



International Trademark Association
Representing Trademark Owners Since 1878

**European Commission Consultation:
Review of EU Legislation on Customs Enforcement of Intellectual Property Rights**

**Comments Compiled by the European Union Subcommittee of the
Anti-Counterfeiting Committee (ACC) on behalf of INTA**

May 20, 2010

I. Introduction

The International Trademark Association (INTA) welcomes the opportunity to provide comments on the European Commission's consultation paper on the review of EU legislation on Customs enforcement of intellectual property rights.

INTA recognizes the Commission's efforts to improve the legal framework in order to enhance action against counterfeits. We appreciate and support the Commission's actions not only in the improvement of the legal framework, but also in advancing and communicating Customs actions against counterfeiting through the 2009-2011 Customs Action Plan. We also recognize and appreciate the steps the Commission has taken to communicate with industry to further improve efforts and cooperation.

INTA's comments are provided from a trademark perspective and are limited to trademark issues. As such, they aim to support either the maintenance or amendment of provisions that would enable the strongest and most effective/focused mechanisms to protect trademarks. Our recommendations follow the format of the Commission's Consultation. Due to the length of the comments, we summarize our recommendations below.

II. Key Recommendations

1) Scope of Regulation

- INTA recommends that Regulation 1383/2003 be amended to clarify that Customs are empowered to detain and seize counterfeit goods in transit (or apply other suspensive procedures) possibly by reintroducing the "manufacturing fiction."

2) Derogations

a. Small quantities of goods of a non-commercial nature

- INTA recommends that the derogation concerning small quantities of goods of a non-commercial nature contained in travelers' personal luggage be withdrawn and that efforts should continue to educate consumers on the dangers and costs of buying counterfeits.

- b. Overruns
 - INTA recommends that the derogation concerning overruns be amended to enable a rights holder to act on the basis of the information disclosed in such cases to pursue civil action.
- c. Parallel imports
 - INTA recommends that the derogation concerning parallel trade remain, but be amended to enable a rights holder to act on the basis of the information disclosed in such cases to pursue civil action.
- 3) Simplified procedure
 - INTA recommends that the Article 11 simplified procedure should be mandatory in each Member State and that consent should automatically be implied from a lack of response from the declarant or other interested party, or when there is impossibility for the right holder to correctly notify the declarant at the address provided.
- 4) Small consignments
 - A new simplified procedure should be envisaged to deal with this problem, where the right holders would not necessarily be involved and the holder of the goods would be offered the possibility of abandoning the infringing goods for destruction under Customs supervision. This would be a more efficient process once the rights holder has concluded that goods are counterfeit. Such a procedure should be very straight-forward and the concept of a small consignment should be defined, for example, as "a consignment of less than 10 articles."
- 5) Costs of storage and destruction
 - INTA recommends that the new regulation should explicitly state that primary responsibility for all costs associated with the detention, storage and destruction of counterfeit goods should be borne by the owner of those goods.
 - If the owners of the goods cannot be found and if the rights holder is to be responsible for storage and destruction costs, INTA proposes that the current requirement on rights holders to bear "all costs incurred under this Regulation" (Article 6) should be amended to refer to "Customs costs..."
 - INTA believes that trademark owners should not bear all costs of storage and destruction of goods. Economic operators are in a good position to be able to establish procedures to pass on the responsibility of costs of storage and destruction to those more directly involved in the counterfeiting activity.
- 6) Other Issues
 - a. Disclosure of information
 - INTA recommends that, where possible, information on the parties involved in the trade in counterfeit and pirated goods should be made available to rights holders to pursue deterrent enforcement activity, either civilly or in partnership with law enforcement agencies.

- b. Terms of validity of Customs applications
 - In reference to the terms of validity of Customs Applications, INTA recommends that the current provision remain and be interpreted as requiring rights holders to notify Customs if a right expires, but not when it has been renewed.
- c. Removal of counterfeit goods from the channels of commerce
 - INTA recommends that all counterfeit goods are compulsorily destroyed, definitively removed from channels of commerce, or disposed of with the rights holders' consent where there is no health or safety risk.

III. INTA Recommendations and Comments

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

Question

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

INTA Views

One important issue with regard to the scope of Regulation 1383/2003 relates to the possibility of Customs authorities taking action in transit cases where products infringing third parties' IPRs originate from non-EU countries and are headed into another non-EU country. We have on various occasions expressed our position on this issue, including in a formal submission on the application of Regulation 1383/2003 to transit matters in the Written Observations submitted to the ECJ in the case C-495/09 *Nokia* (attached as Attachment 1).

INTA understands the Commission's position that the current Customs Regulations already addresses goods in transit. However, we have found that there is still variation in the Member States' interpretation of Regulation 1383/2003 following the *Montex* and *Class International* decisions.

