

Country correspondents

The Country correspondents section of *World Trademark Review* is a feature in which leading firms from countries across the globe take a detailed look at a specific topic affecting trademark owners

Anti-counterfeiting

In this issue the correspondents consider various aspects of the fight against counterfeiting

Australia

Anti-counterfeiting solutions: following the international money trail 50
Baker & McKenzie
Loo Shih Yann and Robert Arnold

Benelux

New attitudes to anti-counterfeiting in the Netherlands 52
SteinhauserHeeziusRijsdijk Advocaten
Paul Steinhauser

China

Investigating anti-counterfeiting in China 54
Kangxin Partners PC
George Chan and Celia Li

European Union

EU legislation and the fight against counterfeiting 56
Clifford Chance LLP
Vanessa Marsland

France

France introduces tighter anti-counterfeiting provisions 58
Inlex IP Expertise
Franck Soutoul and Jean-Philippe Bresson

Germany

Anti-counterfeiting law and practice in Germany 60
Jonas Rechtsanwalts-gesellschaft mbH
Nils Weber and Katja Grabienski

India

Software counterfeiting in India: issues and implementation 62
Anand And Anand Advocates
Nishant Bora and Shantanu Sahay

Italy

Anti-counterfeiting in Italy shows signs of improvement 64
Studio Legale Jacobacci & Associati
Alberto Camusso

Mexico

Anti-counterfeiting in Mexico 66
Uhthoff Gómez Vega & Uhthoff SC
Jose Luis Ramos-Zurita

United States

Anti-counterfeiting steps for US brand owners 68
Knobbe Martens Olson & Bear LLP
Jeffrey Van Hoosear

Clifford Chance LLP

EU legislation and the fight against counterfeiting

Seizures by Customs in the European Union increased by 40% between 2005 and 2006 and are continuing to grow. Although legislation has been introduced to tackle counterfeiting across the European Union, far more needs to be done to prevent the initial production and sale of infringing goods

Recital 2 of the EU Customs Regulation (1383/2003) recognizes that: “The marketing of counterfeit... goods... does considerable damage to law-abiding manufacturers and traders and to right-holders, as well as deceiving and in some cases endangering the health and safety of consumers.”

EU legislation tackles counterfeits at two levels: first, at the borders of member states; second, within member states.

Border measures

The EU legal framework on border measures consists of two regulations: the Customs Regulation and an implementing regulation – Commission Regulation 1891/2004 (as subsequently amended on the accession of Bulgaria and Romania to the European Union by Commission Regulation 1172/2007) (the Implementing Regulation).

The purpose of the Customs Regulation is to harmonize the action that Customs, in individual member states, shall take against goods infringing IP rights and the process of applying for such action to be taken. This includes action against goods infringing trademarks – ‘counterfeit goods’ – as well as goods infringing other IP rights. This article focuses on counterfeit goods, which made up 91% of the number of articles seized by Customs in 2006.

The definition: ‘Counterfeit goods’ are defined as goods, including packaging, bearing without authorization a trademark identical to a trademark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the trademark holder’s rights. Counterfeit goods include, among other things, packaging materials, stickers, brochures and instructions, even if these are presented separately from the goods themselves.

Instances in which Customs shall take action: Customs may detain goods on the basis of a prospective application filed by, or on behalf of, the rights holder (ie, the owner or licensee of a registered trademark). The application should list the registered marks in relation to which action is requested. Once an application has been accepted, suspected counterfeit goods will be detained by Customs and, if confirmed as counterfeit, seized and destroyed.

Applications must be made on the form attached to the Implementing Regulation and need to be renewed annually. An application may request action in one or more member states in which the rights holder’s registered trademarks are enforceable. Information which may assist Customs to intercept or identify suspected counterfeit goods should be included, such as the place of manufacture of genuine goods, the authorized distribution network, names of licensees, patterns of fraud and usual destinations of genuine goods. Customs may also independently detain goods which it suspects to be counterfeit, in which case the rights holder has three days to file a retrospective application.

Once goods have been detained, Customs will notify the rights holder so that it may determine whether the goods are counterfeit. The rights holder may request details of the goods and the identity of the consignee/consignor/declarant plus a sample of the goods. Information given to the rights holder may be used only for the purpose of determining whether the goods are counterfeit. Any other use not permitted by national legislation may cause the rights holder to incur civil liability and lead to the suspension of the application for action. Therefore, the rights holder may be unable to use the information disclosed to it by Customs to bring a civil action for trademark infringement or unfair competition.

The Customs Regulation gives member states the option of adopting a ‘simplified procedure’. This enables counterfeit goods to be destroyed on the basis of a written opinion from the rights holder that the goods are counterfeit (assuming the declarant/owner of the goods does not oppose). If the simplified procedure has not been adopted, then the goods can be destroyed only on the basis of a court decision that registered trademarks have been infringed. Many member states have adopted the simplified procedure but there is pressure from businesses for more member states to adopt it.

Dealing with counterfeit goods: Goods found to be counterfeit may not:

- enter or leave the EU customs territory;
- be released for free circulation;
- be exported (or re-exported);
- be placed in a free zone; or
- be placed under a suspensive procedure in a free warehouse (or free zone).

Each member state must allow the competent authorities to destroy counterfeit goods or to dispose of them outside commercial channels without providing compensation of any sort. Member states must also adopt measures which effectively deprive the persons concerned of any economic gains. Removing the trademarks from the goods and returning them to the consignor will not generally be sufficient.

