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Regulation 1383/2003 and the effects of Border Detention on Intellectual Property Rights

- at the European Community level with particular reference to the
German and the Dutch experience.

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Summary

The infringement of intellectual property rights has devastating effects on trade, the free circulation of goods, employment, development and public health. Rights holders and the companies legitimately exploiting them are the main parties injured by this and in the last few years, infringement has increased by more than 1000%.

The Commission has fought against such infringement since the eighties and believes that damage to the EU internal market can be minimised and intellectual property rights in the EU best preserved, by clear and effective efficient legislation concerning border detention by the Customs at the external frontiers of the EU.

The Commission created the first provisions concerning border detention in 1986. They then clarified and amended these in the nineties. On July 1st, 2004, the Commission presented Regulation 1383/2003, which is the subject of this thesis.

The rules of border detention have to constitute an efficient hindrance for organizations, which are often criminal in nature. The new provisions have to provide an efficient instrument for Customs, who are however dependent on the initiatives taken by rights holders. The new Regulation aims to provide and maintain this cooperation. However, it may in fact be weakened by considerations of business confidentiality, lack of information and technical expertise on the part of Customs, economically weak rights holders and SMEs.

The Regulation provides a new simplified procedure for destroying infringing goods and abolished fees for applications for action by the Customs. The ex officio procedure for detention also has weaker evidence requirements. But, are the new provisions in fact going to be more efficient and clearer for all parties concerned?

The Regulation has, of course, direct effect in the Member States. After a presentation and investigation of the main parts of Regulation 1383/2003, further on this thesis investigates national application in two of the Member States – Germany and the Netherlands. These States, differ, from “the most protectionist jurisdiction” to the “pro-active”. Two different ways of fighting the battle – against *the* crime of the 21st century.

Preface

“Counterfeiting and piracy cannot be fought with words but with concrete actions because in this context, only the invisible part of the iceberg can be seen”

So says Mr Lászlo Kovács, EC Commissioner in charge of Taxation and Customs Union¹, as per the excellent book edited by Marius Schneider and Olivier Vrins that has recently been published by Oxford University Press in January 2006. Parts of this book were mailed to me and it constitutes the basis of this thesis, as the book is the first English publication in the area of Regulation 1383/2003 and intellectual property rights. I am grateful that I had the good fortune to find Marius Schneider and Olivier Vrins who were happy to share their material with me before publishing, and I want to thank them for making it possible for me to write this thesis at all.

I am also most grateful to Maria Fransson and Jeanette Jakobsson at SonyEricsson Mobile Communications, who opened my eyes to this extremely interesting subject. Their professional and outstanding guidance, inspiration and support have been strong and constant, through all the doubts and problems to the very end – thank you so much!

I also wish to thank my supervisor, Professor Hans Henrik Lidgard, at the Faculty of Law at University of Lund who has given me professional guidance on the legal world and assisted me with this thesis by holding several seminars with interesting discussions on how to approach a subject. All this gave me great inspiration.

Persons in the national Customs authorities, namely, Peter Sannes in the Netherlands, Roland Koller and Gertrud Fischer in Germany and Yvonne Hilner in Sweden have provided me with information in the most helpful, patient and decisive way, through the various national provisions concerning the implementation and application of Regulation 1383/2003. Thank you for taking the time!

At last but certainly not least, I would like to thank Philip Horowitz for his editing work as well as for his thoughtful comments.

¹ Zimmerman, C., DG Taxation and Customs Union (TAXUD), Unity C1- Customs Policy and Customs Controls, Head of Sector: “Fight against counterfeiting and piracy”, foreword to the forthcoming book *Enforcement of Intellectual Property Rights Through Border Measures*, edited by Schneider, M. and Vrins, O., Oxford University Press, (Zimmerman).

