



European Communities Trade Mark Association

By Email to: John.Taylor@ec.europa.eu

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Dear Mr Taylor,

Concern: Comments on the proposals for a review of Regulation (EC) 1383/2003

The following proposals on the review of Regulation (EC) 1383/2003 are meant as a contribution for discussions leading to a review of the border measures Regulation.

These comments are made based on the wide experience of the Members of the ECTA Anti-Counterfeiting Committee, but they are not unanimously endorsed by all the Members of the Committee.

The ECTA Anti-Counterfeiting Committee proposed to:

Reinstitute the fiction of the production in the state of interception to resolve the external transit issue

JUSTIFICATION

Regulation (EC) 1383/2003 enables the customs authorities of the Member States to take action in all customs situations where goods suspected of infringing intellectual property rights are likely to be encountered, except in the case of intra-Community traffic.

External transit and customs warehousing do thus fall under the scope of Regulation (EC) 1383/2003: Article 1 (b) mentions good brought into the Community customs territory under a 'suspensive procedure', this includes *inter alia* external transit and customs warehousing. Recital 3 also expressly mentions that the Regulation applies to 'transhipment, ... placing under a suspensive procedure'.

The problem with 'suspensive procedures' is that the European Court of Justice (ECJ) considers transit and customs warehousing not to be trade mark use in the country of interception and thus not infringing, except where the right-holder can show that there is a real risk that the goods ultimately end up on the Community market (ECJ, C-405/03, *Class International BV v Colgate-Palmolive Company and Others*¹ and C-281/05, *Montex Holdings Ltd v Diesel SpA*²). This reasoning can *mutatis mutandis* be applied to other intellectual property rights. Therefore, when the national judicial authorities in the country of interception have to decide whether the goods under a suspensive procedure infringe an intellectual property right, they will have to conclude that in the absence of evidence that there is a risk that the goods will come onto the Community market, the mere transit or customs warehousing is not an infringement.

This is a serious problem, since a very large number of potentially infringing goods are intercepted in transit or under another suspensive procedure. There are several reasons for this: One is that it is in fact easy to change the destination of goods from their fictitious 'transit status' to enter them for release for free circulation. Goods can thus 'leak' into the Community. Transit through the Community can also be a means of cheating customs authorities in the country of destination. In many third countries goods that 'originate' in the Community are not (or less) controlled.

In order to allow right-holders to efficiently tackle the problem of infringing goods in transit, the fiction, according to which the authority in charge of deciding whether the suspect goods infringe an intellectual property right has to consider the goods as if they were produced in the country where they are intercepted (in French: *fiction de la fabrication sur place*), has to be reintroduced into the Regulation.

This fiction was contained in Article 6(2) of Regulation (EC) 3295/94 which stated:

2. The law in force in the Member State within the territory of which the goods are placed in one of the situations referred to in Article 1 (1) (a) shall apply as regards:

...

(b) reaching the decision to be taken by that authority. **In the absence of Community rules in this regard, the criteria to be used in reaching that decision shall be the same as those used to determine whether goods produced in the Member State concerned infringe the rights of the holder.** Reasons shall be given for decisions adopted by the competent authority.

Under Regulation (EC) 1383/2003 this fiction has only been enshrined in a Recital, therefore it is questionable whether it is legally binding. Recital 8 reads:

Proceedings initiated to determine whether an intellectual property right has been infringed under national law will be conducted with reference to the criteria used to establish whether goods produced in that Member State infringe intellectual property rights. This

¹ <http://curia.europa.eu/jurisp/cgi-bin/gettext.pl?where=&lang=en&num=79948981C19030405&doc=T&ouvert=T&seance=ARRET>

² <http://curia.europa.eu/jurisp/cgi-bin/form.pl?lang=en&Submit=Submit&alldocs=alldocs&docj=docj&docp=docp&docor=docor&docjo=docjo&numaff=C-281%2F05&datefs=&datefe=&nomusuel=&domaine=&mots=&resmax=100>

Regulation does not affect the Member States' provisions on the competence of the courts or judicial procedures.

Some scholars argue that this fiction is still contained in Article 10 of Regulation 1383/2003. It is doubtful that this is the case.

Reinstituting the fiction of the production in the state of interception would allow to resolve the problem of goods in external transit and customs warehousing, since the authority in the country of interception will have to consider the goods as if they were produced in that country. As the production of infringing goods falls under the scope of the relevant intellectual property legislations, goods in external transit or in customs warehouses should no longer be a problem for right-holders.

