

**ECTA Round Table Brussels  
7 September 2007**

**New weapons in the fight  
against counterfeiting in the heart of Europe**

**I. What's new in relation to border measures and criminal  
law in Belgium?**

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**Introduction**

The Belgian Anti-Counterfeiting and Anti-Piracy Act of 15 May 2007<sup>1</sup>, which came into force on 1 October 2007<sup>2</sup>, aims to give the holders of intellectual property rights ("IPR") and the public authorities the means to fight more efficiently against the production and sale of goods which infringe IPR. The Act relates to criminal law and complements two other recent laws: the Belgian Act of 9 May 2007<sup>3</sup> on the civil law aspects, and the Act of 10 May 2007<sup>4</sup> on the procedural aspects, of IPR enforcement.

These new laws are the result of a long debate and were required to allow Belgium to honour its obligations under International and EU law, thus maintaining its credibility in the face of accusations that Belgium is a '*hub in the trade of counterfeited and pirated goods*'.

Before proceeding to a detailed examination of the new legal framework set up by the Act of 15 May 2007 (see hereunder Chapter III), we will explain the phenomenon of counterfeiting and piracy (in Chapter I) and then review the current International legal framework (in Chapter II).

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<sup>1</sup> Loi du 15 mai 2007 relative à la répression de la contrefaçon et de la piraterie de droits de propriété intellectuelle, published in the Belgian official gazette (*Moniteur Belge*) on 18 July 2007, p. 38734.

<sup>2</sup> Article 35 of the Act.

<sup>3</sup> Loi du 10 mai 2007 relative aux aspects civils de la protection des droits de propriété intellectuelle, published in the *Moniteur Belge* on 15 May 2007, p. 26677.

<sup>4</sup> Loi du 9 mai 2007 relative aux aspects de droit judiciaire de la protection des droits de propriété intellectuelle, published in the *Moniteur Belge* on 14 May 2007, p. 26121.

## Chapter I – Counterfeiting and Piracy: legal definitions, consequences and estimated size of the problem

In the preparatory works of the Act of 15 May 2007, the legislator adopts an autonomous definition of counterfeiting and piracy<sup>5</sup>, namely ‘*the total or partial reproduction of, or the use of the subject of any intellectual property right without the right-holder’s consent*’<sup>6</sup>. The use of this terminology indicates that the legislator recognised the traditional dichotomy between, on the one hand, breaches of industrial property rights (usually referred to as *counterfeiting*) and, on the other, breaches of copyright and neighbouring rights (commonly known under the word *piracy*).

Furthermore, the preparatory works recognise that the era of ‘artisan’, small-scale counterfeiting and piracy has long gone: today, we are confronted with counterfeiting and illegal copying on an industrial scale, which destabilises businesses of all sizes and in all sectors, undermining their competitive position and their investments in research and development. Far from only affecting private businesses, these scourges also threaten ‘*public economic order*’<sup>7</sup>: counterfeiting and piracy result in a massive loss of taxes and income for governments, encourage the developments of parallel ‘black’ economies in countries where the counterfeit goods are sold, and discourage international investment in the countries where they are produced. Consumers are often misled into risking their health and safety, with no after-sales service and no legal recourse for defective goods. Finally, the involvement of organised crime syndicates in the counterfeiting ‘business’ has become obvious: these organisations seek to diversify (e.g. trafficking of drugs, arms and human beings), and are attracted by considerably higher profits than those from other criminal activities, coupled with a greatly reduced risk of the perpetrators being caught and punished.<sup>8</sup>

The counterfeiting industry booms even during economic recessions: an OECD report in 1998 claimed that counterfeiting represented between 5% and 7% of all international trade.<sup>9</sup> Counterfeiting accounts for an

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<sup>5</sup> The TRIPS Agreement (note 14 under Article 51) and Regulation (EC) No. 1383/2003 (Article 2 (1) (a) and (b)) by contrast define them more narrowly. In this article, ‘counterfeiting’ and ‘piracy’ have the meanings as defined by Belgian law.

<sup>6</sup> Preparatory works of the Law of 15 May 2007, Chamber, Doc 51 2852/001, p.8.

<sup>7</sup> Preparatory works, p. 35.

<sup>8</sup> Preparatory works, pp. 8 to 12. For more details on the economic consequences of counterfeiting, see ICC Counterfeiting Intelligence Bureau, *Countering Counterfeiting. A guide to protecting and enforcing intellectual property rights*, 1997; M. Blakeney, “The Phenomenon of Counterfeiting and Piracy in the European Union: Factual Overview and Legal and Institutional Framework”, in *Enforcement of Intellectual Property Rights through Border Measures – Law and Practice in the EU* (O. Vrins and M. Schneider, eds.), Oxford University Press, 2006, pp. 3 ff.

<sup>9</sup> OECD, *The Economic Impact of Counterfeiting*, 1998

annual turnover of some 500 billion EUR.<sup>10</sup> The European Commission, in its *Green Paper on the Fight against Counterfeiting and Piracy in the Internal Market*, estimates that counterfeiting is responsible for the loss of 100,000 jobs a year in Europe alone.<sup>11</sup> Obviously, the clandestine nature of counterfeiting makes it very difficult to evaluate it. Among the more reliable figures are those generated by the Customs authorities of the EU Member States and published annually by the European Commission.<sup>12</sup> In 2006, more than 128 million counterfeit items were seized at the external borders of the EU, and this figure continues to rise each year. These Customs statistics allow us to estimate the size of the problem, sector by sector and country by country, and to distinguish the latest trends. The figures show that the Belgian Customs are, quantitatively speaking, among the most efficient Customs authorities in the EU. However, Belgium remains a major hub for counterfeit goods, partly due to its highly developed transport infrastructure and its geographic location in the heart of Europe, and partly due to the fact that its anti-counterfeiting laws were outdated – until the entry into force of the new Act of 15 May 2007. It is well known that traffickers take advantage of the legislative differences between the EU's Member States and of legal 'loopholes'.<sup>13</sup> A report issued in October 2007 noted that IPR infringements were constantly increasing in number and that, taking all sectors together, over 15% of businesses had suffered breaches of their IPR since October 2005 (11% of businesses in Belgium).<sup>14</sup> In the overall ranking of economic crimes committed in Belgium, IPR breaches came in second place.<sup>15</sup>

## Chapter II – The international and EU legal framework

The Act of 15 May 2007 has to be examined in the light of the international and EU legal framework.

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(<http://www.oecd.org/dataoecd/11/11/2090589.pdf>). Note that the OECD is currently updating this report (see: <http://www.oecd.org/sti/counterfeiting>).

<sup>10</sup> Final Declaration of the First Global Congress on Counterfeiting, held in Brussels on 25 and 26 May 2004; <http://www.ccapcongress.net/archives/Brussels/Files/french.pdf>.

<sup>11</sup> *Green Paper* of the European Commission of 15 October 1998, COM(98) 569 final. See also: Communication from the Commission to the European Council, the European Parliament and the European Economic and Social Committee of 17 November 2000, *Follow-Up to the Green Paper on Counterfeiting and Piracy in the Internal Market*, COM(2000) 789, 30 November 2000.

<sup>12</sup> The statistics on the border measures adopted by the Customs authorities in the Member States in this area are, by virtue of Articles 22 and 23 of Regulation (EC) No. 1383/2003, compiled by the European Commission and published annually on the website [http://ec.europa.eu/taxation\\_customs/customs/customs\\_controls/counterfeit\\_piracy/statistics/index\\_fr.htm](http://ec.europa.eu/taxation_customs/customs/customs_controls/counterfeit_piracy/statistics/index_fr.htm).

<sup>13</sup> Preparatory works of the Act of 15 May 2007, p. 9.

<sup>14</sup> This figure rises to around 25% if it is limited to businesses with activities in China.

<sup>15</sup> PricewaterhouseCoopers, *Global Economic Crime Survey 2007*, <http://www.pwc.com/crimesurvey>.

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At the international level, the World Trade Organisation (WTO) imposes minimum standards on its member countries (Section 1). In addition, the EU has adopted anti-counterfeiting legislation on several occasions (Sections 2 to 4).

### **Section 1 – The TRIPS Agreement**

The TRIPS Agreement was born during the multi-lateral negotiations of the Uruguay Round and applies in all WTO member countries. Its primary objective is to create minimum standards of protection and rules concerning the existence, scope and enforcement of IPR. It defines various categories of rights and minimum protection terms. It also requires WTO member countries to set up the appropriate procedures and sanctions to ensure that IPR can be properly enforced. In particular, it requires WTO member countries to enable the detention of goods at their frontiers (border measures)<sup>16</sup> and the criminal prosecution of deliberate, commercial-scale trade mark and copyright infringements<sup>17</sup>. Finally, the Agreement created a multilateral dispute resolution mechanism, which enables the WTO to force its members to bring their domestic laws into line with the requirements of the Agreement.