Abbreviations

CTM	Community Trade Mark
ECJ	European Court of Justice
EC Treaty	the Treaty Establishing the European Community
EU	European Union
FBI	Federal Bureau of Investigation
INTA	International Trademark Association
IPR	Intellectual property rights
OECD	Organisation for Economic Co-operation and Development
OHIM	the Office for Harmonization in the Internal Market
SME	Small and Medium sized Enterprises
TAXUD	Directorate General, Taxation and Customs Union
TRIPS Agreement	The WTO Agreement on Trade-Related aspects of Intellectual Property rights
WTO	World Trade Organisation
WIPO	World Intellectual Property Organization

1 Introduction

During the last 20 years the infringement of intellectual property rights has increased significantly world-wide, which has led to enforcement of worldwide agreements such as the TRIPS agreement created by WIPO and WTO. The TRIPS agreement constitutes the basis for fighting counterfeiting and piracy within all participating States.²

In the EU, seizures have increased by 1000% in just the 6 years, between 1998 and 2004.³ *Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and measures to be taken against goods found to have infringed such rights*⁴ was the result of a new and more efficient system of border measures, enacted when the Commission realised that something had to be done. The Regulation has the aim of helping rights holders in their fight to protect their intellectual property rights against infringers. The Regulation was also in the interest of the Customs, because with the introduction of free movement of goods within the EU, Customs responsibilities decreased and the Regulation gave them new opportunities.

The Member States harmonized their national legislations in this area of law so as to get a homogenous system; the battle was previously hindered by the great differences between the rules of the Member States. Further, the Commission believes that the best tool for stopping infringement is to force rights holders to cooperate with the national Customs authorities.

Infringements of intellectual rights are usually divided into different groups. Some of these are often used in a confusing context and mixed up. “Counterfeiting” constitutes infringements of trademarks and “Piracy” constitutes infringements of copyright or design rights, for example.⁵ The expression “counterfeiting” is often however the generic name for all infringed intellectual property rights – which confuse even the experts. To facilitate this confusion, the expression is treated in the correct way in this present thesis, i.e. limited to trademarks.

The Regulation has proved to be more efficient with respect to counterfeited and pirated products - because the infringement is often visual and easily open to inspection - in contrast to infringements of patents, which often relate to components inside a product where it is extremely difficult for the Customs to detect without very detailed information from the rights holder.⁶

² COM (1998) 569 final, p 4.

³ *Statistics recorded at the external borders of the EU*, Counterfeit and piracy – Taxation and Customs Union.

⁴ OJ L 196 02/08/2003. (Regulation 1383/2003)

⁵ Regulation 1383/2003, supra 4, the preamble and article 2.

⁶ See *Combating counterfeiting*, a practical guide for European engineering companies, Orgalime, October 2001, chapter 6, Direct actions against counterfeiters, (Orgalime).

Regulation 1383/2003 has a few weak points, such as the rule of law concerning suspected infringement of a patent and whether it is suitable for SMEs, as was intended, together with the issue of who has to cover the costs when a detention is proved wrongful and products delayed due to the detention. In general, the balance is hard between covering the costs of a wrongful detention vs. the wish to protect intellectual property rights from infringers who could destroy a company. Which loss is the more important?

1.1 Purpose

Based on this background my purpose is to investigate the *Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and measures to be taken against goods found to have infringed such rights*, and the role of the Customs authorities at the external borders in preventing unlawful goods from crossing the border into the EU, especially those suspected of infringing a trademark, a design right or a patent right. Then see how this is reflected by the German and Dutch, in their national application of the Regulation 1383/2003. A right holder and importer's perspective is taken on possible problems in the legislation and on how to use the provisions in the most efficient way.

1.2 Method and material

I will study this subject through the traditional legal dogmatic method, in both a descriptive and analytical way. Using this method as an instrument, which is accepted by legal science, I am going to investigate the applicable legislation. The legal dogmatic method is applied to the EC Regulation, and this constitutes the core of this thesis. Preparatory acts, for example green papers and Commissions proposals, as well as doctrine provide extensive answers to both queries concerning and explanations of the Regulation. Since the Regulation has only been in force a short time, doctrine and case law are very limited. Therefore, my thesis is based mostly on written articles. Case law is limited in the absence of the instrument "border detention", e.g. barring goods at the external border of the EU, (in this case suspected of infringing intellectual property rights), which is not based on case law, therefore as a substitute; statistics from TAXUD has been a useful instrument.

In addition to traditional legal methods, the legal economic perspective is also applied throughout the thesis; on account of the close connection that the economic sphere has to this whole matter, it is impossible to relinquish this.

The traditional legal dogmatic method will also be employed in a comparative review of the German and the Dutch implementation and application of Regulation 1383/2003, looking at Customs, suspected

infringers, rights holders and importer/exporters/declarants. This last part is systematically considered despite limitations in language and the need to use secondary written sources.

The thesis calls for a reader who has a good knowledge of law and current problems and issues within the area of intellectual property rights.