It is to be noted that the fiction has in the past been applied by several Courts in different Member States (including eg the Dutch Supreme Court) to conclude to the infringing character of goods in transit which should otherwise have been released because in transit.

PROPOSAL

Recital 8 should be maintained.

A second sentence should be added to Article 10 first paragraph :

The criteria to be used in reaching that decision shall be the same as those used to determine whether goods produced in the Member State concerned infringe the rights of the holder.

Broaden the definition of 'counterfeited' goods

JUSTIFICATION

Regulation (EC) 1383/2003, just as its predecessors and the TRIPS Agreement, contains a very narrow definition of 'counterfeited' and 'pirated' goods.

Article 2(1) (a) and (b) reads:

(a) 'counterfeit goods', namely:

(i) goods, including packaging, bearing without authorisation a trade mark identical to the trade mark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trade mark, and which thereby infringes the trade mark-holder's rights under Community law, as provided for by Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark or the law of the Member State in which the application for action by the customs authorities is made;

(ii) any trade mark symbol (including a logo, label, sticker, brochure, instructions for use or guarantee document bearing such a symbol), even

if presented separately, on the same conditions as the goods referred to in point (i);

(iii) packaging materials bearing the trade marks of counterfeit goods, presented separately, on the same conditions as the goods referred to in point (i);

(b) 'pirated goods', namely goods which are or contain copies made without the consent of the holder of a copyright or related right or design right, regardless of whether it is registered in national law, or of a person authorised by the right-holder in the country of production in cases where the making of those copies would constitute an infringement of that right under Council Regulation (EC) No 6/ 2002 of 12 December 2001 on Community designs or the law of the Member State in which the application for customs action is made;

This definition is surprisingly restrictive, certainly if it is compared with the broad definitions contained under Article 2(1) (c) of the Regulation, which defined as 'infringing' good that infringe a patent, a supplementary protection certificate, a plant variety right, or geographical indications.

After long discussions, the Committee suggests that the definition of the notion of 'counterfeit goods' in Article 2(1)(a)(i) should be broadened so as to include at least *"goods, including packaging, bearing without authorization a sign identical to the trade mark validly registered in respect of the same or related types of goods, or which reproduces in its essential aspects such a trade mark, and which therefore infringes the trade mark holder's rights under Community law, as provided for by Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark or the law of the Member State in which the application for action by the customs authorities is made"*. The addition of the words "or related" should enable Customs to act in respect of goods which, although not identical with those listed in the trade mark registration certificate on which the application for action relies, may be considered as infringing the right holder's rights under Community or national law. Besides, the use of the words "which reproduces in its essential aspects" instead of the words "which cannot be distinguished in its essential aspects" would broaden the scope of the Regulation so as to cover also signs which are not 100% identical, but they reveal an intentional "reproduction" of the essential aspects of the trade mark.

The proposed amendment should solve the problems which have been encountered by some right-holders faced with the detention of goods bearing their trade mark, which eventually had to be released because either they were not 100% identical, nor were referred to goods explicitly listed in the trade mark certificate (cf. China Shipping case, District Court of Rotterdam, 22 August 2006).

PROPOSAL

Article 2(1)(a)(i) should define 'counterfeited goods' as follows:

"goods, including packaging, bearing without authorization a sign identical to the trade mark validly registered in respect of the same or related types of goods, or which reproduces in its essential aspects such a trade mark, and which therefore infringes the trade mark holder's rights under Community law, as provided for by Council Regulation (EC) No

40/94 of 20 December 1993 on the Community trade mark or the law of the Member State in which the application for action by the customs authorities is made”

Allowing goods found to be infringing an intellectual property right to be transported to another Member State if a more ecologic destruction can be provided for in that country

JUSTIFICATION

Environmental concerns have become increasingly important during the last few years. The destruction of the enormous amount of more than 128 million infringing goods yearly seized by European customs is a greater than ever concern to right-holders and authorities. Some countries have developed recycling schemes for particular products only available in their territory.

It should be possible to transport goods that have found to be infringing an intellectual property right from one Member State to another Member State (or *a fortiori* within a Member State), without major administrative hurdles, if a more ecologic destruction can be provided for in that country.

