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BUSINESSEUROPE COMMENTS TO THE COMMISSION CONSULTATION PAPER ON REVIEW OF EU LEGISLATION ON CUSTOMS ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

I. GENERAL COMMENTS

Ensuring strong and effective enforcement of intellectual property rights is a key priority for BUSINESSEUROPE. Customs are in the front line of the fight against counterfeiting and piracy.

Seizures of counterfeited and pirated goods at the EU borders reached the number of 178 million articles in 2008, of which about 20 million potentially dangerous to health and safety of EU citizens. It is therefore vital that customs authorities are provided with a strong legal framework to respond to infringements of intellectual property rights. However, it is also important to ensure a minimal disruption to legitimate commercial activity.

II. RESPONSES TO CONSULTATION QUESTIONS

1. SCOPE OF THE REGULATION: SITUATIONS IN WHICH CUSTOMS AUTHORITIES SHOULD BE COMPETENT TO TAKE ACTION.

Question

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

Answer

BUSINESSEUROPE fully supports the scope of the Customs Regulation 1383/2003 that customs can not only act against goods infringing Intellectual Property Rights (IPRs) when these are imported within the European Union, but also in case of transshipment, placing under a suspensive procedure or in a free zone or warehouse, export and re-export¹.

¹ Article 1.1 of the Customs Regulation 1383/2003;



BUSINESSEUROPE considers it essential that the scope of the Customs Regulation 1383/2003 is maintained. According to recital 2 of the Customs Regulation 1383/2003, the marketing of goods infringing IPRs considerably damages not only manufacturers, traders and holders of IPR's, but also consumers and there are cases where goods infringing IPRs also pose a risk to the health and safety of consumers; (e.g. fake medicines, condoms, mobile phone batteries, car and plane parts, etc).

If customs' actions were to be limited to the import of goods infringing IPRs and exclude goods in transit, the number of infringing goods within the internal market could also soar. Suspensive procedures not only apply to shipments with a final destination outside the EU but also to shipments that have a final destination in another EU Member State than the country of transshipment. Infringers would in that case easily be able to avoid customs control by always declaring the infringing goods under a suspensive procedure.

This would render the Customs Regulation ineffective with detrimental consequences for manufacturers, traders, IPRs right holders and consumers within the EU.

The Commission has pointed out in a 2005 communication that with controls on all movement of goods, especially during transshipment, customs protect not only the EU but also other parts of the world and in particular the least developed countries which are often targeted by fraudsters (cf. seizures of fake medicines, condoms and car parts stopped at EU borders on route to Africa)².

It is furthermore important that the manufacturing fiction stipulated in article 10 and recital 8 of the Customs Regulation 1383/2003 remains in place, since transiting goods does not constitute in most Member States an IPR infringement *per se*. These provisions stipulate that goods in transit are, for the purposes of the Customs Regulation 1383/2003, to be considered as goods manufactured in the Member State in which customs has taken the action³.

The recent concerns expressed by India and Brazil with regard to the scope of the Customs Regulation 1383/2003 are not justified. We consider that the Customs Regulation 1383/2003 is TRIPs-compliant and does not impede the freedom of legitimate trade. As indicated by the Commission, article 51 of TRIPs does not make it mandatory for WTO Member States to apply customs procedures to transiting goods but it does not prohibit it either. The ECJ in the Polo/Lauren decision⁴ rightfully considered the risk of goods that are "*de iure*" declared in transit, in fact end up being put into commerce in the EU single market. Notwithstanding that this judgment relates to the previous customs regulation, we consider that the same remains valid for the Customs Regulation 1383/2003.

² Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee on a Customs response to latest trends in Counterfeiting and piracy, 11 October 2005, COM(2005) 479 final;

³ Article 10 Regulation 1383/2003;

⁴ For Polo/Lauren ECJ decision ECJ 6 April 2000, C-383/98, www.curia.eu, recitals 31-35;



Even though it is important to guarantee the principle of freedom of legitimate trade, it should not be used as a pretext to impede with efficient measures aimed at combating IPR infringements. Infringers may try to avoid sanctions by claiming a restriction of free trade whereas in fact, their trade is not legitimate at all.