### **Section 2 – Regulation (EC) No. 1383/2003 on Border Measures**

Regulation (EC) No. 1383/2003, adopted by the European Council on 22 July 2003<sup>18</sup>, empowers the Customs authorities of the EU Member States to detain or suspend the release of goods which they suspect may breach IPR, both on their own initiative and also at the request of the holder of an IPR, so as to enable the right-holder, within a specified period, to have the goods destroyed under a simplified procedure or to initiate legal proceedings to determine if the IPR has been infringed. The Customs authorities' competence covers (with some exceptions<sup>19</sup>), any goods suspected of breaching an IPR<sup>20</sup> insofar as they are the subject of specific Customs procedures<sup>21</sup>. The Regulation specifies that goods found to be in breach of IPR must be removed from the channels of trade and that the traffickers must be deprived of any profits made from them.

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<sup>16</sup> TRIPS Agreement, Articles 51 to 60.

<sup>17</sup> TRIPS Agreement, Article 61.

<sup>18</sup> Council Regulation (EC) No. 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights, OJ L 196 of 2 August 2003, p. 7.

<sup>19</sup> Article 3 of the Regulation excludes from its scope parallel imports, goods manufactured in breach of a licence agreement and, to a certain extent, goods contained in the personal luggage of travellers.

<sup>20</sup> Article 2 of Regulation No. 1383/2003.

<sup>21</sup> Article 1(1) of Regulation No. 1383/2003.

Finally, the Regulation requires the EU Member States to enact efficient, proportionate and dissuasive sanctions for breaches of the Regulation.<sup>22</sup>

### **Section 3 – The Enforcement Directive 2004/48/EC**

To complete the scope of Regulation 1383/2003 (which is limited to the external borders of the EU) and to harmonise at EU level the various civil laws and procedures related to IPR infringements, Directive 2004/48 was approved on 29 April 2004.<sup>23</sup> It is at the origin of the Belgian IPR Acts passed on 9 and 10 May 2007.

### **Section 4 – The Draft Directive on Criminal Sanctions**

Finally, it should be noted that the European Commission has presented a Draft Directive on Criminal sanctions for IPR infringements.<sup>24</sup> This proposed Directive would aim at harmonising the existing national laws at the criminal level. It currently proposes a maximum sentence of four years' imprisonment for those found guilty of deliberate IPR infringements.

## **Chapter III – The new Belgian legal arsenal: the Act of 15 May 2007**

The Belgian Act of 15 May 2007 specifies the rules applicable to border measures and infringements of Regulation (EC) No. 1383/2003 (Section 1), as well as the criminal sanctions to be applied for breaches of IPR (Section 2).

The Act views trafficking in goods that violate IPR from two distinct angles: firstly, where prohibited goods cross the external frontiers of the EU and thus breach Belgian Customs regulations and Regulation (EC) No. 1383/2003; and secondly, what can be defined as crimes of counterfeiting and piracy and other breaches of IPR. This being said,

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<sup>22</sup> The ECJ decision in the case *Rolex e.a.* (C-60/02 of 7 January 2004, [2004] ECR I-651) suggests that these sanctions must be both civil and criminal. The Belgian authorities appear to agree with this interpretation: cf. the preparatory works of the Law of 15 May 2007, pp. 15 to 17.

<sup>23</sup> OJ L 136 of 30 April 2004 and L 195 of 2 June 2004.

<sup>24</sup> For details of the European Commission's proposal dated 26 April 2006, see [http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/com/2006/com2006\\_0168en01.pdf](http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/com/2006/com2006_0168en01.pdf). The proposal was considerably amended during its first reading in the European Parliament on 25 April 2007, see <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2007-0145+0+DOC+XML+V0//EN>. In the period between its publication and the first reading, the proposal had already generated lively debate: see M. Schneider & O Vriens, 'The EU offensive against IP offences: should right-holders be offended?', [2006] *Journal of Intellectual Property Law & Practice* (Oxford University Press) 173 – 176.

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counterfeiting and piracy are sanctioned under Belgian penal law, regardless of whether they take place in a Customs situation at the external borders of the EU (as specified by the Regulation) or in intra-Community trade.

### **Section 1 – Illegal trade in goods which breach Regulation (EC) No. 1383/2003**

The Act of 15 May 2007 contains measures putting into effect the system of border measures stipulated in the Regulation (§ 1). It also introduces a new Customs offence to the Belgian legal framework, that of breaching Regulation (EC) No. 1383/2003 (§ 2).

#### § 1 - Putting into effect Regulation (EC) No. 1383/2003

Even if, like all EU Regulations, it is directly applicable in all EU Member States, Regulation No. 1383/2003 has an ambivalent relationship with national law. Firstly, it depends on national laws to be truly effective (thus, it is e.g. necessary to designate the competent national authorities to receive and handle applications for customs action). Secondly, it refers certain important issues to national law (e.g. the scope of protection of national IPR). Thirdly, it encourages Member States to adopt certain rules and procedures (such as the simplified procedure specified in Article 11). Of course, the direct effect of the Regulation may suspend contradictory existing national laws.<sup>25</sup>

#### *A. The competent authority to receive and handle applications for customs actions filed under Article 5 of the Regulation*

Article 3 of the Act of 15 May 2007 designates the official of the Ministry of Finance designated by Royal Decree as the competent person to receive and handle applications for customs action.<sup>26</sup>

#### *B. The simplified procedure under Article 11 of the Regulation*

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<sup>25</sup> For example, such is the case of the Royal Decree of 26 November 1996, which provided for specific measures in view of ensuring the effective application of Regulation (EC) No. 3295/94 of 22 December 1994. On the day on which the Act of 15 May 2007 came into effect, the Decree remained provisionally in force (Article 35 of the Act of 15 May 2007) and specifies the payment of a security deposit, which is in contradiction with Regulation No. 1383/2003.

<sup>26</sup> Currently, this is: Administrateur des Douanes, Service Public Fédéral Finances, North Galaxy - Tour A, Boulevard du Roi Albert II 33 boîte 37, 1000 Bruxelles, Tel : +32 2 576 31 38, Fax : +32 2 579 52 57; cf also C 2007 C 234/08, OJ C 234/8 of 6 October 2007.

Given the size of the counterfeiting phenomenon and the fact that most Customs seizures relate to goods that are flagrantly counterfeit with such nature being uncontested, the EU encouraged Member States to enact a so-called 'simplified' procedure.<sup>27</sup> Unfortunately, the EU was unable to impose this requirement, due to Constitutional limitations in several Member States.

Article 6 §2 of the new Act has adopted the simplified procedure for Belgium. As a consequence, from now on, it is no longer necessary in all cases to initiate legal proceedings to determine if an IPR has been infringed before the seized goods can be destroyed. For the simplified procedure to be used, the right-holder must confirm within 10 working days of the customs action<sup>28</sup> that the goods breach his IPR, and must supply the Customs authorities with the written voluntary surrender of the goods by their owner, holder, or declarant. Their agreement to the destruction of the goods is deemed to have been given if they do not make any written objection during the specified time period. The Customs authorities will arrange the destruction of the goods and will pass on the costs to the rights owner. Before releasing the goods for destruction, the Customs authorities will take samples, which will be retained and may be used in subsequent legal proceedings.

The introduction of the simplified procedure represents a major advance, as it permits a practical, rapid and administratively simple resolution of a large number of cases of flagrant counterfeiting. Ideally, it should only be used in certain cases where this is not in conflict with the public interest. In fact, under Article 29 of the Criminal Prosecution Code, the Customs authorities must inform the Public Prosecutor's Office of any evidence of counterfeiting.<sup>29</sup> In cases where the Public Prosecutor decides to investigate, he must be in a position to examine the goods and to proceed with their seizure, even if, at a later stage he would agree on their destruction with the exception of some samples.<sup>30</sup> So, even if the simplified procedure theoretically allows IPR holders to deal directly with traffickers and, for example, to get them to voluntarily surrender the

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<sup>27</sup> Note that this procedure had previously been tested and evaluated as part of the German and Austrian legal arsenals. H. Harte-Bavendamm (*Handbuch der Markenpiraterie in Europa*, München, C.H.Beck'sche Verlagsbuchhandlung, 2000, p. 173) notes that, in Germany, only 5% of Customs seizures used to be contested before the adoption of EC Regulation 1383/2003.

<sup>28</sup> If the goods concerned are perishable, this time period is reduced to three working days.

<sup>29</sup> Article 29 of the Belgian Criminal Prosecution Code specifies: « *Any constituted authority, civil servant or public officer, who, in exercising his functions, obtains evidence of a crime or a misdemeanour is obliged to immediately inform the Public Prosecutor's Office of the competent court in the place where the offence was committed or where the accused is domiciled, and to pass on any relevant information, examination notes or declarations* ». So as not to deprive the Public Prosecutor's Office of the ability to conduct future seizures or actions, which could lead to a serious breach of public interests, it is *imperative* that the information is passed on before the simplified procedure begins.

<sup>30</sup> Cf. *infra*, Section 2, § 3, A.