1.3 Delimitation

The thesis is restricted to a discussion of border detention at the external borders of the EU tied to infringed intellectual property rights from the perspective of Regulation 1383/2003, and concerning trademarks, design rights and patents only.

Not covered are pharmaceuticals, plant variety rights, designations of origin or geographical indications and copyright. Parallel import for example, is also a relevant issue for this thesis but is only treated in a minor way, due to lack of space as well as the fact that this thesis concerns infringements of intellectual property rights. The internal market is also not covered.

The greater part of Regulation 1383/2003 is mentioned and indeed constitutes the basis for this thesis. Parts excluded are, for example, those relating to court procedures, civil or criminal (except in relation to preliminary injunctions) and to sanctions (other than destruction and damage costs) in relation to suspected goods, detained at the border - which deserve a whole thesis of its own. I cover only border detention and the results of implementation and application in Germany and the Netherlands.

Further questions left open are: How does Customs apply the regulation today and how should companies apply to them as either a rights holder or an importer/exporter? What are the difficulties and the likely lacunae? What are the possible improvements?

1.4 Disposition

To provide the reader with a complete understanding and an increased interest for this subject, I have chosen to introduce him or her to the social and economic impact that society and the European Union are exposed to, as the result of the infringements of intellectual property rights. This discussion also has the aim of explaining the importance and necessity of harmonised legislation for opposing these effects.

The description of the effects is followed in chapter 3 by the answer created by the European Commission – the framework – Regulation 1383/2003: how to fight this battle from the initial border detention to destruction of goods, *prima facie*, at the juridical level or, sometimes, by a settlement between the parties. The difficulties and obstacles that may arise due to the effort of creating a more efficient and clear legislation are also discussed.

In the last chapter, the national provisions in Germany and the Netherlands are discussed, all in the light of Regulation 1383/2003. Here, the differences are described as well as the different national approaches to applying the Regulation 1383/2003, with a view to find the procedures to be taken to accomplish the most efficient seizure from a rights holder's perspective.

The analysis constitutes a summary/analysis for dealing with the difficulties and obstacles reviewed earlier, seen from both a rights holders and an importer/exporter/declarant's perspective. At the end of the analysis, conclusions are presented as examples towards the rights holder and the importer, on what to be aware about concerning the Regulation as well as an answer on how to apply to this framework in the most efficient way.

2 Background

2.1 The social and economic impact of infringements of intellectual property rights

“Anything that is bought or sold can now be counterfeited.”⁷

In 1982 the counterfeiting business was estimated at \$5.5 billion dollars, in 1996 the figure was approximately \$200 billion dollars and in 2003 this increased to \$400-500 billion dollars/ 450 billion euros.⁸ This global and growing phenomenon corresponds to between 5% to 7% of the world trade, according to OECD 1998 and the International Chamber of Commerce in 1997. Similarly, statistics from the EU Customs in the year 2000 show that the trend of buying and producing products infringing intellectual property rights began in the nineties. At the earlier time, it was only luxury products, such as clocks, jewellery and textile products that were counterfeited and sought after. Today, buyers' behaviour has changed to support new markets and traffickers now prefer mass-produced products instead of items that gave customers the value/benefit of high quality and status. For example, between 1999 and 2000, statistics showed a new trend in counterfeiting toys and games, which had increased by 94%.⁹ In the food sector, the number of seized products increased by almost 200% between 2003 and 2004.

As said before, infringement of intellectual property rights has been a problem for many years and affects markets in many ways. The internal market is injured when natural competition is disturbed and diverted by infringing products at low prices. Parts of the external market, the developing countries for example are also hurt when investments from foreign companies from the industrial countries are essential for their development. When legislation protecting intellectual property rights in developing countries is not effective and counterfeiting and piracy is more accepted, the likelihood of investment from outside companies (the rights holders) reduces. The same thing can happen in internal markets. The consequence of this loss of faith is that development is impeded and decreases. The direct consequences of such decreases in investments are less research and marketing, which impedes the growth of purchasing power. In the end, the EU loses large amounts of money.¹⁰ Since companies constantly

⁷ *Combating counterfeit & piracy*, Counterfeit and piracy – Taxation and Customs Union, (Combating counterfeit & piracy).

