counterfeit goods (Art. 2(5) of the Proposal) no longer covers packaging, labels and brochures.

**MARQUES** welcomes the inclusion of parallel trade into the scope of the Proposal whereby the current inconsistent application of seizure powers across the internal market will be removed.

**MARQUES** welcomes the definition of applicants to be more specific. In particular **MARQUES** is convinced that the Proposal should contain a clear obligation on applicants (other than IPR holders) to submit the written consent of the IPR holder to file the application for customs action.

**MARQUES** recognises that there are some legal and practical uncertainties surrounding the question of goods in transit, but urges strongly that the significant gap in enforcement which is represented by the current policy is closed.

**MARQUES** welcomes that the simplified procedure, as an essential element of cost-effective and efficient IPR enforcement, has been made mandatory for all Member States.

**MARQUES** very much welcomes the proposed changes and introduction of special proceedings in relation to small consignments. However, a clear definition of “small consignments” should be provided in order to prevent different interpretation in every Member State.

Costs related to storage and destruction can be significant and thus transparency as to the calculation of costs is important to IPR holders. **MARQUES** appreciates the specification of "all costs" to "costs incurred by the customs" in Article 27.

## 1. Introduction

**MARQUES** has always supported efforts to enhance IPR protection and enforcement. **MARQUES** therefore welcomes the Proposal<sup>1</sup> which introduces many positive changes. Nonetheless, the Proposal also brings new challenges and difficulties which should be carefully considered. This submission provides - in line with **MARQUES** response to the consultation paper on the review of EU legislation on customs enforcement of intellectual property rights (“IPRs”) of 21<sup>st</sup> May 2010 - detailed comments on topics that are of significant importance to **MARQUES** members.

We would very much appreciate it if **MARQUES** could continue to participate in the discussions on the Proposal.

## 2. New Definitions

**MARQUES** welcomes the Proposal and some of the changes it will bring to the current setting. However, some of the definitions in the Proposal are too narrow and might cause practical problems to both customs authorities and brand owners. In this regard, **MARQUES** fully shares concerns of the Anti-Counterfeiting Group (“ACG”) expressed in its position paper submitted earlier this year.

In particular, **MARQUES** is concerned by the fact that the definition of counterfeit goods (Art. 2(5) of the Proposal) no longer covers packaging, labels and brochures. In practice this means that it will not be possible to seize shipments of empty packaging unless the IPR holder registers its brand name as a trade mark also for “packaging” as a separate type of goods. **MARQUES** is convinced that in order to secure and strengthen effective IPR enforcement the definition of counterfeit goods should also cover packaging, logos, labels, brochures etc.

**MARQUES** also believes that the phrase “*subject of an action infringing a trade mark*” makes the definition of counterfeit goods even more difficult to implement since this phrase is in fact an additional criterion to be considered and assessed by customs officers. In order to be able to apply this criterion in practice the Proposal would moreover have to provide also a definition of “action infringing a trade mark”.

Therefore **MARQUES** would welcome the definition to preserve the current criterion of “*bearing without authorisation a trade mark identical to the trade mark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trade mark, and which thereby infringes the trade mark-holder's rights under Community law*”.

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<sup>1</sup> Proposal for a Regulation of the European Parliament and of the Council concerning customs enforcement of intellectual property rights.

### 3. Scope of the Regulation

**MARQUES** welcomes the inclusion of parallel trade into the scope of the Proposal (as suggested by **MARQUES** in May 2010 in its response to the consultation paper), whereby the current inconsistent application of seizure powers across the internal market will be removed. Further, this move means that resources are not needed any more to distinguish between counterfeit/pirated goods on the one hand and parallel traded (grey market) goods on the other; consequently, customs authorities and IPR holders should now be able to use these free resources to strengthen the enforcement of IPR overall, in particular enforcement of the new IPR included in the Proposal and enforcement against so called over-runs (see below).

Concerning over-runs, **MARQUES** strongly supports the position that over-runs should be included in the scope of the Proposal. There is no justification for treating over-runs differently from goods that have not been produced in the same plant as licensed products (in particular over-runs often pose health and safety risks to consumers since such goods normally escape from the quality control mechanisms established for licensed goods).