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goods, to promise to cease the IPR breach (with a liquidated damage clause) and to pay damages, the IPR holders must remember the possible decision of the Public Prosecutor to further investigate the case. IPR holders would also be well-advised to use the simplified procedure with caution, as it is well-known that the traffickers anticipate some 'losses' due to Customs seizures. Given that the simplified procedure's only consequence for the traffickers is the loss of the goods, it is not an effective deterrent.<sup>31</sup>

### C. Security deposit under Article 14 of the Regulation

Article 4 of the new Belgian Act defines the amount of the security deposit payable by the declarant, owner, or holder of goods suspected of infringing a patent, design, SPC or plant variety right, to obtain the release of the goods by the Customs authorities. Article 14 of the Regulation provides for the possibility for seized goods to be released by Customs where the rights infringed are 'of a technical nature' and the legal proceedings are set to take a long time. Three conditions must be fulfilled to obtain the release of the goods: the proceedings on the merits must have begun, the goods must not be subject to conservatory measures (such as e.g. a seizure by the Public Prosecutor), and they must have cleared Customs.<sup>32</sup>

Article 4 of the Act of 15 May 2007 specifies that the deposit must be at least: three times the Customs value of the goods (if they originate from outside the EU), or three times the statistical value (for goods of EU origin).<sup>33</sup> The rules for paying the deposit will be specified in the Royal Decree.

## § 2 – The Customs offence and criminal sanctions

A major innovation in the new Act is the creation – under Article 5 – of a Customs offence of breaching (or attempting to breach) Article 16 of Regulation No. 1383/2003.<sup>34</sup> The Belgian government has thus decided

<sup>31</sup> As, for example in trafficking counterfeit cigarettes, where the traffickers still make a profit if only one container in ten reaches its destination.

<sup>32</sup> Article 14 of Regulation No. 1383/2003. In reality, this option is very rarely used: cf. O. Vrins and M. Schneider, *Enforcement of Intellectual Property Rights through Border Measures – Law and Practice in the EU*, Oxford University Press, 2006, p. 156.

<sup>33</sup> 'Customs value' is defined in Article 29 of Regulation (EC) No. 2913/92 of 12 October 1992 establishing the Community Customs Code, OJ L 302 of 19 October 1992, p. 1. 'Community goods' and 'non-Community goods' are defined in Article 4 (7) & (8) of the Community Customs Code. To calculate the value of the deposit, please refer to the answer to the sixteenth question put by Japan to the Belgian delegation to the WTO on the enforcement of IPR: Report of Belgium to the TRIPS Council n° IP/Q4/BEL/1 of 17 November 1998, available at [http://www.wto.org/english/tratop\\_e/TRIPs\\_e/intel8\\_e.htm](http://www.wto.org/english/tratop_e/TRIPs_e/intel8_e.htm).

<sup>34</sup> Belgium is thus the third European country, after France and the UK, to have chosen a Customs offence. Note, however, that in the UK and France, the Customs offence is limited to trade mark infringements, which are generally easier for Customs officers to

to empower the Customs authorities to prosecute breaches of the Regulation, building on their existing general competence in policing the external borders of the EU<sup>35</sup> and their detailed knowledge and experience of proving and prosecuting Customs infringements under the existing Customs & Excise Act and related legislation.<sup>36</sup>

Article 5, § 1 of the Act of 15 May 2007 contains a double reference to existing legislation<sup>37</sup>, since it stipulates that « *the offence or attempted offence, as specified in Article 16 of Regulation (EC) No. 1383/2003 will be punished as provided in Article 231, § 1 of the General Customs & Excise Act* ».

Article 16 of the Regulation considers as 'prohibited' any goods which are found to breach IPR at the outcome of the procedure specified in Article 9 of the Regulation. These prohibited goods cannot be released for free circulation within the EU, nor can they be exported, re-exported, placed under a suspensive procedure nor stored in a customs warehouse. If any of these occur, then the perpetrators will be prosecuted by the Customs authorities for the offences specified in Article 231, § 1 of the Customs & Excise Act. This Article refers to Articles 220 to 225, 227, 229, 230, 248,

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detect. For more details, see A. Firth & J. Phillips §§ 28.93 ff., and J. Biardeaux §§ 11.200 ff., in O. Vrins and M. Schneider, *Enforcement of Intellectual Property Rights through Border Measures – Law and Practice in the EU*, Oxford University Press, 2006.

<sup>35</sup> The rules which govern these cases are mostly included in the Community Customs Code (as defined in footnote 33 above).

<sup>36</sup> Customs & Excise Act of 18 July 1977, as published in the *Moniteur Belge* on 21 September 1977, p. 11476, most recently modified by the General Purposes Act of 25 April 2007 as published in the *Moniteur Belge* on 8 May 2007, p. 25103.

<sup>37</sup> Questions have been raised as to whether this is unfairly confusing. The Belgian Council of State (*Conseil d'Etat, Raad van State*) reminded the Belgian government that « *criminal law should be written in language that allows individuals to know, the moment that they decide to perform an action, whether their action is a criminal offence or not* », and it considered that the referral to Article 231, § 1 of the Customs & Excise Act, which in turn refers to other Articles « *is too vague* » (preparatory works, p. 86). In its analysis, the Council of State did not take account of the fact that Article 16 of Regulation No. 1383/2003 itself is the subject of several (implicit and explicit) referrals to other Articles. Article 16 refers to the procedure outlined in Article 9, which is a preliminary to the procedure outlined in Articles 11 (simplified procedure) and 13 (judicial procedure). The judicial procedure in turn refers to rules specified in Article 10, which in turn refers to the legislation in force in the Member State where the goods are discovered, in order to determine if they infringe IPR. The Belgian government swept aside the remarks of the Council of State and simply remarked that other laws (e.g. in the field of drugs or prohibited arms) are using the same procedure (preparatory works of the Act of 15 May 2007, pp. 30 – 31). A deeper analysis reveals that the reference in Article 16 of the Regulation to the procedure mentioned in Article 9 of the same text is also ambiguous, as the procedure described in Article 9 results in either a judicial procedure (Article 13) or the so-called 'simplified' procedure which allows the right-holders to avoid the judicial procedure (Article 11). The preparatory works of the new Act state that Article 16 of the Regulation is only breached when the goods in question are « *formally recognised by the court as goods infringing an intellectual property right* ». It is unclear whether this was meant to be interpreted as meaning that the Customs authorities are not entitled to prosecute in cases where the simplified procedure has been initiated.

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§ 1 and 277 of the Customs & Excise Act, which specify the sanctions applicable for the illegal import, export or transit of illicit goods.<sup>38</sup>

As the Customs offence only applies to a breach of Regulation No. 1383/2003, some IPR infringements are excluded from this offence: this is the case for parallel imports, goods manufactured in breach of a license agreement (e.g. 'over-runs') and non-commercial goods contained in the personal luggage of travellers.<sup>39</sup>

It is noteworthy that Article 2 of Regulation 1383/2003 uses a stricter definition of *counterfeit goods* and *pirated goods* than that in the Belgian Act of 15 May 2007. This means in practice that the Customs offence, and any related IPR infringement, will have a narrower scope of application than the offence of counterfeiting and piracy outlined in Article 8 of the Act of 15 May.

Finally, a careful reading of Article 5 suggests that the Customs offence does not require proof of criminal intent. This is in line with usual practice in Customs law.<sup>40</sup>

The sanctions specified in Article 5, §§ 1 and 2, of the Act are a term of imprisonment of between three months and three years and a fine of between €500 and €500,000.<sup>41</sup> These sanctions are to be doubled for any repeated offence within five years.<sup>42</sup>

The referral to Customs law confers wide-ranging powers to the Customs & Excise authorities, including:

- the right to seize and confiscate the illicit goods, and the vehicles containing them, if the correct Customs declaration procedure is not followed (smuggling) or if the products were illegally hidden<sup>43</sup>;
- the right to confiscate goods used to hide or disguise fraudulent goods<sup>44</sup>;

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<sup>38</sup> Following the adoption of the Customs offence, the transit question has become even more problematic. Indeed, the European Court of Justice (Case C-281/05 *Montex v Diesel* of 9 November 2006, [2006] ECR I-10881) has stated that goods placed in transit cannot, of themselves, infringe a trade mark owner's rights, as the Court considered that transit does not constitute a « *use in the course of trade* » in the sense of Article 5 of Directive 89/104 (First Directive 89/104/EEC of the Council of 21 December 1988 to approximate the laws of the Member States relating to trade marks, O.J L 40 of 11 February 1989, p. 1). One may therefore doubt that it is possible to begin proceedings on the basis of a Customs offence for the placing in transit via Belgium of goods which would have been considered counterfeit had they been offered for sale in Belgium.

<sup>39</sup> Article 3 of Regulation No.1383/2003.

<sup>40</sup> Belgian Supreme Court, 12 May 1982, *R.W.* 1983-84, p. 112.

<sup>41</sup> The severity of the sanctions is justified by the gravity of the crimes, the damage they inflict on society and the involvement of organised crime, according to the government (*cf.* preparatory works, pp. 29-30).

<sup>42</sup> Article 5, § 2 of the Act of 15 May 2007.