⁸ Michelsen, L., Triana, Uribe & Michelsen, *The Economic Impact of Counterfeiting*, International Trademark Association, Special Report, Counterfeiting September 2004. *Counterfeiting & piracy: Frequently Asked Questions*, Memo/05/40, Press Release, Brussels, 8 February 2005.

⁹ Combating counterfeit & piracy, supra 7.

¹⁰ COM (1998)569 final, supra 2, p 5, 10; Blakeney, M., “The phenomenon of counterfeiting and piracy in the European Union: factual overview and legal and

have to improve their products and technical solutions, innovation is one of the key tools for a successful and developing business with advantages on the market. Great disadvantages arise for companies/rights holders when infringing companies “free-ride” on research and goodwill. Loss of sales or damage to goodwill is another threat when the product does not fulfil the safety standards of the original product, due to poor quality; the rights holder’s is liable for the genuine product but may still take the blame for damage from infringing products, which they have not produced.¹¹

An example here was the mobile phone industry, when a mobile charger, which was an infringing product, exploded while charging a mobile phone. The charger was not a “proper copy” and had no protection against overheating. Because of this, the family who had bought this charger lost their home.¹² The mobile industry was blamed for this, though they had no fault in it. In some cases, this even leads to civil actions against the rights holder; in any case as soon as there is any negative publicity all kinds of businesses within the area pay with their goodwill, if not with money.¹³

Problems such as the ones described occur when the counterfeited or pirated products do not reach the same standards as the real products have to live up to and this problem brings us to the next negative effect: consumer protection. Infringement of intellectual property rights has a direct effect on consumers in the EU. Examples here involve leading consumers to believe that the infringing product - even if it is a copy - has better quality than a normal item or that it is exactly as good as a real one. Behaviour like this evokes demands on the companies (rights holders) that produce the proper products; customers turn to these companies for help and find that they do not have any guarantee or any right to damages. The most dangerous problem is the impact on public confidence that has and will affect both industrialized and developing countries.¹⁴

As mentioned, at the start of this trend, it was only luxury products that were counterfeited, but today we can find infringing products in every business sector, such as the pharmaceuticals, surgical equipment, food, cigarettes, aircrafts and vehicle parts and electrical appliances. The worst scenarios are the ones that cause deaths by poisonous pharmaceuticals. In 1999, the European Customs seized more than 2000 medical kits that were sent from China to Greece with equipment for heart patients. The whole consignment contained infringing and dangerous products, even though they had an insert that told the customer that the products followed European standards.^{15 16}

institutional framework”, chapter 1, *Enforcement of Intellectual Property Rights through Border Measures Law and Practice*, edited by Schneider, M. and Vrins, O., Oxford University Press, p 6, (Blakeney).

¹¹ Blakeney, supra 10, p 4 and 14.

¹² Tullens årsberättelse 2004 i tullens kamp mot piraterna.

¹³ Blakeney, supra 10, p 14.

¹⁴ IPR Helpdesk, Sixth framework programme, *Guide to Border Enforcement of IPRs in the EU*, p 1, (IPR Helpdesk); Blakeney, supra 10, p 10ff; COM (1998)569 final, supra 2, p 11.

¹⁵ Combating counterfeit & Piracy, supra 7.

These above-mentioned consequences reflect on employment in the internal market as well and infringement has cost the EU approximately 100 000 jobs per year over the last ten years. This is a dangerous threat to the developing countries on the market. It can lead to the exploitation of the laws on employment, especially concerning minimum salaries. Because of the enlargement of the EU via countries with a weaker social system, this can become a big problem in the near future. It becomes a problem when the salaries in these countries are so low that people have to take jobs on the “black market” in factories that produces products that infringes intellectual property rights but offer higher salaries.¹⁷ In these countries, employment may increase, but for a bad end, which affect the national markets in a negative way when small, local honest companies are harmed.¹⁸

Infringements of intellectual property rights are, as mentioned, often located in developing countries where the costs for labour and material are low. Manufactured products are often low quality since they often do not follow any rules or standards, even if any exist. There seem to be two different distribution channels in this sector – the normal trade channel and a hidden one (the black market). The vehicle business sector is an example where products are moving in the normal trade channels. Counterfeiting and piracy can often be linked to organised crime groups¹⁹, such as the Chinese Triad, and the Italian and Russian Mafias. Interpol has tied counterfeit activity to al-Qaida as well. Interpol also fears that this business is the chief method for these groups to finance their activity. The International Trademark Association (INTA) refers to the FBI, which pronounced counterfeiting as “the crime of the 21st century”.²⁰