In this regard, it must also be stressed that a footnote to Article 51 of the TRIPs Agreement provides with regard to border measures that “[it] is understood that there shall be no obligation to apply such procedures to imports of goods put on the market in another country by or with the consent of the right holder [...]” It is evident that this does not justify the exclusion of over-runs from the Regulation, as such infringing goods are not put on the market by or with the consent of the right holder. Consequently, the Regulation currently violates the TRIPs Agreement by excluding over-runs.

**MARQUES** therefore supports the position that parallel imports and over-runs should be covered by the Proposal.

### 4. Article 4 – persons entitled to submit the applications

**MARQUES** would like to express concerns of its members in relation to the new definition of persons entitled to submit the application (“applicants”).

The definition of applicants in Article 4 of the Proposal is too broad and would bring practical problems. The only criterion according to the Proposal is that the applicants “*must be able to initiate proceedings for infringement of IPR in the Member State where the goods are found*”.

This provision not only requires Customs to assess whether someone is entitled to “initiate proceedings” but also focuses too much on the IPR holder and its existing contractual relationships. The entitlement of all persons authorized to use IPR, including holders of an exclusive licence, (hereinafter “authorized person”) is determined exclusively by agreement with the IPR holder. Such agreement is governed by private law and, although the IPR holder usually entrusts the authorized person with the right to enforce IPR, the scope and conditions for such measures covered by the power may vary. In this regard the Proposal should also

reflect the fact that only agreements concluded after the effective date of the new regulation could be accepted as “*supporting documents to satisfy the customs department that the applicant is a person entitled to submit the application*” (Article 6(3) letter c) of the Proposal). Customs action is in all conscience a proceeding *sui generis* and so far it was a measure available exclusively to the IPR holder. Therefore the IPR holder (prior to the effective day) has never considered the possibility to transfer this right to an authorized person while concluding the respective agreement. Consequently, acceptance of such agreement as a supporting document under Article 6(3) letter c) of the Proposal would deprive the IPR holder of its right to contractually exclude certain types of enforcement measures from the competencies of an authorized person.

Further it is necessary to emphasize that very often there will be several authorized persons in one Member State and each of them might be entitled (under the contract with IPR holder) to use the IPR in addition to its own brand. Customs would be required to distinguish between this kind of contract on the one hand and agreements entitling the authorized person to fully enforce the IPR without any additional limitations on the other.

In practice the definition of applicants would require customs to evaluate and interpret the content of every agreement between an IPR holder and the authorized person. Needless to say, that is usually a role for judges.

**MARQUES** would therefore welcome the definition of applicants to be more specific. In particular **MARQUES** is convinced that the Proposal should contain a clear obligation on applicants (other than IPR holders) to submit the written consent of the IPR holder to file the application for customs action.

## 5. Goods in transit

On the one hand, **MARQUES** recognises that there are some legal and practical uncertainties surrounding the question of goods in transit: (i) the issue of the protection of the legitimate trade of generic medicines, which, however, concerns patent rights and not *prima facie* trade mark rights; (ii) the outcome of the pending references to the ECJ in the joined matters of Philips and Nokia<sup>2</sup>, which cannot be presumed to exclude the applicability of Regulation 1383/2003/EC to goods in transit; and (iii) the likely future reform of European trade mark law following the Max Planck *Study on the Overall Functioning of the European Trade Mark System*<sup>3</sup>, which, however, concerns matters of substance and, in our view, does not necessarily have to influence the position taken in the new “Customs Enforcement Regulation”.

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<sup>2</sup> *Koninklijke Philips Electronics NV versus Lucheng Meijing Industrial Company Ltd, Far East Sourcing Ltd, Röhlig Hong Kong Ltd and Röhlig Belgium NV (C-446/09) and Nokia Corporation v Her Majesty's Commissioners of Revenue & Customs and The International Trade Mark Association (C-459/09).*

<sup>3</sup> *Study on the Overall Functioning of the European Trade Mark System presented by the Max Planck Institute for Intellectual Property and Competition Law of 8 March 2011.*

On the other hand, there is wide recognition that both from a statistical point of view and from a consumer protection perspective, goods in transit in the EU constitute a very large problem. The Explanatory Memorandum of the Proposal makes this very clear. Even assuming that these goods will not ever be commercialised in the EU (which is often contrary to empirical evidence), the mere existence of the counterfeit goods produces direct and indirect damage to trade mark owners and consumers within the EU and affects innovation and the economy in general.