If the Commission considers limiting the scope of the Customs Regulation 1383/2003 in this respect, the transit provisions as such should not be amended and customs should remain allowed to suspend the release of goods when they are believed to be counterfeit under the provisions of local law, whereby the fiction of local manufacturing is applied. To respond to the criticism that this would lead to an unlawful restriction of free trade, the Commission may provide in the new Customs Regulation 1383/2003 that, in case of a free trade defence, conclusive proof is to be provided by the (alleged) infringer of IPRs that the goods declared in transit are without any doubt and in a guaranteed and safe manner destined for a country in which they can be commercialised without infringing IPRs and in such case (that goods would not infringe any IPRs in the country of destination) do also not come from a country in which their manufacturing has infringed any IPRs. Only when such conclusive and irrefutable proof is delivered, it may be considered that such goods in transit are released by customs.

Finally, even in cases of misuse to hamper legitimate trade, common civil and commercial law provisions can effectively deal with this, such as the principle of law "*fraus omnia corrumpit*". For such individual actions, it is not necessary to limit the scope of the Customs Regulation 1383/2003.

2. SCOPE OF THE REGULATION: RANGE OF IPRS THE REGULATION SHOULD COVER AND POSSIBLE DEROGATIONS

Question

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

Answer

We consider that the scope of the Customs Regulation insofar as the types of IPRs that are covered should not be changed. It is important for efficiency reasons that all IPRs remain covered in the same way by the Customs Regulation 1383/2003. It would be detrimental to limit the type of IPRs for which customs can take action and/or to provide for special regimes per IPR concerned, especially since some goods can be covered by several types of IPRs.

BUSINESSEUROPE also supports a uniform definition of infringing goods in the Regulation, without having to examine whether they infringe a particular Member State's national law.

In addition, under Article 2 (c) of Regulation 1383/2003 a reference to the new Paediatric Regulation should be included.



3. SCOPE OF THE REGULATION: POSSIBLE DEROGATIONS FOR WHICH CUSTOMS AUTHORITIES WILL NOT BE COMPETENT TO TAKE ACTION IN THE LIGHT OF THE REGULATION.

Questions

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

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

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

Answers

BUSINESSEUROPE supports the lifting of all three derogations.

It is key not to give the signal that under any particular circumstances, the importation, the transshipment, placing under a suspensive procedure or in a free zone or warehouse, export and re-export of goods infringing any IPR could be allowed. In addition, the Regulation should provide a clear and precise legal framework to customs officers. It is important that governments do not send a message justifying consumption of counterfeited goods, while also considering the resource constraints of customs.

Hence, whenever a shipment is considered suspicious customs could inform right holders. It will then be up to right holders (large companies as well as SMEs) to decide whether the situation provides sufficient basis to initiate legal proceedings. This in itself already excludes the exception that batches of non-commercial nature fall outside the scope of the Regulation.

The same applies to the derogations for overruns and parallel trade.

4. SIMPLIFIED PROCEDURE ENABLING CUSTOMS AUTHORITIES TO HAVE INFRINGING GOODS ABANDONED FOR DESTRUCTION UNDER CUSTOMS CONTROL, WITHOUT THERE BEING ANY NEED TO DETERMINE WHETHER AN INTELLECTUAL PROPERTY RIGHT HAS BEEN INFRINGED.

Questions

Should the implementation of the simplified procedure as described in *Article 11* of Council Regulation (EC) No 1383/2003 be kept as optional for Member States? Or should it be compulsory and directly applicable by all Member States? Or should it be deleted?