Costs and risks: An application for action must be accompanied by a declaration in the form attached to the Implementing Regulation. In the declaration the rights holder accepts liability in the event that the goods are found not to infringe an IP right, for the costs incurred by Customs in storing the goods and for any translation costs.

Liability of Customs: The Customs Regulation specifically provides that (save as provided by the law of member states) Customs shall not be liable to rights holders in the event that it fails to detect and take action against goods covered by the Customs Regulation or to other persons (eg, the declarant of the goods) for loss as a result of intervention by Customs.

Instances in which Customs shall not take action: While the Customs Regulation covers “goods infringing an intellectual property right”, this phrase is defined such that it does not cover goods infringing unregistered trademarks or goods which pass off (under UK law) or unfairly compete with a rights holder’s goods. Parasitic copies or lookalike goods are therefore unlikely to be caught by the regulation. Further, the definition of ‘counterfeit goods’ seems to be narrower than the usual ‘identical or confusingly similar’ test of trademark infringement under Article 9 of the Community Trademark Regulation (40/94).

Goods carried in personal baggage (within the limits of duty-free allowances) are outside the scope of the Customs Regulation (except where there are indications that commercial traffic is involved). Businesses have criticized this exemption. They say it sends out the wrong message as it appears to condone counterfeiting.

Moreover, the Customs Regulation does not cover parallel imports or goods in transit.

Case law: There has been a reference to the European Court of Justice (ECJ) for a preliminary ruling from Belgium concerning the interpretation of the Customs Regulation (C-132/07). Various questions have been raised, including whether the regulation precludes the rights holder from using information disclosed to it by Customs other than in the context of proceedings designed to secure a declaration that goods are counterfeit, for example in connection with proceedings to counter parallel imports. No decision has yet been handed down.

The ECJ has also answered various questions regarding goods in transit in a string of cases including *Polo/Lauren Company v PT Dwidua Langgeng Pratama International Freight Forwarders* (C-383/98), *Class International BV v Colgate-Palmolive Company* (C-405/03) and *Montex Holdings Ltd v Diesel SpA* (C-281/05). In summary, the ECJ has held that goods in transit cannot be seized by Customs and cannot be the subject of trademark infringement



Vanessa Marsland
Partner, Clifford Chance LLP, London
vanessa.marsland@cliffordchance.com

Vanessa Marsland heads the London IP group at Clifford Chance LLP. Her work includes advising on taking action against counterfeit goods. Ms Marsland would like to thank Alexandra Pygall for her assistance in preparing this article.

proceedings in the member state of transit unless the rights holder can prove that the goods are being released for free circulation or can prove other facts which necessarily entail the goods being put on the market in a member state in which the marks are protected.

The Customs Regulation covers goods only when they are entered for release for free circulation or when they are entering or leaving the Community customs territory (as defined by the regulation). In *Polo/Lauren* it was held that non-Community goods are not to be treated as having entered the Community customs territory until they reach the final member state of destination. In *Class International* the ECJ found that the presence of goods in a member state for the purposes of transit does not constitute “importing” or “using the mark in the course of trade” under Article 5(1) of the First Trademark Directive (89/104/EEC), or “offering” or “putting on the market” within the meaning of Article 5(3)(b). *Montex Holdings* held that it is irrelevant whether the goods were manufactured in infringement of the proprietor’s trademark rights in the country of origin or whether the rights holder would be unable to take action in the member state of final destination (in that case the rights holder had trademark protection in the country of transit, but not in the final destination).

Measures within member states

Within member states, EU legislation provides for civil remedies for trademark infringement, among other things. Article 9 of the Community Trademark Regulation sets out the test for trademark infringement (see also Article 5 of the First Trademark Directive). In addition, the IP Rights Enforcement Directive (2004/48/EC) provides that member states shall provide fair, equitable, effective, proportionate and dissuasive measures, procedures and remedies to ensure the enforcement of IP rights.

In addition to civil remedies, EU legislation may in the future provide for criminal remedies for trademark infringement. A directive on criminal measures aimed at harmonizing criminal sanctions for IP rights (COD/2005/0127) has been proposed. However, the progress of the legislation has been slow since the European Commission’s competence to harmonize criminal sanctions has been questioned.

Communication from the European Commission

In October 2005 the European Commission produced a detailed report on the customs response to the latest trends in counterfeiting and piracy (COM(2005) 479). The communication concludes that not enough is being done to attack the root of the problem by looking beyond seizures towards investigations to cut off production, distribution and sale of counterfeit goods. The report recommends a package of measures, including improving legislation, strengthening the partnership between Customs and businesses, increasing international cooperation and improving the operational capacity of Customs. The European Council has invited the commission to report on the implementation of the communication. Such a report may be accompanied by a proposal to amend the Customs Regulation.

Conclusion

EU legislation provides means of tackling counterfeit goods both at EU borders and within them. At the borders, Customs has the power to detain and destroy counterfeit goods. Within member states, EU legislation provides for civil remedies for trademark infringement and may, in the future, also provide for criminal remedies. However, all of this legislation is aimed at closing the door after the horse has already bolted. To counteract effectively the growing levels of counterfeit goods, much more needs to be done to prevent their initial production, distribution and sale. [WTR](#)