

Working Guidelines

by Jochen E. BÜHLING, Reporter General
Dariusz SZLEPER and Thierry CALAME, Deputy Reporters General
Nicolai LINDGREEN, Nicola DAGG and Shoichi OKUYAMA
Assistants to the Reporter General

Question Q208

Border Measures and other Measures of Customs Intervention against Infringers

Introduction

- 1) Combating counterfeit and pirated goods has been one of the most talked about issues in intellectual property (IP) law for the past years. This issue is very relevant in present times when many countries are moving towards globalisation and international trade. The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) also provides for rules on civil and administrative procedures and remedies to combat counterfeit and pirated goods. The TRIPS Agreement further lays down that all member states should have measures taken at the border for the suspension of counterfeit and pirated goods by the customs authorities, also known as “border measures”.
- 2) Border measures are recognised as being an effective tool in the fight against counterfeiting and piracy; they are to prevent the counterfeit and pirated goods from being released into the domestic market, thus causing more damage and losses for IP rights holders. As a result, IP legislations in most member countries have been amended to adopt the TRIPS provisions on border measures. The TRIPS provisions on border measures are also mirrored in major multilateral and bilateral trade agreements concluded after the TRIPS Agreement, including the North American Free Trade Agreement (NAFTA) as well as bilateral trade agreements between the United States and Australia, Chile, Morocco, and Central American countries.
- 3) A number of international organizations have also been active in clarifying and improving the enforcement of the TRIPS provisions on border measures. At the multilateral level, for instance, the World Intellectual Property Organization (WIPO) has conducted surveys and gathered information from its members on the enforcement of IP rights, including border measures. Based on such information, WIPO highlighted a number of areas that contribute to inadequate enforcement of IP rights and outlined recommendations and suggestions to improve enforcement of IP rights, including border measures.
- 4) The World Customs Organization (WCO) has also been active in relation to border measures. WCO, in collaboration with WIPO, has adopted a Model Law on border measures. The Model Law is not directly binding on WCO member countries, but rather contains a set of principles and recommendations for individual countries to implement the TRIPS Agreement. Its purpose is, however, not limited to TRIPS implementation, it provides for a level of protection higher than the TRIPS minimum and also seeks to enshrine ‘best practice’ of customs authorities in the area of IP

enforcement. The Model Law is regularly updated to better meet the needs of customs.

- 5) The purpose of this question is to examine national and international legislation and judicial and administrative practice in respect of border measures and other measures of customs intervention against infringers.

Previous Work of AIPPI

- 6) AIPPI has previously studied questions of enforcement of IP rights, including measures of customs intervention against infringers.
- 7) Already at the Congress of London in 1986 AIPPI studied measures against counterfeiting of branded goods. In resolution Q86 AIPPI recognized the losses sustained by those businesses whose products are counterfeit and adopted the recommendation that international cooperation in the field of police action and customs action should be strengthened with a view to eliminating international trade in counterfeit goods. The Congress further recommended that a detailed study be pursued in relation to the action of police and customs in identifying and dealing with counterfeit goods and their participation in suppression of counterfeiting.
- 8) In 1993 the Council of Presidents in Lisbon adopted resolution Q122 (Customs Seizure) which supported the establishment of a system for the seizure by customs authorities of counterfeit and pirated goods which infringe trademarks, copyrights and related rights. AIPPI further expressed the opinion that in any such system the rights of any person whose goods have been wrongly seized should be adequately protected by requiring the owner of the relevant right to indemnify that person. Finally, AIPPI considered that such system should be extended to other IP rights (including industrial designs) if it is clear that there is infringement of such rights.
- 9) The objective of Special Committee Q185 is to monitor, study and analyse the developments in relation to enforcement of IP rights. While Q185 has issued a number of reports on issues of IP enforcement, it has so far not dealt with border measures or other measures of customs intervention against infringers.
- 10) At the Congress in Boston in 2008, AIPPI discussed the question of assessment of damages suffered by businesses whose products are pirated and counterfeit (Q203); it did, however, not deal with border measures or other measures of customs intervention against infringers.

Discussion

- 11) The terms 'counterfeiting' and 'piracy' in relation to goods refer to the manufacture, distribution, and sale of copies of goods which have been made without the authority of the owner of the intellectual property. The term 'counterfeiting' is generally used in the context of counterfeit trade mark goods, while the term 'piracy' generally refers to pirated goods protected by designs or copyright. Counterfeiting and piracy, for instance, include use of famous or well known brands on pharmaceutical products, clothing, perfumery, watches and household products, not manufactured by or on behalf of the owner of the trade mark, as well as exact copies of music CDs, DVDs or computer software, which are traded in a form intended to be indistinguishable to ordinary consumers from the genuine product.