<sup>43</sup> Article 222, § 1 of the Customs & Excise Act.

- the right to imprison fraudsters who work in gangs of at least three people and who illegally hide illicit goods<sup>45</sup>;
- the right to arrest on suspicion of having committed an offence which is punishable by imprisonment<sup>46</sup>;
- the right to seize goods whose ownership is unknown, unless the owner lays claim to them by registered letter within 30 days of the closure of the seizure declaration<sup>47</sup>;
- the seizure of goods whose owner is known but whose value is less than €250 and where the Customs authorities have not charged the goods' owners with an offence punishable by imprisonment or a fine<sup>48</sup>.

Article 5, § 3 of the Act states that (attempted) breaches of Regulation 1383/2003 will be pursued using the procedure specified in Articles 226, 249 to 253 and 263 to 284 of the Customs & Excise Act. These Articles specify how seizure statements<sup>49</sup> and reports<sup>50</sup> are to be drafted, and how the Customs authorities are to proceed in cases where attenuating circumstances are found.<sup>51</sup> They also specify the rules for informing the Public Prosecutor's Office and the Examining Magistrate: Customs offences are first tried under the Criminal Code before a Criminal Court, with the right to lodge appeals with the Court of Appeal. Prosecutions are initiated by the Customs authorities and in parallel by the Public Prosecutor in cases where the same facts give rise to two sets of proceedings for which both authorities are competent. These cases will be investigated separately; however, the proceedings will be instituted and handled jointly, so the Public Prosecutor will always wait until the Customs authorities have started proceedings before lodging formal charges and initiating joining Customs' action.<sup>52</sup>

## **Section 2 – Breaches of IPR under Belgian Criminal Law**

The abolition of systematic Customs checks at the borders between EU Member States has made it very difficult to extend the Customs offence to infringing goods circulating within the EU, even if precedents exist

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<sup>44</sup> Article 222, § 3 of the Customs & Excise Act. This provision is particularly useful in cases where traffickers mix counterfeit goods with genuine goods in order to deceive the Customs authorities.

<sup>45</sup> Article 229 of the Customs & Excise Act.

<sup>46</sup> Article 248 of the Customs & Excise Act.

<sup>47</sup> Article 277, § 1 of the Customs & Excise Act.

<sup>48</sup> Article 277, § 2 of the Customs & Excise Act. This is a very useful way of dealing with the huge amount of counterfeit goods sent by post following orders placed on websites or via on-line auctions.

<sup>49</sup> Articles 267 to 272 of the Customs & Excise Act.

<sup>50</sup> Articles 273 to 278 of the Customs & Excise Act.

<sup>51</sup> Article 263 of the Customs & Excise Act.

<sup>52</sup> Article 281 of the Customs & Excise Act.

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within the EU itself.<sup>53</sup> However, as the new Customs offence applied significant criminal sanctions to the infringement of Regulation (EC) No. 1383/2003, it would have been illogical not to punish breaches of the same IPR as those specified in Regulation (EC) No. 1383/2003, committed on the national territory. This is the objective of Article 8 §1A of the new Act. The law goes further: Chapter III of the new Act, concerning « *Sanctions against breaches of certain IPR* », encompasses:

- Articles 9 to 11, which criminalise certain acts, which, in themselves, do not breach any IPR (§ 1 under B.);
- Articles 12, 13 and 15, which specify the range of sanctions;
- Article 14, which deals with disputes of validity;
- Articles 16 to 21, which contain several significant innovations in terms of remedies, research and prosecution of breaches (§ 2) and the rules and procedure for disposing of goods held to breach IPR (§ 3).

### §1 – The Counterfeiting and Piracy Offences and the “Peripheral” Breaches of IPR

#### A. *The Counterfeiting and Piracy Offences*

Article 8 of the Act of 15 May 2007 punishes any fraudulent or malicious act, in the course of trade, which infringes a trade mark, patent, supplementary protection certificate, plant variety right or design right. The offence is the infringement of these IPR, and not the breach of the related rules. Thus, these offences can be qualified as *counterfeiting offences* and *piracy offences*, as opposed to Customs offences.

##### a) *Material element*

As far as the *content* of these offences is concerned, the Belgian legislation is straightforward, as, with very few exceptions, all the offences under civil law are also offences under criminal law, and thus punishable as such (i).<sup>54</sup> It also has to be proved that the offence was committed ‘*in the course of trade*’ (ii).

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<sup>53</sup> Cf. notably in France, the Longuet Act 94-102 of 5 February 1994 (JORF 8 February 1994, p. 2151), encoded as Articles 414 and 432*bis* of the French Customs Code. Article 11 of this Act introduced a new Article 716-8 to the French IP Code, which specifies that « *The Customs authorities may, on receiving a written request from the owner of a registered trade mark or from the beneficiary of an exclusive export licence, seize any goods passing through one of their Customs checkpoints which are suspected of being counterfeit.*» This legislation has caused a few problems from the EU law point of view, as shown, for example, by the decision issued by the European Court of Justice on 23 October 2003 in Case C-115/02 *Rioglass v Transremar*, [2003] ECR I-12705.

<sup>54</sup> In this respect, Article 8 § 1, refers to:

1) for trade marks:

a) Article 2.20, para 1, a, b & c, of the Benelux Intellectual Property Convention of 25 February 2005 (enacted by the Act of 22 March 2006);

(i) The concept of “breach”

The new Act represents a significant step forward in this field. Previously, only breaches of trade marks, on the one hand<sup>55</sup>, and of copyright and neighbouring rights, on the other<sup>56</sup>, could be criminally sanctioned, as required by Article 61 of the TRIPS Agreement. From now on, breaches of patents, SPC's, plant breeders' rights, and designs can also be

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- b) Article 9 of Regulation (EC) No. 40/94 of 20 December 1993 on the Community Trade Mark;
  - 2) for patents and supplementary protection certificates:
    - a) Article 27 of the Patents Act of 28 March 1984;
    - b) Article 5 of Regulation (EEC) No. 1768/92 of 18 June 1992 concerning the creation of a supplementary protection certificate for medicinal products;
    - c) Article 5 of Regulation (EC) No. 1610/96 of 23 July 1996 concerning the creation of a supplementary protection certificate for plant protection products;
  - 3) for plant variety rights:
    - a) Article 21 of the Plant Varieties Act of 20 May 1975;
    - b) Article 13 of Regulation (EC) No. 2100/94 of 27 July 1994 on Community plant variety rights;
  - 4) for industrial designs:
    - a) Article 3.16 of the Benelux Intellectual Property Convention of 25 February 2005;
    - b) Article 19 of Regulation (EC) No. 6/2002 of 12 December 2001 on Community designs.
- Article 8, § 2, specifies, also by reference to civil law, that the following activities are not criminal offences:
- 1) for trade marks:
    - a) actions mentioned in Article 2.23 of the Benelux Convention of 25 February 2005;
    - b) actions mentioned in Articles 12 & 13 of Regulation (EC) No. 40/94 of 20 December 1993 on the Community trade mark;
  - 2) for patents and supplementary protection certificates:
    - a) actions mentioned in Articles 27.4, 27.5, 28.1 & 30 of the Patents Act of 28 March 1984;
  - 3) actions undertaken exclusively to perform trials as required by Article 13 of Directive 2001/82/EC of 6 November 2001 on the Community code relating to veterinary medicinal products or Article 10 of Directive 2001/83/EC of 6 November 2001 on the Community code relating to medicinal products for human use, for obtaining marketing authorisation in the sense of these two Directives;
  - 4) for plant variety rights:
    - a) actions mentioned in Article 22. 1 of the Plant Varieties Act of 20 May 1975;
    - b) actions mentioned in Articles 14, 15 & 16 of Regulation (EC) No. 2100/94 of 27 July 1994 on Community plant variety rights;
  - 5) for industrial designs:
    - a) actions mentioned in Articles 3.19 & 3.20 of the Benelux Convention of 25 February 2005;
    - b) actions mentioned in Articles 20 to 23 of Regulation (EC) No. 6/2002 of 12 December 2001 on Community designs.

<sup>55</sup> Trade Marks Act of 1 April 1879, Articles 8 to 15.

<sup>56</sup> Act of 30 June 1994 on copyright and neighbouring rights, Articles 79 to 86*bis*; Act of 30 June 1994 implementing into Belgian law the EU Directive of 14 May 1991 on the legal protection of computer programs, Articles 10 & 11; The Act of 31 August 1998 implementing into Belgian law the EU Directive of 11 March 1996 on the legal protection of databases, Articles 13 to 17.

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prosecuted. The new Belgian Act thus goes much further than existing EU legislation, as the European Commission has so far been unable to convince the Member States that it is necessary to apply penal sanctions to patent infringements or infringements of SPC's.<sup>57</sup> We wonder if the Belgian government realises how significant this reform is: was it, for example, really its intention to criminalise parallel imports to Belgium of *genuine* goods from non-EEA countries? This is, in any event, one of the changes introduced by the Anti-Counterfeiting and Anti-Piracy Act of 15 May 2007, whose name may therefore be seen as unfortunate.