While INTA believes that legitimate trade has an interest in transit procedures, counterfeiters now benefit unjustifiably from this trade facilitation tool. The clear intention of Regulation 1383/2003 is that the transshipment of counterfeit goods or the placing of counterfeit goods under a suspensive procedure (such as transit) should be prohibited and that procedures should be set up to "enable Customs authorities to enforce this provision as effectively as possible" (Recital (3)). However, as noted above, there is still variation in Member States' interpretation of Regulation 1383/2003.

INTA is of the opinion the EC Regulation 1383/2003 should be consistently interpreted in all EU Member States and thus all EU Customs officials should be able to stop goods in transit based on this Regulation. An internal survey on Customs Procedures in Transit Shipments in the EU Member States conducted by INTA, found that with the notable exception the UK, Germany, France and Slovakia, Customs officials in 23 of the 27 Member States are authorized to stop goods in transit in an EU Member State. INTA believes that Customs in all EU Member States should remain empowered to detain and seize "counterfeit" goods in transit (or apply other suspensive procedures) if there is suspicion of IPR infringement and

regardless of the risk (or otherwise) of those goods being put onto the market in the EU or non-EU markets.

To the extent that there is any lack of clarity, the Regulation should include a clear restatement of Customs' powers in this respect to ensure a harmonized approach in each Member State. This amendment could take the form of the explicit reintroduction of the "manufacturing fiction" that was contained in Article 6(2) of the previous Regulation 3295/94 and is currently referred to in Recital (8) of Regulation 1383/2003.

Recommendation:

INTA recommends that Regulation 1383/2003 be amended to clarify that Customs are empowered to detain and seize counterfeit goods in transit (or apply other suspensive procedures) possibly by reintroducing the "manufacturing fiction."

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

Question

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

INTA Views

As an association representing trademark owners and practitioners, INTA focuses and limits its comments to trademarks. INTA encourages strong laws that will protect trademarks and advocates for the maintenance and/or addition of resources to effectively enforce those laws.

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

Questions

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

INTA Views

INTA believes that the existing derogation sends the wrong message to consumers by implying that it is acceptable to purchase counterfeits for personal use. The demand in counterfeit goods is one of the key contributing factors to the counterfeiting problem. Keeping the derogation that ultimately allows the public to buy counterfeits without penalty is contradictory to the objective of policies, regulations or laws to protect trademarks and consumers. It also gives the impression to consumers that the government condones the purchase of counterfeits, which would have an adverse impact on future public awareness education efforts on anti-counterfeiting. For these reasons, INTA recommends that the current derogation concerning small quantities of goods of a non-commercial nature contained in travelers' personal luggage be withdrawn. We would encourage that actions dealing with counterfeit items for personal use be implemented according to the respective laws at the national level. Furthermore, efforts should continue to educate consumers on the dangers and costs of buying counterfeits.

Recommendation:

INTA recommends that the derogation concerning small quantities of goods of a non-commercial nature contained in travelers' personal luggage be withdrawn and that efforts should continue to educate consumers on the dangers and costs of buying counterfeits.

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

INTA Views

It is possible to distinguish between "counterfeit" goods produced by a third party (unrelated to the rights holder) and those produced by a licensee outside of the scope of an existing (or past) license agreement. Both infringe the rights holder's trademark rights and the problem of overruns can usually be resolved through additional contractual remedies. Currently, when seized goods are determined to be overruns, those goods are usually released. Furthermore, information disclosed during the process of determining that the goods are overruns cannot be used by the rights holder for further action. INTA recommends that the derogation concerning overruns be amended to enable a rights holder to act on the basis of information disclosed in such cases to pursue civil action.

Recommendation:

INTA recommends that derogation concerning overruns be amended to enable a rights holder to act on the basis of the information disclosed in such cases to pursue civil action.

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

INTA Views

Although counterfeit goods are increasingly "mixed up" in the same channels as parallel trade, INTA supports the existing derogation with regards to parallel trade. However, as discussed in the above section with regards to overruns, INTA suggests that the current Regulation be amended to enable a rights holder to act on the basis of the information disclosed in such cases to pursue civil action against those involved in parallel trade.

Recommendation:

INTA recommends that derogation concerning parallel trade remain, but be amended to enable a rights holder to act on the basis of the information disclosed in such cases to pursue civil action.

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 right has been infringed

Questions

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?

INTA Views

INTA maintains that the implementation of the Article 11 simplified procedure should be mandatory in each Member State and that consent should automatically be implied from a lack of response from the declarant or other interested party.