- 12) Sales of counterfeit and pirated goods cause a significant amount of economic harm. Already ten years ago, the International Chamber of Commerce (ICC) estimated counterfeiting at between 5% and 7% of world trade in terms of value. The immediate impact of this global trade is the loss of sales and the consequent impact on public revenue and employment. The US copyright industry puts its losses due to piracy at USD 15 billion a year. In a number of countries, sales of pirated music CDs have outstripped the sales of genuine products. In addition to their economic impact, counterfeiting and piracy have a damaging effect on public health and safety products such as medicinal products, toys and spare parts for cars.
- 26) With a view to combating counterfeit and pirated goods, the international legal framework provides for a number of measures of enforcement of IP rights, including a system of customs controls to prevent the import of counterfeit and pirated goods¹. Notably, the TRIPS Agreement provides in part III for general principles applicable to all forms of enforcement as well as three sets of measures, covering general civil remedies, provisional civil remedies, and border measures. Section 4 (namely Articles 51 to 60) of part III of the TRIPS Agreement deals with border measures.
- 27) Article 51 TRIPS requires that WTO members make available a procedure before a judicial or administrative authority to a right-holder to lodge an application for suspension of the release of goods. The procedure must be available at a minimum for pirated copyright and counterfeit trademark goods. The application mechanism may also be available for infringement of other intellectual property rights. For instance, some jurisdictions extend the protection not only to pirated and counterfeit goods, but also to goods that infringe (in the country where the application is sought) a patent, a national plant variety right, etc. On the other hand, customs authorities may not be equipped to properly identify goods which infringe, for example a patent claim.
- 28) In the United States the International Trade Commission (ITC) also adjudicates cases involving alleged infringement by imports of intellectual property rights, directing Customs to stop infringing imports from entering the United States. Both utility and design patents, as well as registered and common law trademarks, may be asserted in these investigations. Other forms of unfair competition involving imported products, such as infringement of registered copyrights, mask works or boat hull designs, misappropriation of trade secrets or trade dress, passing off, and false advertising, may also be asserted.
- 29) The TRIPS Agreement exempts goods that have been manufactured with the right-holder's consent (parallel import) and goods contained in a travellers' private luggage. TRIPS is, however, a minimum standard agreement and WTO members may thus enact provisions that go beyond TRIPS. In Switzerland, for instance, goods contained in a travellers' private luggage are no longer exempted since the law changed on 1 July 2008. Customs authorities will now intervene if tourists buy counterfeit Rolex watches in Bangkok or Hong Kong and import them into Switzerland.

The Paris Convention for the Protection of Industrial Property and the Berne Convention for the Protection of Literary and Artistic Works establish only minimum standards in relation to IP enforcement. Although in principle counterfeit goods are subject to seizure on importation in the country of origin or in the importation country under Article 9 Paris Convention, national law does not have to provide for such seizure; moreover, authorities are not bound to effect seizure of goods in transit. Similarly, seizure of infringing copies of copyright works take place in accordance with the provisions of national legislation, according to Article 16 Berne Convention. The TRIPS Agreement was, therefore, a major departure from this previous set of norms.

- 30) An application for customs action may generally be made by the right holder, but in some jurisdictions also by licensees, distributors or commercial agents. Practical questions may arise, particularly in large countries, where measures may be required at all customs entry points. The Model Legislation of the WCO, therefore, provides that customs shall establish a centralised system for managing multiple applications for customs action through a single contact point to avoid unnecessary complications and costs.
- 31) In accordance with Article 52 TRIPS, the application for customs action must establish that there is a prima facie infringement of IP rights and set out a sufficiently detailed description of the infringing goods. Experience shows that competent authorities may require excessive or difficult to obtain information. Article 53 TRIPS entitles the competent authority to require the provision of a security to protect the owner, holder or importer of the allegedly infringing goods, such security, however, is likely to depend on the type of IP rights.
- 32) Article 58 TRIPS provides a framework for customs authorities to take ex officio measures. In many countries, however, the practical relevance of ex officio action is limited.
- 33) The right-holder will be notified once the customs authorities detain goods. Whether the holder of the goods need be notified depends on the circumstances. What happens after notification depends on the rights infringed. In the case of counterfeit and pirated goods, a simplified procedure is available in many countries, including the European Union. Where the holder of the goods either agrees or does not oppose within the prescribed period, customs seizure and destruction may go ahead, subject to preservation of samples by way of evidence.
- 34) If no simplified procedure is available, proceedings need to be issued to determine whether an IP right has been infringed. This may be civil IP infringement proceedings or, alternatively, criminal proceedings. Criminal proceedings may in some instances be more attractive to right holders on grounds of comparatively lower cost and the assistance by the prosecuting authorities.
- 35) If goods are found to infringe IP rights, the judicial or customs authorities may not only order the destruction of the goods, they also have the authority to dispose of the goods outside commercial channels (e.g. disposal to charity) or, in some jurisdictions, to give the names of the infringer's accomplices, upstream or downstream in the channels of production and distribution. In addition, judicial or customs authorities may order the applicant to pay the owner, holder or importer of goods appropriate compensation for any injury caused by wrongful detention.