Given previous laws in this area, it would be easy to forgive the government for not extending the scope of Article 8 to include infringements of topographies of semi-conductor chips and trade names, which are nowadays universally viewed as intellectual property rights. It is rather less easy to understand why the Act does not mention infringements of geographical designations and indications of origin. Such an omission seems impossible to justify, having regard to Article 5 which raises these actions to the rank of Customs offences when they are committed as part of the trafficking of goods across the external EU borders. Thus the importing to Belgium of 'fake' champagne from a non-EU country will attract criminal sanctions, whereas the importing of the same product from another EU Member State would not; it is surprising that the Council of State, consulted, it is true, at the very last minute, did not query what appears to be a serious discrimination.

One will welcome that this legislation finally puts an end to the previous dichotomy as to the definition of trade mark infringements under civil law (by reference to the old Benelux Trade Marks Act and the Benelux IP Code of 25 February 2005) and under criminal law (by reference to the Trade Marks Act of 1 April 1879). However, the criminal law will continue not to apply to trade mark infringements resulting from the use of a disputed sign for other purposes than to distinguish products or services.

Other observers have regretted the fact that the government allowed the penal provisions of the two Acts of 30 June 1994 and the Act of 31 August 1998 to continue to exist alongside the new Act of 15 May 2007,<sup>58</sup>

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<sup>57</sup> In the light of Article 18 of Regulation (EC) No. 1383/2003, the question arises of whether the failure of negotiations on this point should be accepted, for this Article requires all EU Member States to institute penal sanctions for breaches of patents in cases where this Regulation applies (cf. as an analogy to Article 11 of Regulation (EC) No. 3295/94, the decision of the European Court of Justice of 7 January 2004 in Case C-60/02, *Rolex*. Note however that several EU Member States were in reality ahead of Belgium in this area by instituting heavy penal sanctions against the infringements of patents and supplementary protection certificates.

<sup>58</sup> Act of 30 June 1994 on copyright and neighbouring rights; Act of 30 June 1994 implementing into Belgian law the EU Directive of 14 May 1991 on the legal protection of computer programs; Act of 31 August 1998 implementing into Belgian law the EU Directive of 11 March 1996 on the legal protection of databases.

without judging it opportune to merge them into one Act, which could then have been used to define *all* IPR breaches that attract criminal sanctions.

Finally, in contrast to what is occasionally heard, we should note that all the Customs offences specified in Article 5 of the Act are also quoted as counterfeiting offences in Article 8 of the Act.<sup>59</sup> If this had not been done, the rights owners would have found it impossible to initiate criminal proceedings in cases where their rights had been breached in ways specified in Regulation (EC) No. 1383/2003, as only Article 5 could have been invoked, which confers no right of action on the rights owners. We should therefore stress that, in cases where the Customs authorities discover counterfeit goods in breach of Regulation (EC) No. 1383/2003, the competences conferred on them by Article 5 do not exclude the prosecution rights conferred on the Public Prosecutor by Article 8. The opposite point of view would lead to the opposite of the government's desired effect, being the diversification of the actions available to the holders of IPR and the reinforcement of the penal sanctions for breaches of such rights. It would, indeed, have no sense to oblige the holders of IPR to only pursue counterfeiters via the civil courts under Regulation (EC) No. 1383/2003, whereas the Customs authorities could only pursue counterfeiters via the criminal courts in the same situations under Article 5 of the new Act. It would similarly be illogical to deprive IPR holders of the possibility of pursuing through the criminal courts straightforward counterfeiters, whilst enabling them to do so against parallel importers of genuine products, as Article 5 of the new Act clearly cannot be held to apply in the latter case.

It is thus our opinion that Articles 5 and 8 of the Act of 15 May 2007 permit *cumulative actions* before the criminal courts, at the instigation of the Customs authorities, the IPR holders or the Public Prosecutor.

(ii) The concept of "use in the course of trade"

To be considered an offence, the crime cited in Article 8 of the Act of 15 May 2007 must have been committed '*in the course of trade*'. The last indent of Paragraph 1 of Article 8 sheds some light on what is meant by this expression: an offence is committed as soon as the actions described in the Article are performed as part of a *commercial activity intended to result in a profit*. The preparatory works re-emphasise this, excluding from the scope of the Act any non-commercial or non-public activities, notably experimental or scientific activities.<sup>60</sup> Therefore there is

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<sup>59</sup> Nevertheless excepting, as previously mentioned, breaches of geographic designations and indications of origin.

<sup>60</sup> Preparatory works, p. 37: « *It is not our intention to punish breaches of IPR by individuals in a non-commercial context, even (...) where the consumers are fully aware of the counterfeit or pirated nature of the goods they are buying. The fight against this type of counterfeiting, currently extremely widespread should rather involve campaigns to make the public aware of the problem and of the negative consequences of counterfeiting on*

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no question of using the Act against end-users of counterfeit or pirated goods, even if they purchased the products in full knowledge of their pirated or counterfeit nature: nor can the Act be used against end-users who stocked or imported such goods for non-public use.<sup>61</sup> The Belgian government did not follow the example of Italy and Estonia, which included within the scope of their criminal offences the purchase in bad faith of pirated or counterfeit goods, which has proved one of the most effective weapons against these scourges. The Belgian government makes clear in the preparatory works its view that making the public more aware of these problems will be more effective.<sup>62</sup>

If the educational aspect of an awareness campaign to a public which is often unaware of the disastrous consequences of the counterfeiting phenomenon, is apparently a required prelude to the criminal prosecution of illicit behaviour, then the decision to exclude from the scope of the criminal law the actions of informed and fully-aware consumers must appear odd every time anyone uses a counterfeit product, in full awareness that it is likely to cause damage to someone else. For example, imagine a car owner who does his own maintenance and who, to save money, fits a counterfeit braking system, ordered over the internet, on his car. If he were then to kill a pedestrian due to his faulty brakes, he could not be pursued before the courts for the counterfeiting offence. Of course, the legal arsenal would allow him to be pursued on other charges, but not on the counterfeiting charge, which is arguably at the heart of the case. Would it not have been a good idea to criminalise such practices? Of course, such a change would not affect the Public Prosecutor from considering on a case-by-case basis, whether to press criminal charges or not.

Regardless of the above example, it appears to us eminently reasonable to consider as “commercial activity” the actions of individuals who place a series of small orders and effectively are running businesses, albeit in limited geographical areas. It should be reasonably straightforward for an enquiry to establish the profit-making and commercial objectives of the individuals’ actions in such circumstances (and the discovery of stocks of identical counterfeit products would support this).

### *b) The moral element*

To be considered an offence under Article 8 of the new Act, a breach of IPR has to be shown to be “*with malicious or fraudulent intent.*”

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*legitimate business, so that they can help reduce the problem by refusing to buy counterfeit or pirated goods ».*

<sup>61</sup> Conversely, it seems obvious to us that the renting of goods in breach of IPR to individuals should, *a priori* be considered as a commercial transaction.

<sup>62</sup> It is precisely to this end that a awareness campaign was launched at Brussels National Airport on 26 January 2007 and that another one is due to take place by the end of November 2007.

The preparatory works define “*malicious intent*”<sup>63</sup> as a desire to damage the material or non-material interests of the rights owner. It defines “*fraudulent intent*” as the desire to obtain for oneself or for someone else an illicit benefit, including an indirect or non-financial benefit. In practice, fraudulent intent – the pursuit of profit – would naturally be easier to prove than malicious intent; and it is linked to the material element of the offence, which requires, as we have seen above, the offence to be committed *in the course of trade*.

The specific fraud (*'dol spécial', 'bijzonder opzet'*) therefore overrode the general fraud (*'dol général', 'algemeen opzet'*) when the final text was drafted. Thus, the harmonisation aimed for by the government remains imperfect on this point as both Article 10 of the Software Protection Act and Article 13.3 of the Database Protection Act require a general fraud to be proved.<sup>64</sup> We should, however, recognise that, in practice, jurisprudence in this area has traditionally interpreted “*fraudulent intent*” in the broadest possible sense, without reference to specific or general fraud. The government will probably have to amend the text of the Act once the criminal directive (whose most recent draft also prefers the general fraud to the specific fraud) becomes law.<sup>65</sup>

*c) The ending of the requirement to lodge a complaint before beginning proceedings*

The government did not maintain in force the old system of *crimes by complaint* for trade marks (as opposed to copyright) under the regime established by the Act of 1 April 1879.<sup>66</sup> The Public Prosecutor is thus now authorised to initiate criminal proceedings in all cases to which Article 8 applies, even if the IPR owner, or any other damaged party, has not made an official complaint. The government is once again stressing here that counterfeiting and piracy (in their widest sense) have to be treated as threats to public order.

*d) Challenges to the validity of rights*

Although it goes without saying that no sanction can be applied to breaches of IPR that have been declared null and void, revoked or lapsed, or committed after such nullity, revocation or expiration came into effect, Article 14.1 of the Act confirms this.

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<sup>63</sup> p. 36.

