

Europe

IP rights enforcement through border measures

The customs authorities play an essential role in protecting the EU market from counterfeit goods. This chapter first considers the applicable EU rights protection framework, and then looks at how IP rights can be protected across the European Union through border measures.

EU framework

From a legislative point of view, the EU IP legislation is informed by a stable, continuous and international outlook regarding the unification, harmonisation and national implementation of supranational legal frameworks. In addition to the lengthy and controversial process regarding the establishment of a Community patent, which has now reached the stage of regulating the linguistic requirements for European patent applications, major questions arise regarding the extent and effectiveness of the practical enforcement of IP rights under the national law of EU member states. In this regard, two areas can be distinguished:

- enforcement cases related to national IP litigation, which either require the intervention of administrative bodies or the courts, or involve the use of alternative dispute resolution procedures or private settlement agreements; and
- international strategies against counterfeiting and piracy.

Counterfeiting can be considered from various different angles, such as:

- the economic stakes and implications for competitiveness and innovation;
- the consequences for the health and safety of citizens; and
- the strengthening of IP rights through cross-border cooperation.

The issue of counterfeiting was dealt with in the European Commission communication of July 16 2008 on a European IP rights strategy, as well as in the European

Commission communication of September 11 2009 on enhancing IP rights enforcement in the internal market.

Statistics

Anti-counterfeiting measures form a major part of the work of the EU Directorate General for Taxation and Customs Union. Recent statistical data collected in the course of implementing EU Regulation 1891/2004 demonstrates the impact of commercial fraudulent practices. The statistics published on July 22 2010 by the European Commission show that over 43,500 cases of detention of goods suspected of infringing an IP right were registered at the European Union's external borders. The results show that cooperation between Customs, industry and the European Union's trading partners is critically important in order to ensure the highest level of protection for industry and consumers. In regard to the main categories of goods detained, cigarettes, labels and tags and medicines constituted the majority of cases.

The global economic crisis, which led to a downturn in trade in 2009, has contributed to a reduction in the total number of articles detained in 2009 to around 118 million, compared to 178 million articles in 2008. As to the origin of the infringing articles, China was again the main source country (64% of the total amount of articles originated there). However, the Middle East has also advanced in this respect – in particular, Egypt for toys and the United Arab Emirates for medicines and lighters. Further, IP rights infringements are no longer a problem exclusive to the luxury industry. Other popular brands are now also affected by counterfeiting. According to the commission's report, an increasing number of the products detained by Customs are for daily use, such as shampoos, toothpaste, toys and household appliances; or are products potentially dangerous to health, such as food, beverages and medicines. A look at the "Member states percentage cases/articles" table on page 12 of the European Commission's annual report "EU Customs enforcement of IP rights – Results at the EU Border –

2009“ clearly shows that while Greece does not represent a high percentage of actual infringement cases (just 1% of the EU total), it detains 19% of all suspected counterfeit goods. The opposite is true of Germany, with 19% of cases and just 4% of seized articles. In general, the figures relating to countries which are particularly exposed to illegal imports of infringing goods because they form the external borders of the European Union (eg, Italy, the Netherlands, Bulgaria, Romania and Greece) demonstrate that they base their actions on the common goal of protecting rights holders and EU consumers, seizing a high number of articles in each action rather than carrying out customs actions frequently. Another interesting statistic concerns the number of actions following applications for intervention to Customs or arising from *ex officio* actions by the state authorities: 90% of all cases arise from a private initiative.

National enforcement of border measures

The EU Customs Regulation (1383/2003) and EU Regulation 1891/2004 (in force as of July 1 2004) are both directly applicable in member states. The scope of application of these regulations extends to counterfeit and pirated goods, but parallel imports and licence breaches are not targeted by their provisions. These are the only laws which set down measures that Customs can take against infringers. Border measures apply to trademarks, designs (both registered and unregistered), patents, copyright, supplementary protection certificates, national plant variety rights, designations of origin and geographical indications. The issue of whether they also apply to utility models remains controversial. Actual registration of the IP right is normally required. In exceptional cases, where it is certain that the mark will be registered in future, proof of the application to register is sufficient. However, this exception does not apply to patents.

Border measures are unavailable in cases of unfair competition or parallel imports. The import of goods constitutes a further condition for action. Consequently, goods found in a traveller's baggage are generally not subject to detention, unless it is reasonable to believe that the goods are part of commercial traffic constituting a larger-scale operation. Airport customs authorities often encounter this type of action, resulting in the detention of restricted quantities of articles, while port customs authorities are more used to dealing with large-scale operations related to container transportation.