Today infringement of intellectual property rights is more attractive than drug trafficking because of the high profits and low risk. Drug and arms trafficking made the smuggling of the infringing products easier due to the existence of trade routes. Thanks to globalization, it is also much cheaper nowadays. “Breaking bulk” is an accepted technique in the infringers’ world, which consists of letting the product float through several countries and continents before it reaches its goal. This technique confuses the source of the producers of the infringing goods for customs authorities. However, customs have surveyed routes from an international perspective and found that Europe and the United States are the points for ultimate sales. Africa is used as a continent for transit, i.e. a continent consignments can float through before passing on to another country/continent for transit or to the

¹⁶ Other examples around the world are, counterfeited shampoo in Zambia which contained acid, several people died in Cambodia after taking ineffective malaria medicine that was counterfeited etc., etc. (Blakeney, supra 10, p 10.)

¹⁷ COM (1998) 569 final, supra 2, p 9ff; IPR Helpdesk, supra 14, p 2.

¹⁸ Blakeney, supra 10, p 6.

¹⁹ Blakeney, supra 10, p 4; COM (1998) 569 final, supra 2, p 9.

²⁰ Viefhues, M., Linklaters Oppenhoff & Rädler, *Counterfeiting and Organized Crime*, International Trademark Association, Special Report – Counterfeiting, September 2004, (Viefhues).

end destination. Here, the producers are well aware of the free zones²¹ where they use the special legislations applicable to such transits. According to the Commission, Central and South America import the largest amounts of infringing goods for the purpose of money laundering.²²

Apart from this, there are several other methods such as, mixing authentic and fake items together in the same consignment or camouflaging counterfeited goods as parallel trade²³ goods. These methods have arisen from the fact that the customs are becoming more aware and efficient and infringers now have to find new routes.²⁴

One of the most frequent methods is the one that the Commission calls “ant-like traffic”, i.e. tourists buying souvenirs while on holiday, thus supporting this unlawful business, to a total amount of several million products per year. In general, consumers are not aware of the fact that they are supporting groups that sometimes can be linked to terrorists.²⁵ The street sellers that the tourists are buying the items from are often not one-person operators; usually there is a whole organisation behind them. INTA declared in their special report on counterfeiting that “extensive evidence is now available which demonstrates that organized criminals and terrorists are heavily involved in planning and committing intellectual property related crimes”.²⁶

Technology is improving every day and that makes it easier to infringe intellectual property rights. Legislation has to help rights holders to continue development, to feel confident and rely on the law to protect their intellectual property.²⁷ However, one cannot fight this battle with legislation only, one also has to improve risk technique analysis and use all experience.²⁸ At the same time, the enormous demand for infringing products by consumers, which supports the growth of this market, has to be changed. The fight against the counterfeiting business has been a low priority for a long time, the laws on enforcement at the borders has not been straightforward to apply and the penalties have been insignificant. It is essential to prioritize the matter.²⁹

Today the Commission ranks the fight against infringement of intellectual property as one of the most important issues it faces.³⁰ A wish to improve

²¹ Free zones are further discussed within this thesis.

²² Combating Counterfeit & Piracy, supra 7.

²³ Parallel trade or so-called grey market is a legal way of trading where goods are sold outside distribution agreements. This type of trading often has lower prices and, therefore, advantages in competition on the markets. See also Lidgard, H H, *Parallellhandel, konsumtion av immaterialrätt i Europa & USA*, (Lidgard).

²⁴ Blakeney, supra 10, p 3, 7, 10; Viefhues, supra 20.

²⁵ Combating Counterfeit & Piracy, supra 7.

²⁶ Viefhues, supra 20.

²⁷ Viefhues, supra 20; Blakeney, supra 10, p 14.

²⁸ Zimmerman, supra 1.

²⁹ Viefhues, supra 20; Blakeney, supra 10, p 14.