Nevertheless, rights holders sometimes have to face problems resulting from not being able to correctly identify the declarant or importer. The most common reason for this is a wrong address or name provided by the declarant or importer. The rights holder then tries to contact the declarant or importer at the address provided by the Customs authorities, but receives the letter back from the postal services, which state that the addressee is unknown. In these cases, there is not a lack of response *strictu sensu* but an “impossibility” for the rights holder to notify. We believe this circumstance should also be foreseen and consent should automatically be implied when there is impossibility for the rights holder to correctly notify the declarant at the address provided.

One of the reasons behind this is that Regulation 1383/2003 states that the rights holder shall also bear all costs incurred in keeping goods under Customs control. Unless the counterfeit goods are also destroyed when the rights holder is unable to contact the declarant, the rights holder might have to bear the costs for storage of the goods during the entire legal proceedings. This results in even more damages, for which the rights holder does not always obtain compensation as the infringers are often hard to find or have gone bankrupt.

Recommendation:

INTA recommends that Article 11 simplified procedure should be mandatory in each Member State and that consent should automatically be implied from a lack of response from the declarant or other interested party or when there is impossibility for the rights holder to correctly notify the declarant at the address provided.

5. Small consignments

Questions

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

INTA Views

The current procedures are not adequate to tackle the growing problem of sales of infringing goods via the Internet, which are usually distributed by post or couriers in small consignments. The growing number of postal consignments detained has increased the costs of rights holders, particularly where seeking and obtaining consent to destruction.

Recommendation:

A new simplified procedure should be envisaged to deal with this problem, where the rights holders would not necessarily be involved and the holder of the goods would be offered the possibility of abandoning the infringing goods for destruction under Customs supervision. This would be a more efficient process once the rights holder has concluded that goods are counterfeit. Such a procedure should be very straight-forward and the concept of small consignment should be defined, for example, as "a consignment of less than 10 articles."

6. Costs of storage and destruction.

Questions

- a. 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?

INTA Views

Storage and destruction costs represent a substantial obstacle to the effectiveness of the current system and the revised regulation should seek to eliminate the burden on rights holders (and governments) to meet the costs of storing and destroying counterfeit goods.

The spirit of past amendments to the 1986 and 1995 Regulations, which removed application fees and requirements to post security, has been more than offset by rights holders' liability to meet storage and destruction costs. The Simplified Procedure should have reduced costs, but in many cases it has increased the costs borne by rights holders. In addition, Article 11 is inconsistent with Article 10, lit. 2 of Directive 2004/48/EC which states: "The judicial authorities shall order that those measures [i.e. destruction of infringing goods] be carried out at the expense of the infringer, unless particular reasons are invoked for not doing so." Furthermore, the current requirement on rights holders to bear "all costs incurred under this Regulation" (Article 6) has been used by carriers to support claims against rights holders for reimbursement of their costs.

INTA has conducted a survey on practical aspects of storage and destruction in the EU. Initial findings of the report suggest that there is significant variation in practice between Member States. In the case of storage costs, for example, while some countries such as Germany, Italy, Latvia, among others do not pass on the costs of storage to the rights holder, others such as Bulgaria, Czech Republic, and Hungary generally do require rights holders to meet storage costs. Practices in other jurisdictions are less clear, such as Spain, where Customs normally bear storage costs, but in exceptional cases may pass the costs on to the rights holder or importer.

Recommendation:

INTA recommends that the revised regulation should explicitly state that primary responsibility for all costs associated with the detention, storage and destruction of counterfeit goods should be borne by the owner of those goods. However, if the owners of the goods cannot be found and if the rights holder is to be responsible for storage and destruction costs, INTA proposes that the current requirement on rights holders to bear "all costs incurred under this Regulation" (Article 6) should be amended to refer to "Customs costs..."

- b. 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.

INTA Views

Counterfeiting is a pervasive problem that affects not only trademark owners, consumers, and governments directly, but also indirectly the economic operators whose services are being used by counterfeiters to store, transport, distribute and sell counterfeit goods. In this sense, shippers, carriers, consignors, Customs declarants, etc., are also adversely impacted by counterfeiting.

The current requirement on rights holders to bear “all costs” incurred under Article 6 has been used by carriers to support claims against rights holders for reimbursement of their costs. Trademark owners are not responsible for counterfeits of their products. As such INTA believes that trademark owners as a primary victim of counterfeiting should not be responsible for bearing all costs of storage and destruction of counterfeit goods. The economic operators who are involved –voluntarily or involuntarily – should recognize: 1) the potential for their systems and services to be used by counterfeiters; 2) that should those products going through their system be seized, costs will be incurred during the subsequent investigation; and 3) that steps should be taken to ensure that those costs can be borne by the importer or consignee of those goods if they are found to be counterfeit. One of the main problems with recovering costs is the almost impossible task of tracking down the importer. The economic operator is in a good position to be able build in procedures (through insurance or otherwise) to pass on the costs of storage and destruction to the owner of the goods should such a situation arise.