The rights holder or licensee is entitled to file an application for customs action. Recently, a centralised system was established to manage multiple applications

for customs action through a single contact point. Although the applicant must still specify the customs offices where it is seeking protective intervention, the procedure of forwarding the relevant applications and documents is run centrally.

There are two conditions for border measures to be applied. First, as per the EU Customs Regulation, the goods must:

- be entering or leaving EU territory;
- have been imported for release for free circulation, exported or re-exported or placed in a free zone or warehouse;
- originate from or be destined for a non-EU country; and
- not be customs cleared.

Second, there must be grounds to believe that the goods infringe an existing IP right.

In this respect, the rights holder must provide the authorities with sufficient and appropriate documentation, expert opinions and any other kind of evidence to establish the infringement. The rights holder must submit a written statement, assessing the grounds for its assumption that the articles are infringing. It must also initiate civil proceedings in order to secure its rights within 10 working days of the customs action. In practice, this term can usually be extended to 20 days after the relevant decision of the customs authorities has been issued, provided that the applicant can give reasonable grounds. Greek law provides no exceptions to Article 11 of the regulation, according to which the rights holder secures the immediate destruction of the goods if it presents, within 10 working days of receipt of notification (extendible for a further 10 days), the written agreement of the declarant, holder or owner of the goods to abandon the goods. Such an agreement is presumed if the declarant, holder or owner of the goods does not specifically oppose the destruction.

In regard to the costs of filing an application for customs intervention, Customs charges no administrative fee for filing the application and requires no security (eg, a bank debt guarantee) for any type of IP right. The rights holder must simply declare, in writing and in advance, its readiness to bear all costs incurred and to accept liability if the procedure is interrupted due to an act or omission on its part or if the goods should subsequently be found not to infringe an IP right.

The customs authorities may also take *ex officio* measures. Although these are fewer in number than actions arising from private applications, they are highly relevant in practice. Problems arise in regard to the extremely short official time limit for actions by the rights

holder once it has been officially notified. This period is just three working days, even though many justificatory documents (often required in certified and legalised form) must be prepared and submitted within that time. It is thus up to Customs to demonstrate some flexibility, at least in important or serious cases. Customs cannot be held liable in case of wrongful *ex officio* detention. The major question remains of whether Customs is properly equipped to identify goods that infringe patents, plant variety rights, common law marks, unregistered design rights or geographical indications. The EU cooperation programmes are expected to solve Customs' equipment deficiencies. Until then, Customs must depend on the support of local attorneys and experts.

Once a leading opinion has been issued, proceedings must be initiated to determine whether the goods infringe IP rights. Both civil and criminal proceedings are available for such determination. Recourse to the courts is set out by the specific laws dealing with the protection of trademarks, patents, designs and copyright. In practice, only an application for injunctive relief against the infringement can offer fast and effective protection. Main infringement actions can be delayed due to court workloads and are usually not resolved until between 18 and 24 months after the filing of an action at first instance. Criminal proceedings are most effective in high-risk cases, where felonies have taken place, as such proceedings allow for pre-trial confinement. In some cases, Customs may release goods suspected of infringing IP rights on the provision of security by the owner, holder or importer of such goods. Such release depends on the type of IP right in question, as it applies only to goods suspected of infringing design rights, patents, supplementary protection certificates or plant variety rights. If goods are found to infringe IP rights, the rights holder may oppose the transit or export of such goods, or the placement of such goods in a free

trade zone or a free trade warehouse.

If goods are found to infringe IP rights, Customs may order their destruction. It also has the power to dispose of the goods outside commercial channels with the consent of the rights holder.

Although it would be useful in the fight against counterfeiting and piracy for the competent authorities to order an infringer to provide the names of its accomplices, in practice, Customs cannot make such an order.

In case of wrongful detention of goods due to a false statement by the rights holder, only the judicial authorities (ie, not Customs) may order the applicant to pay the owner, holder or importer of goods appropriate compensation for any damage caused.

Comment

The customs authorities play an essential role in protecting the EU market from counterfeit goods. However, Customs cannot achieve significant results in the fight against counterfeiting and piracy without the help of rights holders themselves. This cooperation is the most effective weapon against counterfeiting and, as such, must be strengthened. Industry can fend off repeated attacks by counterfeiters by lodging applications for action with the competent customs department. In this respect, corporate strategies including Community applications for customs intervention appear to be most effective for global or continental players, while national applications are still effective for local small and medium-sized enterprises. Cooperation with specialist, experienced law firms, acting at national and international level, is indispensable for the effective mobilisation of legal weapons against the threat posed to innovation, research and development and public safety and health by counterfeiting and piracy.



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