Trade in counterfeit products is nowadays a global problem, which operates through organised crime, and this naturally has an evident effect on the EU economy. It is not a mere question of territorial jurisdiction. The fiction that counterfeit goods **in transit** in the EU are not **in** the EU originated in other areas of law and mainly serves other purposes (Customs duties) but makes little sense from the perspective of combating counterfeits, if this is accepted as a real and necessary goal in today's world.

While goods in transit are not considered to merit trade mark law protection under the Proposal, exporting counterfeit goods from an EU Member State to a location outside the EU is, by contrast, prohibited by the current EU trade mark legislation. It is hard to see that these two situations, from a consumer and trade mark owner perspective – even from a more global point of view - present any perceptible difference considering the final destination of the goods in question. It is simply in the interests of the trade mark owner, of the consumer and of the economy in general to fight against counterfeit products. If EU Customs are well placed to do so - and there is no doubt in this regard (some EU Customs have been effectively detaining counterfeit goods in transit for a number of years) - this opportunity should not be missed.

In other words, the reasons set out above in the first paragraph of this section of our Submission do not and cannot justify “turning a blind eye” to goods in transit. It is the view of **MARQUES** that this aspect should accordingly be further reconsidered.

There are various ways to reconcile both the potential difficulties outlined above and, in our view, the other fundamental interests that have also been explained. Lack of action results in an extremely unbalanced situation where only infringers and organised crime benefit and consumers, trade mark owners and legitimate trade lose. There must be something inherently wrong in this outcome. Damaged trade mark owners may not even obtain information about the clear existence of a likely crime.

Intermediate solutions may include, in line with the suggestion of the Max Planck Institute Study, allowing detention in case of Counterfeit Goods and Pirated Goods only (as defined in the Proposal). **MARQUES** still believes, however, that the scope of the “Customs Enforcement Regulation” should be wider and permit detention of goods which are not mere Counterfeit or Pirated Goods. There are appropriate counterbalancing provisions in the Proposal (or else, they may be added to this effect). At a minimum, however, a well-thought mechanism to protect consumers, trade mark owners and the economy in general against

Counterfeit Goods and Pirated Goods appears to be indispensable and a clear demand of modern society.

## 6. Simplified procedure

**MARQUES** welcomes that the simplified procedure, as an essential element of cost-effective and efficient IPR enforcement, has been made mandatory for all Member States in the Proposal, as has been suggested in May 2010 by **MARQUES** in its response to the Commission's consultation paper.

**MARQUES** however reiterates its other suggestions that

- the same notification form should be used by the customs of all Member States, and
- in such notification form the IPR holder should automatically be provided with the additional data that the IPR holder currently has to request (i.e. data as to the consignor/consignee etc).

Such steps would further simplify and accelerate the procedure.

## 7. Small consignments

**MARQUES** very much welcomes the proposed changes and introduction of special proceedings in relation to small consignments. Nonetheless, it is necessary to carefully consider all aspects and difficulties of such measure and its implementation.

As already mentioned in the response of **MARQUES** to the Commission's consultation paper, a definition of "small consignments" should be provided in order to prevent different interpretation in every Member State. The definition should in particular reflect situations where one consignment contains counterfeits infringing the rights of more than one IPR holder.

**MARQUES** is also concerned about the fact that under the new procedure customs will decide whether the goods should be destroyed based on their ability to recognize counterfeits of the brand in question. Since the provision of Article 24(1) refers to "*goods suspected of being counterfeit or pirated goods*", there is room for discretion on the part of customs (particularly given the definition of such goods in Article 2(7) which uses the - rather general - expression "*adequate evidence*"). Decision on destruction will depend on the knowledge of the original goods and its main characteristics.

It is natural and inevitable that the level of knowledge and recognition of customs will differ from brand to brand. In this regard **MARQUES** emphasizes also the issue of goods produced by licensees and other authorized persons who might be using the IPR together with their own brand. Such products could easily be confused with counterfeits since they usually do not have the characteristics of the packaging of genuine goods (as described in the customs application), even though the registered trade mark will be mentioned on the product. In such

cases customs may be easily misled and destroy goods that belong to the customer/partner of the IPR holder and do not therefore infringe IPR.