Answers

BUSINESSEUROPE supports making the simplified procedure mandatory in all Member States. This could lead to higher seizure rates and fewer IP infringing goods being placed on the single market



As long as the owner of the goods does not resist, goods should be destroyed and no active confirmation from the owner of the goods should be required. If the owner of the goods does not agree with the destruction of the goods, he should substantiate the reasons. This will allow the right holder to review the case and open “inter partes” communications prior to initiation of litigation. However, safeguards would need to be included to ensure shipments of legitimate goods are not unnecessarily delayed.

In general, full and immediate cooperation from intermediaries with the right holder is required in order to prevent any liability on their side, since they will also benefit from the implementation of the simplified procedure as it will allow for storage costs to be reduced. The Regulation should provide such intermediaries with a legal title that supersedes a confidentiality or contractual obligation.

Legal proceedings in accordance with Article 10 of the Regulation require preparations that are time-consuming. This is why the current Regulation provides to the right holder a period of 10 working days after the receipt of the notification of suspension of release or of detention.

However, the current Regulation does not consider that, due to the fiction of consent in case of a simplified procedure in accordance with Article 11(1) of the Regulation, the right holder needs to initiate proceedings only in case an affected party opposes the destruction. Before the right holder is informed thereof he has no reason to prepare legal proceedings. On the contrary, under aspects of minimizing loss and damages the right holder is obliged to refrain from doing so since such preparations are costly and of no use if no opposition is filed. As the declarant, the holder and the owner of the goods have the right to submit oppositions within a period that runs parallel to the period currently provided for in Article 13, a possible opposition literally in the "last second" before the deadline for an opposition runs out would lead to the situation that the right holder has no time left to prepare and initiate legal proceedings. For the sake of enabling the right holder to have sufficient time for preparing and initiating legal proceedings, it seems favorable to give the right holder an additional period of no less than 3 working days following the day on which the right holder was informed of the opposition.

5. SMALL CONSIGNMENTS

Question

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

Answer

If the simplified procedure would become mandatory and directly applicable in all Member States, this could also solve the issue of small consignments.

In addition, we suggest that customs without the involvement of the right holder may assume, when confronted with small consignments, that there is an IPR infringement, unless the declarant, holder or owner opposes destruction. This reduces administrative



burden and costs for both customs authorities and right holders. Right holders are also granted the option to be informed in cases where repeatedly small consignments are made by the same declarant, holder or owner, revealing that this person conducts substantial IPR infringement.

6. COSTS OF STORAGE AND DESTRUCTION

Questions

What should be the scope of the provisions regarding costs in the IPR customs enforcement regulation? Should it refer to any cost or should it be limited to the costs incurred by customs authorities, leaving other costs to be borne in accordance with the common provisions regarding civil or criminal IPR enforcement applicable in the territory of the Member State where action has been taken?

Answers

What should be the responsibility, regarding costs of storage and destruction, of each of the economic operators involved – voluntarily or involuntarily – in the international trade of IPR infringing goods? In addition to the right holders and the holder of the goods, there are several intermediaries involved, such as shippers, carriers, consignors, customs declarants and holders of customs warehouses.

Should these provisions be set out without prejudice of the right of the person liable for costs to seek redress through the judicial system from any other party involved according to common provisions in force?

Any provision regarding costs in the Customs Regulation 1383/2003 should indeed be limited to costs incurred by customs.

Costs incurred by others should indeed be dealt with in accordance with common provisions of civil and commercial law. The parties responsible for the infringement should pay the costs incurred in accordance with these common law principles and the Customs Regulation 1383/2003 should not change those rules.

Where possible the infringer should be liable for the storage and destruction costs of IPR infringing goods. This is currently not the position in the current legal framework.

While this could be deduced from civil law, we would support a clear provision in the Customs Regulation specifically placing primary responsibility for all costs connected to the interception, storage and destruction of the IPR infringing goods on the infringer.

If the owner of the goods is unknown intermediaries shall provide full and immediate cooperation in order to prevent any liability on their side. Once the identity of the parties involved is established ordinary civil rules apply both for reimbursement of cost related to storage and destruction (bearing in mind the right holder remains the applicant, and therefore may have to absorb the cost first).