³⁰ Orgalime, supra 6, p 4.

cooperation between authorities and rights holders is required to stop the tremendous increase of infringement. This requirement has resulted in development of the existing regulations and more effective measures being taken against counterfeiters. Member State governments are also now becoming more aware of the fact that all this is extremely harmful to the internal market and the businesses within.³¹

2.2 Background to the legislation – earlier campaigns.

The TRIPS agreement is one of the most important international agreements in this field and is one, which all members of the World Trade Organization (WTO) are obliged to follow. It serves to deal with disturbances and obstacles in international trade. The members wish to facilitate an efficient way of protecting intellectual property rights and are aware of the need for clear and available rules.³²

To achieve these goals of maximum protection of intellectual property rights, such as trademarks, design rights and patent rights there is a need for clear and certain requirements for border measures.³³ The members have therefore undertaken to implement rules, which will serve the purpose of protecting these rights through measures such as those, which detain goods suspected of infringing these rights.³⁴

Through *Council Regulation (EEC) No 3842/86 of 1 December 1986 laying down measures to prohibit the release for free circulation of counterfeit goods*³⁵, the European Union (EU) implemented community provisions to protect intellectual property rights in the Community. This regulation, which came into force January 1st 1988, gave Customs a central role in the battle against counterfeited products i.e. trademark-infringing products, entering the EU. The rights holders had to report that they suspected a consignment of counterfeited goods before Customs could interfere and suspend the import. After a short while, the Regulation gave rise to problems, as several of the members of the EU also had supplementary rules and as early as 1995 a new regulation replaced Regulation 3842/86.³⁶

³¹ Keri, S. J., Gowling Lafleur Henderson LLP – *Regional Anticounterfeiting Agreements*, International Trademark Association Special Report – Counterfeiting September 2004.

³² TRIPS Agreement, (The TRIPS agreement, Annex 1C of the Marrakech Agreement Establishing the World Trade Organization, signed in Marrakech, Morocco on 15 April 1994), the preamble, (TRIPS agreement) ; COM (1998) 25 final, p 2.

³³ TRIPS Agreement, supra 32, articles 51ff. These articles comprise only trademarks and design rights, not patent rights. The Commission of EU has decided to include all intellectual property rights within the Regulation 1383/2003 though.

³⁴ Ibid, supra 32, article 51-60.

³⁵ OJ L 357/1, 18.12.1986, (Regulation 3842/86).

³⁶ Regulation 3842/86, supra 35; Unmarck Rygaard, L., *Den ny toldforordning*, NIR, no 4, 2004, p 359ff, (Unmarck Rygaard).

The replacing *Council Regulation (EC) No 3295/94 of 22 December 1994 laying down measures to prohibit the release for free circulation, export, re-export or entry for a suspensive procedure of counterfeit and pirated goods*³⁷, had to fulfil the requirements set out in the TRIPS agreement of the same year. Regulation 3295/94 was an extended version of Regulation 3842/86 and now included measures against pirated goods i.e. infringed design rights and copyrights as well. The new Regulation concerning the protection of intellectual property rights at the external frontier was indeed in conformity with the TRIPS agreement and did not suffer from structural or interpretative problems as the older did.³⁸

Throughout the years, there were amendments to the last mentioned regulation. One of the amendments was the extension of the intellectual property rights to include patents³⁹ through *Council Regulation (EC) No 241/1999 amending Regulation (EC) No 3295/94 laying down measures to prohibit the release for free circulation, export, re-export or entry for a suspensive procedure of counterfeit and pirated goods*.⁴⁰

Finally, on July 1st, 2004 came “the new regime”, *Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and measures to be taken against goods found to have infringed such rights*,⁴¹ came into force. It replaced Regulations 3295/94 and 241/1999 and was from that day directly applicable in the Member States.

2.3 The need for Regulation 1383/2003.

Since the previous Regulation 3295/94, the numbers of counterfeited and pirated products seized had increased. In the end of September 2005, new statistics were released that showed a very large increase in seized products during the previous six years. In 2004, 74% of all seized articles were counterfeited products, 2% pirated goods and 5% infringed patents, the rest constituting copyright and related rights (14%) and data not communicated (5%). The businesses involved are linked more and more to organised crime groups, which know how to make their products look the same as genuine ones.⁴²

Regulation 3295/94 was difficult to apply and not particularly efficient, e.g., there were just a couple of interventions in Sweden and, between 1995 and

³⁷ OJ L 341/18, 30.12.1994, (Regulation 3295/94).

³⁸ COM (1998) 25 final, supra 32, p 5 and 10.

³⁹ Ibid, supra 32, p 15.

⁴⁰ OJ L 27, 2.2.1999, (Regulation 241/1999).

⁴¹ Regulation 1383/2003, supra 4.