<sup>64</sup> These dispositions demand that the breach has to have been committed ‘*knowingly and with a commercial objective*’.

<sup>65</sup> The current draft directive is based on Article 61 of the TRIPS Agreement, which compels the contracting countries to criminalise any trade mark or copyright infringement committed deliberately and on a commercial scale.

<sup>66</sup> The 1886 Act also instituted the crime by complaint of counterfeiting copyright. In contrast to the Act of 1 April 1879, this Act was updated by modern legislation (the Act of 30 June 1994 mentioned above), which makes a clean sweep on this point.

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However, what happens if the accused challenges the validity or existence of the IPR he is accused of infringing? Article 15 of the Criminal Prosecution Code provides that the criminal courts will normally have to decide on this issue. However, under Article 14.2 of the Act, judges in the criminal courts cannot rule on this point in cases where the assessment of the validity of the IPR belongs to the exclusive jurisdiction of a specific judge. In such situations, the judge in the criminal court would have to stay the criminal proceedings pending the parallel proceedings concerning validity before the competent court.

### e) Sanctions

Article 61 of the TRIPS Agreement and Article 18 of Regulation (EC) No. 1383/2003 both require that the sanctions applied for counterfeiting and piracy offences be proportional and have a deterrent effect. It must be admitted that, for too long, Belgium failed to comply with these requirements. The sanctions specified in the Trade Mark Act of 1 April 1879 were fines of between €143 and €11,000<sup>67</sup> and between eight days' and six months' imprisonment, and had not been updated following the large-scale "industrialisation" of counterfeiting and piracy. Reform was thus urgently required.

The Act of 15 May 2007 significantly reinforces and diversifies the applicable sanctions. The periods of imprisonment are increased to between three months and three years.<sup>68</sup> The fines are increased to between €100 and €100,000, plus the additional surcharges specified in Article 1 of the Act of 5 March 1952 (which makes €550 to €550,000 in total). These sanctions are to be doubled for defendants who re-offend within five years, as specified in Article 56 of the Criminal Code. Paragraph 2 of Article 13 authorises special or ordinary confiscation and the destruction of goods and machinery used to commit the breach, and the submission of samples to the IPR holders. Article 15 of the Act authorises the judge to publish the judgement and to order the temporary or permanent closure of all or part of the premises used by the guilty party and also to permanently or temporarily ban the guilty party from exercising his profession.<sup>69</sup>

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<sup>67</sup> That is €26 to €2,000 before the application of the surcharges as at 30 September 2007 (Article 8 of the Act of 1 April 1879).

<sup>68</sup> The current draft of the criminal directive specifies a maximum of four years' imprisonment. The government might therefore have to align the requirements with those specified by EU law. Failure to do so would result in the non-achievement of the objective of the European legislator to put an end to the practice of *forum shopping* regularly used by counterfeiters.

<sup>69</sup> For legal persons, please refer to Article 41*bis* of the Criminal Code.

The new Act harmonises the sanctions provided for in the Acts of 30 June 1994 and 31 August 1998 with those mentioned above.<sup>70</sup>

Even if the sanctions mentioned in Article 8 of the Act reflect *grosso modo* those mentioned in Article 5 for Customs offences, we can nonetheless note a disparity in the amount of the fines.

*B. "Peripheral" breaches*

The government took advantage of the creation of the new Act, whose primary objective was the suppression of *counterfeiting* and *piracy*, to also tackle offences that had been encountered in practice and which were not in themselves breaches of IPR, but are nevertheless in the IP sphere.

Article 9 specifies a sanction of a fine of between €100 and €5,000 (increased by the legal surcharges) for those who: (i) unduly claims, (ii) in the course of trade, (iii) to be the holder of (an application for) a trade mark, a patent, a supplementary protection certificate, an industrial design or a plant variety right. This new criminal offence is subject (as were the previous offences) to the proof of malicious or fraudulent intent, which, unsurprisingly, means that its scope is effectively limited to the actions of those who could not claim they were acting *in good faith* under a protective title which turned out to be false. In the same spirit, the government did not think it opportune to extend the scope of this new offence to unregistered rights, such as copyright, as it is generally regarded as difficult to prove deliberate deception concerning the existence of legal protection in these cases.

Article 10 specifies sanctions of between three months' and two years' imprisonment and/or fines of between €200 and €10,000 (increased by legal surcharges) for the offence of either inducing a third party into:

- registering a right mentioned in Article 8 of the Act in any non-official register or publication by falsely claiming that such registration was required to give protective rights; or
- registering a right in a register which claimed to protect inventions but which had no official recognition, by abusing the trust, ignorance or credulity of the person concerned.

Concerning the moral element, reference is made, once again, to malicious or fraudulent intent.

Note that Article 10 to a certain extent overlays the offence of written fraud (Article 193 of the Criminal Code) and the offence of deception (Article 496 of the Criminal Code).

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<sup>70</sup> Cf. Articles 28 to 33 of the Act of 15 May 2007.

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Finally, Article 11 of the new Act created an offence of *obstruction* (defined as any action hindering or preventing the competent authorities from executing their investigations related to the enforcement of the Act). This new offence will be specifically used during administrative enquiries which *precede* a criminal enquiry against someone suspected of committing the offences mentioned above, but will have regard to the *right to remain silent*, that Article 6 of the European Human Rights Convention confers on any individual charged by an Examining Magistrate of a Crown Prosecutor, or who is officially questioned under caution.

### C. Co-defendants and Accomplices

By making Book 1 of the Criminal Code applicable to the offences outlined in Articles 8 to 11, Article 12 of the Act of 15 May 2007 also makes the sanctions applicable to co-defendants and accomplices<sup>71</sup>. Despite its original intention, expressed in Article 8 and the preparatory works of the Bill which preceded the Act, to punish attempted breaches of Articles 8 to 11, the government ultimately decided not to include this in the final text of the Act<sup>72</sup>.

## § 2 - The investigation, recording and prosecution of offences

To ensure the optimal application of the Act, the government has increased the numbers of officials in charge on its enforcement as well as their statutory powers of investigation (see hereunder the contributions of Ms Annick Mottet Haugaard and Ms Anne Slivko). In addition to public court proceedings, the new Act also permits alternative procedures.

### A. Pursuits

The offences listed in Articles 8 to 11 are pursued before the Criminal Tribunal, either by direct referral or by an Order from the Investigation Court for the case to be heard before the Tribunal. Only the Customs authorities are empowered to initiate proceedings for Customs offences under Article 5. In the event of joined pursuits, both cases will be simultaneously initiated before the same Criminal Tribunal.

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<sup>71</sup> Articles 66 and 67 of the Criminal Code. Transporters and service providers acting in bad faith in general can now be pursued under this heading. Note that the issue of accomplices in relation to Customs offences is governed by Article 227 of the Customs and Excise Act.

<sup>72</sup> Therefore, the seizure of unassembled components of a future counterfeit product might not suffice to begin legal proceedings.

*B. Alternative procedures*

a) Caution procedure

Article 16 of the Act specifies a caution procedure by which the Minister of Economy (or his delegated officials) can, as an alternative to criminal prosecution, merely caution the offender if he agrees to cease offending within a specified period. Where breaches of Articles 8, 9 and 10 of the Act have taken place, the delegated officials can send an official notice to the accused, demanding that he ceases the offence.<sup>73</sup> Should the offender choose not to reply to this notice, then the file is passed to the Public Prosecutor for criminal proceedings to be initiated. In reality, this procedure will – hopefully – only be used in a limited number of circumstances, as it would be unreasonable, for example, to issue a mere warning when the goods are already in commercial circulation. Furthermore, as the new Act does not mention what is to be done to the goods in cases where the caution procedure has been applied, it may in fact lead to a kind of “Counterfeits merry-go-round”.

b) Settlement by payment

In addition to the other options available, Article 17 of the Act allows suitably designated officials to offer offenders the option of paying an amount<sup>74</sup> which ends the criminal proceedings, when the offender has voluntarily surrendered the goods to the authorities and has abandoned his rights to pursue the case. The amount cannot be more than the maximum fines specified in Articles 8, 9 and 10, plus the legal surcharge, plus any costs for the storage or destruction of the counterfeit goods. Offenders can be notified of this option within two weeks of the seizure, and if they pay the fine before the specified cut-off date, the investigation is halted, except in cases where a formal complaint had been filed before the Public Prosecutor, the Examining Magistrate had been ordered to investigate or where the case has been submitted directly to the Criminal Tribunal. In these cases, any amount paid is to be refunded to the offender.

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<sup>73</sup> The Notice must mention the alleged facts, the specified sanctions and the potential future proceedings should the accused take no action within thirty days of the sending of the Notice by registered post or in person.

<sup>74</sup> The Act specifies that the accused must be informed of the criteria used to calculate the amount of the fine (Article 17, §1, paragraphs 2 and 3) and the conditions that must be observed for this payment to end the criminal proceedings. The amounts, means of payment, procedure for receiving the payment and procedure for destroying the goods will be specified in a subsequent Royal Decree.