Recommendation:

INTA believes that trademark owners should not bear all costs of storage and destruction of goods. Economic operators are in a good position to be able to establish procedures to pass on the responsibility of costs of storage and destruction to those more directly involved in the counterfeiting activity.

- c. 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?

INTA Views

INTA strongly believes that whatever provisions are set out, they should be without prejudice to the right of the person liable for costs to seek redress through the judicial system from any other party involved.

7. Other Issues

- a. Disclosure of information: Should current restrictions on the disclosure to and use of information by rights holders be relaxed?

The current regime and, in particular, the simplified procedure has greatly assisted rights holders in securing the seizure of large quantities of counterfeit and pirated goods. However,

the deterrent effect of seizure alone is questionable. The Commission has made significant progress in encouraging cooperation with Customs administrations in third countries, but rights holders continue to play a key role in “joining up” enforcement efforts globally.

INTA believes that, where possible, information on the parties involved in the trade in counterfeit and pirated goods should be made available to rights holders to pursue deterrent enforcement activity, either civilly or in partnership with law enforcement agencies.

The Commission should clarify that the Regulation is intended to enable rights holders to use information disclosed on consignments of counterfeit and pirated goods to follow up against any parties identified within and outside of that jurisdiction. Once a consignment has been identified as counterfeit, the protection of associated personal data should fall away. Existing safeguards already prevent rights holder abuse of information disclosed prior to seizure.

INTA welcomes regular meetings between DG TAXUD and representatives of rights holders to allow for exchange of relevant information and data, to discuss the latest trends, and to provide opportunities for rights holders to cooperate with Customs.

b. Term of validity of Customs applications

The recent change in practice whereby applications are only granted until the expiration of the relevant intellectual property right has caused significant inconvenience and expense to rights holders. This is particularly so because trademark rights cannot be renewed more than 6 months before expiry. Presumably, this change has also increased the administrative burden on Customs administrations now dealing with multiple applications from the same rights holder and/or shorter terms of validity.

INTA recognizes the risks associated with applications containing rights due to shortly expire, but hopes that a pragmatic solution can be found to reduce the burden on rights holders and Customs alike. Article 8 of the Regulation provides that the rights holder shall notify Customs if a right ceases to be validly registered or expires. INTA submits that this provision could remain and be properly interpreted as requiring rights holders to notify Customs if a right expires, but not when it has been renewed.

If this is not acceptable, the Commission can consider two alternative solutions:

1. Grant applications for one year, but make it clear that a decision is conditional for any rights expiring earlier upon the rights holder providing evidence of renewal. A simple renewal request and payment confirmation would suffice. If the rights holder is unable to provide evidence of renewal, then the Customs application expires for any rights not renewed and the remainder of the application runs its course to the end of the year. INTA understands that some national Customs administrations currently adopt similar procedures for dealing with national Customs applications. For example, a decision can read: *“The term of protection runs from 16 December 2009 to 15 December 2010. In relation to the trademark X, the term of protection is extended on condition that the trademark owner delivers, by 10 April 2010, a document confirming that the trademark X has been renewed for another 10-year period, i.e. from 11 April 2010 to 10 April 2020”*.
2. An alternative would be for rights holders to be “penalized” where they act on the basis of a detention without first providing Customs with evidence that a relevant right had been renewed.

c. Donation to charity

While laudable that some seized counterfeits are used for charitable purposes, INTA believes that governments should take appropriate steps to ensure that all counterfeit goods are compulsorily destroyed, definitively removed from channels of commerce, or disposed of with the rights holders' consent where there is no health or safety risk. INTA notes that disposal of counterfeit goods outside the channels of commerce is not the proper mode of ensuring that goods are not used by consumers.

About INTA

INTA is a global organization founded in 1878 with over 5600 members established in 190 countries, including all 27 EU Member States and candidate countries. One of INTA's key goals is the promotion and protection of trademarks as a primary means for consumers to make informed choices regarding the products and services they purchase.

INTA believes strongly that nations must work together and exchange information and ideas that will eliminate the threat posed by counterfeit goods. With this belief INTA strongly advocates policies to advance protection against trademark counterfeiting and infringement. INTA believes that it is in the interest of countries to have the strongest enforcement mechanisms possible to protect the investment climate and employment, and reduce the loss of tax revenues that are directly affected by the lack of efficient enforcement mechanisms and protections against trademark counterfeiting.

INTA Contacts:

Christina Sleszynska
Europe Representative
+32-2-517-6103
csleszynska@inta.org

Candice Li
External Relations Manager for Anti-Counterfeiting
+1-212-642-1700
cli@inta.org