Questions

I. Analysis of current law and case law

The Groups are invited to answer the following questions under their national laws:

1. Do the laws of your country provide for border measures? If so, what is the legal basis?
2. Do the laws of your country provide for other measures of customs intervention against infringers? If so, which ones and what is the legal basis?
3. Are border measures and other measures of customs intervention against (collectively referred to as “border measures”) only available for pirated copyright and counterfeit trademark goods or also for goods infringing other IP rights? If so, for which types of IP rights are border measures available? Are border measures in particular available for goods infringing patents, plant variety rights, common law marks, unregistered design rights, or geographic indications? Is actual registration of the IP rights required or is an application to register sufficient? Does unfair competition, passing off or the like give rise to border measures?
4. Are border measures available for parallel imported goods?
Are border measures available for goods contained in a travellers’ private luggage?
Are there any other goods excluded by your border measures legislation?
5. Who is entitled to file an application for customs action?
Is there a centralised system for managing multiple applications for customs action through a single contact point?
What are the conditions for border measures? In particular, what level of evidence for alleged infringement and other information is required by customs authorities regarding the application for customs action? To which extent are customs authorities willing to receive training by the right holder?
Do customs authorities generally require the provision of a security to protect the owner, holder or importer of the allegedly infringing goods? If so, will such security depend on the type of IP rights?
May the customs authorities take ex officio measures? If so, what is the practical relevance of ex officio action in your country? Are customs authorities liable in case of wrongful ex officio detention?
6. Are customs authorities properly equipped to identify goods which infringe patents, plant variety rights, common law marks, unregistered design rights, geographic indications or the like?
7. Is only the right-holder or also the owner, holder or importer of the allegedly infringing goods notified once the customs authorities detain goods? How can the alleged infringer obtain information about the status of border measures and what information is provided by customs authorities to the alleged infringer?
8. What happens after notification? Briefly describe the procedure following notification. Is the inspection of the allegedly infringing goods following notification usually carried out by the right holder or by an expert?
Does your border measures legislation provide for a simplified procedure allowing the destruction of the goods without there being any need to determine whether IP rights have been infringed? If so, in which cases? Are samples of the goods preserved for

evidence purposes?

If proceedings must be issued to determine whether the goods infringe IP rights, are both civil and criminal proceedings available to determine infringement? What are the advantages and disadvantages of the respective proceedings?

What is the impact of a nullity action seeking to invalidate IP rights on the application for customs action?

May customs authorities release goods suspected of infringing IP rights on provision of a security by the owner, holder or importer of such goods? If so, will such release depend on the type of IP rights?

9. If goods are found to infringe IP rights, may a right holder oppose
 - exportation of infringing goods from your country;
 - infringing goods in transit;
 - placement of infringing goods in a free trade zone or free trade warehouse?
10. If goods are found to infringe IP rights, do the judicial or customs authorities of your country generally order the destruction of the goods or do they have the authority to dispose of the goods outside commercial channels (e.g. to charity)?
May the competent authorities also order the infringer to give the names of his accomplices, upstream or downstream in the channels of production and distribution?
11. May judicial or customs authorities order the applicant to pay the owner, holder or importer of goods appropriate compensation for any injury caused by wrongful detention? What is considered appropriate compensation and does it include attorney fees or other expenses?

II. Proposals for adoption of uniform rules

The Groups are invited to put forward proposals for adoption of uniform rules regarding border measures and other measures of customs intervention against infringers. More specifically, the Groups are invited to answer the following questions:

1. Do you think that the adoption of uniform rules and best practice of customs authorities in the area of border measures and better coordination between countries and at an international level are desirable to improve enforcement?
2. What should the scope of border measures be? Do you think that border measures should be available also for goods infringing IP rights for which your national law currently does not provide border measures? If so, which IP rights? Should unfair competition give rise to border measures? Which goods should be excluded by border measures legislation?
3. What rules should apply in relation to the lodging and processing of applications for customs action? Should there be a centralised system for managing multiple applications for customs action through a single contact point?
Should there be uniform rules on the provision of information by the applicant? What should the required level of evidence for alleged infringement be?
Should there be uniform rules on the provision of information by the customs authorities?
4. What rules should apply in relation to the procedure following notification?
Should there be a simplified procedure allowing the destruction of the goods without there being any need to determine whether IP rights have been infringed?
Should there be uniform rules on the examination of the goods by the right holder,

security and compensation in the case of wrongful detention of goods and disposal of infringing goods?

National Groups are invited to comment on any additional issue concerning border measures and other measures of customs intervention which they find relevant.

It will be helpful and appreciated if Groups follow the order of the questions in their Reports and use the questions and numbers for each answer.