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### § 3 – Destruction of goods held to be in breach of IPR

To be coherent, the fight against counterfeiting must definitively result in the removal of any goods found to be in breach of IPR from commercial circulation. This is why the Act specifies procedures for destroying these goods at different stages of the criminal investigation. Before examining the more common situations in which destruction can occur, it should be noted that the Act does not distinguish between the destruction of counterfeit goods *stricto sensu* and (illegal) parallel imports of genuine goods. In the latter case, the legislator's allegation according to which destruction would be the only possible reasonable solution<sup>75</sup>, can be disputed. For example, the Act could have authorised judges to re-assign to the IPR holder the illegally imported genuine goods upon request of the latter, deducting any damages and interest awarded from their value. However, it would be unlikely that any IPR holder would make such a claim as the goods could have been damaged by the conditions of transport or storage.

#### A. *At the evidence-submission<sup>76</sup> or judicial examination stage*

The Public Prosecutor can order the destruction of the seized goods once samples have been taken, at the cost of the owner, transporter, consignee or the IPR owner, when there is a threat to public order or when the continued storage or warehousing of the goods might constitute a danger or a threat to public order due to the nature or quantity of the goods or the storage conditions, and if no claim is laid to the goods within two months of the date of their seizure.<sup>77</sup> According to the preparatory works of the Act, significant storage costs would be a criterion justifying an early destruction of the goods. Nevertheless, prudence would dictate that only in cases where the owner has *voluntarily abandoned* suspected goods should the destruction go ahead. Special attention should be paid in identifying the person or organisation empowered to make such decisions. When destruction is ordered, a detailed inventory should be made of the goods destroyed (including a detailed description of each type of counterfeit item and the number of each type of item). Sufficient samples of each type of item should be taken for potential future

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<sup>75</sup> Cf. p. 46: « *In the perspective of a coherent policy to fight against counterfeiting and piracy, the destruction of counterfeit goods would appear to be the only option possible. The option of sending the goods elsewhere to uninterested third parties (e.g. charities), or their sale at auction was dropped (...).* »

<sup>76</sup> Cf preparatory works, p. 48: « *Several reasons led us to empower the Public Prosecutors to order the destruction of suspected counterfeit or pirated goods in the absence of a definitive decision that IPR had been breached. We were thinking here above all of circumstances where the destruction of the goods would preserve public order or health (e.g. the destruction of counterfeit car parts or medicines). Destruction could also be motivated by the lengthy storage of the goods following an unresolved case (...). In other cases, any pursuit can be rendered impossible by the very format of the file (...).* »

<sup>77</sup> A period of 15 days applies to the destruction of perishable or limited-life goods (Article 13, §3, para.1 of the Act).

examination by experts from both sides of a criminal case. The Public Prosecutor can designate the owner of the goods, their transporter or the IPR owner (or indeed any person) as their legal custodian.<sup>78</sup> The Examining Magistrate can use similar powers during his investigation.<sup>79</sup>

*B. After a settlement*

The Public Prosecutor can order the destruction of counterfeit goods following a settlement, provided that the offender has voluntarily released them to the exchequer. Before proceeding to the destruction, a detailed inventory should be made and samples should be taken and retained for possible future examination.<sup>80</sup>

*C. After judgement*

The courts are empowered to include in their judgements in counterfeiting or piracy cases, based on Article 8, §1, an order for the destruction of any goods held to be in breach of IPR which had been confiscated, at the cost of the condemned offender, even if these goods did not belong to him.<sup>81</sup>

*D. Remedies for third parties*

During the investigation or initialisation of the investigation, « *any person damaged by an action against his property* » is entitled to claim the property under Articles 28.6 and 61.4 of the Belgian Criminal Investigation Code. The Royal Decree of 9 August 1991<sup>82</sup> specifies the procedures to be followed by third parties claiming their rights over seized goods.

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<sup>78</sup> Article 13, §3, para. 2 of the Act.

<sup>79</sup> Article 13, §3, *in fine*.

<sup>80</sup> Article 13, §3, paras. 3 & 4.

<sup>81</sup> Article 13, §2.

<sup>82</sup> *Moniteur Belge* 17 October 1991, p. 23190.

## II. Can right-holders count on market inspections?

### 1. *Sharing of Competence: the Role of the Police, the Customs and the Market Inspectors*

by Annick Mottet Haugaard

#### Background

The new Belgian Act of 15 May 2007 provides for new competences for the Police, the Customs and the "Federal Public Service (for the) the Economy".

Historically, the fight against counterfeiting at the criminal level fell within the competence of the Police and the Public Prosecutor before which a criminal complaint by the trade mark owner had to be filed.

At that time, the Customs authorities did not have any specific competence in that field but, on the basis of the general Act relating to customs and excise, they could take note of any trade mark infringement found during their inspections for customs or tax purposes and transmit the information to the Public Prosecutor who, in its turn, would further investigate the matter and eventually prosecute.

With the introduction of the first Customs Regulations (EC) no. 1382/1986 and (EC) no. 3295/1994, the Belgian Customs were granted some power to intervene in the fight against counterfeiting at the borders of the European Communities. The new Customs Regulation (EC) no. 1383/2003 has extended their competences and the latter has been furthermore extended by the new Belgian Act of 15 May 2007.

In the preparatory works of the new Act of 15 May 2007, the Belgian Government justifies its approach by the fact that the services of the Public Prosecutor are overloaded and that the judicial police has other priorities. However, as the fight against counterfeiting is important to safeguard the global economy, it requires adequate human resources.

Studies have also demonstrated that, when there is an infringement of an intellectual property right, there are also generally infringements of other laws, in particular labour and tax law as well as the Belgian Trade Practices Act of 1991. Indeed, workers involved in such traffic are rarely properly declared and their employers rarely pay tax.

### **New competences**

In its article 18, the new Act provides that, in addition to the judicial police and the other state police services, inspectors from the Customs services as well as from the Federal Public Service (for the) Economy, have the competence to investigate and report on infringements of intellectual property rights.

Consequently, these inspectors have notably the power to:

1. access at any time of the day premises where it can be reasonably expected that goods infringing intellectual property rights are located; they have the same power vis-à-vis any transporters of goods; however, with regard to inhabited premises, they can proceed with a search only between 8.00 a.m. and 6.00 p.m. and provided they have the express authorization of the judge of the police tribunal;
2. proceed with any recording, examination, control or investigation and notably proceed with the questioning of any person, open any consignment which might contain goods infringing intellectual property rights; demand any document, invoice, including those saved on a computer or any other support, which may have a link with the investigation and to make copies of such; they can seize any of the documents necessary to evidence the infringement or to facilitate a search on the other parties involved in the infringement; they may also take any samples of goods which are suspected of infringing intellectual property rights and can require their expertise;
3. proceed with the seizure of the goods suspected of infringing intellectual property rights as well as of their means of transportation and any equipment and other material made use of to commit the infringement. In this case, however, the seizure has to be confirmed by the Public Prosecutor within 15 days.

In their investigative tasks, the inspectors are able to rely on the advice of experts, which have been authorized by the Ministry for the Economy.

All these “super powers” inspectors are exercising their new extended powers under the supervision of the General Public Prosecutor, without prejudice to their subordination to their direct superior within the administration to which they belong.

That the General Public Prosecutor will exercise a supervisory role seems obvious as this fight and the extensive powers granted to the inspectors will affect sensitive issues relating to privacy.

## Round Table in Belgium

### **Communication and coordination**

Since 1 October 2007 (date of entry into force of the new Belgian Act), a lot of inspectors from the four Belgian administrative services (Justice, Interior Affairs, Finance, and Economy) dedicate their time to the fight against counterfeiting.

However, in order to ensure the fight against counterfeiting is efficient, it seems necessary to coordinate the activities of all these inspectors, including the activities of those who belong to other administrative services, such as the labour or tax inspectors.

The legislator was fully aware of that necessity and some procedures are already envisaged in the preparatory works relating to the new Act.

Chapter V of the new Act is consequently dedicated to the coordination and follow-up of the actions regarding the fight against counterfeiting. Royal Decrees will need to be adopted in order to specify the practical modalities of such coordination but the Act itself already provides some guidance.

Coordination and communication are indeed essential for the fight against counterfeiting to be successful.

First, each service must help the others. It seems obvious but this is not always an easy principle to apply in practice.

This assistance must primarily relate to the communication of useful information in order to guarantee the efficient implementation of the Act through preventive or punitive actions (communication of information relating to new operational methods used by the infringer, and communication of observations and results resulting from the application of these new methods).

Already before the entry into force of this Act, the question of communication and coordination had already been discussed and issues had been raised, even at the level of just the police. It was rather common in the past indeed that the link between two cases or the coordination of various actions to be undertaken was ensured by the trade mark representatives themselves and they took on the task of passing on information gathered from a service to another in order to trace the supplier chain.