In the past this has often been refused by customs authorities on the basis of Article 16 of the Regulation.

PROPOSAL

A Recital should be added:

The destruction of goods found to be infringing an intellectual property right should take environmental concerns into account. Whenever possible, the recycling of the infringing goods should be promoted, also if this requires intra-community transit of the goods.

Article 17 (1) should be amended by the addition of

(c) to provide for an environmental friendly recycling of the goods, if necessary in another Member State.

Donation to charities

JUSTIFICATION

Practice shows that allowing the delivery free of charge of goods found to be infringing to contributory organisations or other humanitarian legal entities is a widespread practice within several new Member States of the EU.

One may consider generalising this practice of use of infringing goods for humanitarian purposes under the following strict and cumulative conditions:

- Abandonment of the goods to charities which are recognised in that capacity by the authorities of the relevant Member State and providing humanitarian aid for at least two years (cfr Article 900(2) of Regulation (EC) 2454/93³);
- Removal and destruction of any element of the goods which infringe intellectual property rights, and permanent marking of goods with the word HUMANITA or a similar label;
- The right-holder consents to the donation;
- There is no risk for public health and safety and there are no public policy considerations.

Personal allowance

JUSTIFICATION

The existence of a *de minimis* exception for infringing goods contained in traveller's personal baggage is a negative sign towards consumers and it is therefore suggested to abolish it.

Obviously customs authorities and right-holders will not be able to pursue each and every tourist for trafficking infringing goods, since in many Member States criminal prosecution is not an option against private users, but the possibility should exist.

One may think of a simplified procedure that applies to infringing goods contained in traveller's personal baggage.

It may also be sensible to add a Recital to the Regulation that specifies that the Regulation does not approve the 'ant traffic' of counterfeited and pirated goods, even for non-commercial purposes, and does not prejudice the right-holder's right to seek

³ of 2 July 1993, laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code (OJ L 253, 11.10.1993, p. 1).

remedies at the civil or criminal level under national law against such movements of infringing goods.

ECTA is prepared to help the Commission reflect on this important issue.

Make the simplified procedure compulsory

The 'simplified procedure', allowing goods to be destroyed without the right-holders being obliged to initiate legal proceedings, should be made compulsory. Today this is not yet the case, since some Member States have constitutional concerns with the 'implied consent' rule.

Article 11 states that :

... the Member States may provide, in accordance with their national legislation, for a simplified procedure... .

The 'simplified procedure' should be made compulsory and, in order to overcome the concerns of certain Member States, the 'implied consent rule' may remain optional.

Use of electronic means of communication including the sending of digital photographs should be encouraged

JUSTIFICATION

Customs should be encouraged to use electronic means of communication with right holders including to supply right-holders with digital photographs of the goods detained by customs together with the notification of the customs action.

PROPOSAL

A Recital should be added:

Customs offices are encouraged to use electronic means of communication with right holders including to supply right-holders with digital photographs of the goods subject to border measures together with the notification that the release of goods has been suspended or that goods have been detained. These photographs are not deemed to replace a physical examination of goods but should allow right holders to carry out a preliminary examination.

Storage and destruction costs should no longer be borne by right-holders

JUSTIFICATION

Although right-holders are the main victims of counterfeiting and piracy, it is generally accepted that the phenomenon increasingly harms the society as a whole (Member States lose taxable income and have to live with a shadow economy, consumers run a health and safety risk, universities' results of research and development are stolen). Therefore it should be reconsidered whether storage and destruction costs should be borne by right-holders. The main victims should not have to suffer the consequences of the crime.

A question of vocabulary: trade mark and not trademark and sign instead of trade mark

PROPOSAL

It is suggested to spell 'trade mark' the English way in two words and not the American way (trademark). The same spelling is handled in the Harmonisation Directive and the Community Trade Mark Regulation.

Likewise it would be preferable not to refer to a 'trade mark' in the context of infringing goods, eg

...goods, including packaging, bearing without authorisation a trade mark identical to the trade mark validly registered in respect of the same type of goods...

but rather to a 'sign'. This is in order not to give the impression that the sign used by the infringer is a trade mark.

We hope that you find our comments useful. If you have any questions in this regard or if we can assist you in any other way, please feel free to contact us.

Yours sincerely,



Mireia Curell
President



Marius Schneider
Member of the Anti-Counterfeiting Committee