Therefore **MARQUES** would very much welcome the possibility of the IPR holder choosing whether the new procedure for small consignments should apply to the respective IPR or not. Ideally this should be done (as already suggested by ACG) by including an opt-in/opt-out tick-box for the IPR holder when requesting customs action.

## 8. Costs and new obligations of the rights holder

Costs related to storage and destruction can be significant, and thus transparency as to the calculation of costs is important to IPR holders. **MARQUES** appreciates the specification of "all costs" to "costs incurred by the customs" in Article 27.

**MARQUES** supports Article 27(2) as it allows IPR holders to seek redress from the infringers and their agents who are responsible for damages and costs incurred in its IP enforcement activities. By clarifying that the IPR holder's obligation to reimburse Customs authorities for their costs in storing and destroying counterfeit goods is independent from the ultimate responsibility for the costs involved in the infringement, the Proposal is a notable step in the right direction.

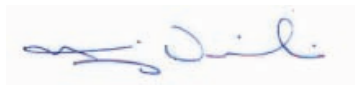
Nevertheless, **MARQUES** believes this provision should be strengthened to clearly and unequivocally state that the ultimate responsibility for costs should be borne not by the innocent IPR holder but by those parties who have caused or otherwise sought to benefit from the infringement. Certainly the owner of the counterfeit or pirated goods should be the party primarily responsible for the costs. However, where the costs of storage and destruction cannot be recovered from the owner of the counterfeit or pirated goods, the Regulations should clearly provide that the IPR holder may pursue those third parties who knowingly supported, facilitated, or benefited from the illegal actions.

Agents such as carriers, consignors, customs agents and customs warehousemen not only profit economically from this illegal trade but also are in privity of contract with the forwarder of the goods. Accordingly, these intermediaries are presumed to have their own legal recourse against the infringer, and at a minimum may have information on the identity and location of the infringer that is otherwise unavailable to the IPR owner or to Customs. Therefore, **MARQUES** believes that as between innocent IPR holders and the infringer's intermediaries and agents who benefited from and knew (or reasonably should have known) of the infringement, the latter should bear the costs of storage and destruction. This provision should be clearly set forth in the Regulations to ensure that this burden is not unreasonably shifted to the IPR holders by the legal interpretations of individual Member States.

As far as other new obligations of the IPR holder are concerned, **MARQUES** completely agrees with and supports comments submitted already by ACG: in particular the obligations under Article 6(3) of the Proposal to provide "*any information relevant to the customs*

*authorities' analysis and assessment*"; and clarification as to an IPR holder's sensitive data being processed by the Commission. **MARQUES** also considers the proposed sanctions against IPR holders in the Proposal to be too heavy. Moreover, some of the sanctions (Article 15(2) letter d) of the Proposal relate to breach of obligations such as "*Where circumstances allow, the samples shall be returned on completion of the technical analysis and before the goods are released or their detention is ended*"(Article 18(2) of the Proposal). In this case it would be solely in the discretion of Customs to decide, which circumstances are relevant and which are not. Any sanction imposed as a result of such assessment would have an immediate negative effect on the IPR holder's enforcement activities.

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## About **MARQUES**

**MARQUES** is a European association of pan-industry brand owners worldwide. Established in 1986 and later incorporated in the United Kingdom as a not for profit company limited by guarantee, **MARQUES** unites Europe's and International brand owners across all product sectors to address issues associated with use, protection and value of intellectual property rights as these are vital to innovation, growth and job creation, which ultimately enhance internal markets. Its membership includes brand owners and IP professionals in more than 80 countries. **MARQUES** is at the forefront of all those institutional and policy-making processes that lead to reform of IP legislation and practice.

**MARQUES** is an accredited organization before the OHIM – Office for Harmonization in the Internal Market, appointed observer at the OHIM's ABBC – the Administrative Board and Budget Committee, an official non-governmental observer at WIPO - World Intellectual Property Organization and a registered interest representative organization (ID number 97131823590-44) in the "Transparency register" set up by the European Parliament and the Commission, which extends and replaces the former "Register of interest representatives" opened by the Commission in 2008.

*More information about the Association is available at [www.marques.org](http://www.marques.org).*