Since a few years, there is at Federal level in Belgium, a team of a few policemen, fully dedicated to the fight against counterfeiting, who are supposed notably to receive all the reference numbers of the police files involving counterfeiting and to make sure that several teams are not working simultaneously on the same file without being aware of the

activities of the other teams. This special team is also providing training to their inexperienced colleagues and assistance in organizing investigation relating to counterfeiting. It also conceive, organize and coordinate actions

In addition, every three months, a meeting takes place in Brussels between the Police, the Public Prosecutor and representatives of the Customs and of the Federal Public Service (for the) Economy in order to exchange some concrete information regarding the cases they are handling.

In drafting the implementing Royal Decrees, the Government may get inspiration from such system or could also envisage establishing mixed teams with representatives from all the administrative services concerned as this arrangement functions well notably in the fight against "VAT carousels" where a representative of the Customs sits together in an office with a representative of the Police and they work together on cases rapidly exchanging information they extract from the database of their respective administrative service without having to go through all the administrative requirements they would have to follow if they were not in the same office.

Furthermore, there is also the "College of the General Public Prosecutors" which should soon conclude an agreement with the other administrative services involved in the matter of the training of the officials and the communication of information.

### **Sufficient human resources and technical means**

It is obviously a good thing to have a new Act which extends the powers of the various authorities but this alone is not sufficient.

The authorities must also dispose of the necessary human resources and technical means to perform their new tasks.

In Belgium, there are still some police and customs services which do not possess a digital camera, or an electronic address. Some have no connections to Internet and cannot consult existing and useful databases. Thus, they are prevented from working and corresponding efficiently with their colleagues or the representatives of trade mark owners.

We cannot forget either the importance of having adequate human resources and their adequate positioning throughout the country and, in particular, in the various strategic areas in order to implement the new Act.

In that respect, there are still serious improvements to be made by the Belgian authorities.

## **2. The Role of the Federal Public Service (for the Economy in the fight against counterfeiting.**

**by Anne Slivko**

Consequent to the laws concerning civil and judicial aspects of counterfeiting and piracy of intellectual property rights in Belgium, the legislature has now equipped the enforcement and examining bodies, as well as the judicial authorities, with a wider armoury to combat counterfeiting. The law of 15 May 2007 has given competence to several enforcement authorities to check the counterfeiting chain from the borders of the EU to the domestic market.

The law provides a new competence to the Federal Public Service (FPS) Economy and more specifically to the inspectors and control agents of the Directorate- General Enforcement and Mediation (“DGEM”). It also provides for administrative sanctions distinct from the General Prosecutor’s Office and the criminal sanctions that might be pronounced by the Courts.

A matter of economics

There is no doubt that counterfeiting is a matter of economics, because of its disruptive effect upon the market. It is logical therefore that the Intellectual Property Office of the FPS Economy (whose full title is Federal Public Service, Economy, Small and Medium-sized Businesses, Self-Employed People and Energy) should have taken the matter up and conceived the new legislation.

Whilst having this broad range of competences, its main mission is to create conditions for a competitive and balanced market for goods and services in Belgium and to promote fair trade practices. The fight against counterfeiting clearly fits into that mission.

Right holders are familiar with the work of the federal police and customs service.

Nowadays, in Belgian territory, both federal and local police are tasked with the mission of surveillance and investigation within the framework of their overall responsibilities. Customs officers actively tackle counterfeiting by checking on goods entering or leaving the EU.

As far as the DGEM is concerned, right holders and their representatives are aware of the Intellectual Property Office but the surveying body is probably less well known. The purpose of this article is to give an overview of the work of DGEM, to explain the kind of structure it is setting up and how to file a complaint.

## The DGEM

The DGEM may be better known under its former name of Economic Inspection. A major reform of the Belgian federal administration a few years ago gave the DGEM a new responsibility that resulted in the setting up of a new section Mediation, to provide consumers and businesses with a means of alternative dispute resolution within the economic field.

The DGEM has a regulatory role in tackling unfair trade practices and has been described as “the economic police” in Belgium. Most of its work draws its legal authority from the scope of special laws, including trade practices, consumer information and protection, conditions on access to business activity, price regulation, consumer credit, product quality and safety, and fair competition. Under the supervision of the General Prosecutor’s Office, it has wide research and investigative powers. Each of these is provided for by a special act and by Articles 18 and 19 of the counterfeiting law.

Commencing on 1 October, another new special law concerning the fight against counterfeiting and piracy of intellectual property rights has come into force.

However, in order to provide for the implementation measures, Royal Decrees still have to be issued, in particular to implement

- . the procedure of settlement, the obtaining of samples and the abandonment and destruction of goods
- . the co-ordination and exchange of information
- . the nomination and intervention of experts

### A nationwide trained service

In order to assume these new duties, in addition to many years’ experience of economic investigations, a new counterfeiting unit has been set up aimed exclusively at the struggle against counterfeiting. The present investigators of course remain competent for the existing legislation and will include all these aspects in every action in the field, which should result in a more effective processing of the cases they have to deal with.

The DGEM structure is organised at both central and regional levels.

At the central level, the first tier of all staff members, inspectors (with academic degrees), and controllers (with advanced degrees) of the counterfeiting unit will have an investigative mission and will be active in the field.

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The central unit (four inspectors and three controllers) will supervise investigations and provide the necessary co-operation with other enforcement authorities. The FPS Economy, more specifically the DG Market Regulation and Organisation, which is competent for intellectual property, will be in charge of the co-ordination.

At the regional level, the DGEM operates through its seven regional directorates, based upon the provincial structure of Belgium, in Brussels, Ghent, Antwerp, Liege, Charleroi, Louvain and Namur

In each of these directorates, at least one agent will be trained specifically in counterfeiting. They will be experienced agents, used to taking action in concert with local police, within the framework of existing legislation, and knowing their fields of action well.

The DGEM can rely on a staff of 200 investigators.

New weapons in the anti-counterfeiting armoury

The legislature has provided DGEM agents with tools they are familiar with under existing legislation – a preventative tool, the warning procedure; and a repressive tool, the procedure to effect a settlement.

Under the scope of the new law, DGEM agents have wide research and investigative powers.

The warning procedure

Article 16 of the law provides that competence to make a warning report by DGEM agents will apply to infringements of Articles 8 –10 and Article 20. Such an exclusive right can be explained by the fact that, because of their fields of action, those agents would have to report a small amount of goods infringement. A warning procedure would be useful in the case of a first offence, as it would allow for an offence to be officially revealed as well as the identity of an offender, who could not thereafter simply claim that “he didn’t know”. The question would be how to deal with the goods in the case of a warning. Although the law does not cover the point specifically, the previous conditions (willingness to surrender the goods and no claim by the injured party) are relevant. In order to make the warning consistent, a recorded willingness by the offender to destroy the offending goods could be considered. But what about the possibility of the injured party filing a complaint? Unless this could happen in the presence of the representative whose declaration could be recorded on the premises, the limitations of the warning procedure are clear. Accordingly, in the early days of the implementation of the law (and of the Royal Decree after its issuance), the DGEM will only make use of the procedure to effect a settlement.

The infringing party will be warned to stop its illegal activity, or otherwise ameliorate the position. So far as fake goods are concerned, the goods will have to be removed from the market immediately. Illegal goods can never be released into the commercial market.

The procedure for a settlement

Article 17 of the law provides that agents competent to look for infringements of Articles 8 to 10 and Article 20 of the law are competent to make a settlement, resulting in a fine and a certificate of offence having probative force. Paying the fine will result in there being no prosecution.

In order to begin the procedure, two prior conditions are required:

- . willingness to surrender the goods
- . no claim by the injured party

Research and investigative powers

Article 19 of the law provides the enforcement agents with wide search and investigative powers.

At any time of the day or night, without prior warning, they may have access to workshops, buildings, ships, warehouses, silos, transport, annexes and non built up areas, and may stop vehicles.

Two or more agents may visit inhabited buildings between the hours of 8 a.m. and 6 p.m. with prior police court authorisation.

They may make any necessary records, expert controls, enquiries, and may hear any person, open any package, box or the like, ask for the production of and copy any papers, documents or computer data, and take free samples of goods, at the risk and cost of the owner, holder or recipient of the goods.

They may also seize goods, and transport instruments or any other objects likely to have been used to commit an infringement. Any such seizure must be confirmed by the General Prosecutor within fifteen days or is automatically lifted.

In practice

There are three ways in which an enquiry can be launched:

- 1 If something against the law is noted by the DGEM, it can start an investigation itself, without reporting the case to the judicial authorities

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- 2 Once a year, institutional and investigative priorities are set up for the coming year, taking into account priority issues for which the DGEM is responsible
- 3 The DGEM can process complaints filed by consumers or businesses

Right holders and consumers can both file complaint forms, which can be downloaded from the FPS Economy website. The plaintiff is advised of the conclusions.

The DGEM is not the only enforcement authority. However, it has already its own areas of action, which can be described as those “closest to the consumer”, and will be active in retailer’s and wholesaler’s stores, markets, fairs, trade shows and “flea markets”.

#### How to lodge a complaint

Complaint forms can be downloaded from the FPS Economy website <http://economic.fgov.be> (the form is only available in French and Dutch so far). The form can be accessed through the links “businesses” and “intellectual property”.

**Round Table in Belgium**

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