⁴² Löfgren, C., *Intensifierad piratjakt*, Brand News 02/2003, p 9 (Löfgren); Zimmerman, supra 1; COM (2003) 20 final, p 1; Bodoni, S., *EU steps up anticounterfeiting actions*, Managing Intellectual Property News, weekly news, October 17, 2005, (Bodoni); *Customs: Commission launches Action Plan to combat counterfeiting and piracy*, IP/05/1247, Brussels, 11 October 2005 (IP/05/1247); D G Taxation and Customs Union, TAXUD, statistics 2004.

1997, there were only 4133 interventions in the whole of Europe. The main reason for this was the fact that Customs intervened on the initiative of the rights holder only, but could often not detain nor even find the goods, due to the rights holder lacking the detailed information required.⁴³

Regulation 1383/2003 aims to provide more efficient, clearer and easier to apply rules for protecting intellectual property rights at the external border of the European Union, and at the same time widened the legislation's scope by covering plant variety rights, geographical indications and designations of origin in addition to trademark rights, design rights and patent rights.⁴⁴ The extended scope has the purpose, among others, of helping the food and drink industry since, as mentioned, demand for infringing products has changed from luxury goods to all products including foodstuffs.⁴⁵

Amendments were also made regarding application forms for action, which are used to request that Customs detain suspected goods when they are entering the Union for circulation⁴⁶ transit or re-export. They are now standardised and available on the internet.

Before Regulation 3295/94, the Customs had to rely on initiatives from the rights holders so as to have the right to intervene in suspected goods. During the period of application of Regulation 3295/94, the Customs intercepted less than 1% of all incoming consignments. 80% of these resulted from the rights holders applications with the remaining 20% based on Customs ex officio action based, however, on information from rights holders.

With Regulation 1383/2003, the ex officio procedure (for detaining goods without an application from the rights holder and Customs then requesting afterwards such an application) that was introduced in Regulation 3295/94 is now extended to ex officio seizure of "suspected goods" as well as "evidently" infringing goods. Fees for filing an application at Customs were abolished, as were the requirements for bank guarantees/securities. The rationale for the extension of the ex officio procedure and the free application procedure is to increase protection for small and medium sized enterprises (SMEs) in a world with a few influential, wealthy companies and many SMEs without power in these matters. Usage of the ex officio procedure is expected to increase considerably.

Other amendments to the old regime allow for rights holders receiving samples of suspected goods to compare/analyse and thereafter use them as evidence. Simplified procedures for the destruction of infringing goods are also provided for, which makes it easier and more flexible for Customs and

⁴³ Söderlund, A-C., *Gränskontroll och piratkopiering*, NIR 1998, no 4, p 616 (Söderlund).

⁴⁴ *Commissions initiatives*, Counterfeiting and Piracy, Taxation and Customs Union; Regulation 1383/2003, supra 4, article 2, (Commissions initiatives); COM (2003) 20 final, supra 42, 1. Introduction.

⁴⁵ Commissions initiatives, supra 44; Regulation 1383/2003, supra 4, article 2; COM (2003) 20 final, supra 42, 2. Aim of proposal for a regulation, 2.5.

⁴⁶ See also chapter 3.3, introduction to "What is to be detained or not?".

the rights holders. For this new type of procedure, there is no need to initiate court proceedings as called for by the old regime. However, the prerequisite for a simplified procedure is the lack of objection from the holder of the goods. The simplified procedure also facilitates the problem of storage of detained goods by Customs.

Customs are now allowed to stop travellers suspected of being couriers as part of large-scale operations: under the old regime, travellers of all kind were excluded if within the duty-free limits. This is of considerable benefit to rights holders since there is a steady stream of fraud this way (“ant like traffic”). Statistics from 2003 shows that 45% of the Customs ex officio procedures involve travellers. Even still, it is extremely difficult to stop this kind of imported goods. This type of exclusion has been unacceptable for a long time from the rights holders’ part of view, but has until now been recommended in favour of the avoidance disrupting the clearance of travellers personal baggage. The increase of infringing products forces the rules to be changed and Regulation 1383/2003 now allows the Custom in a greater scale to stop travellers with a larger scale activity with this kind of traffic.⁴⁷

Since the new Regulation came into force 2004, several million products have been seized (in 2004 alone more than 18 million products were seized⁴⁸). This result shows that the new Regulation is a greater success, compared to the previous one. An increase in the number of applications for action sent to Customs is a sign that rights holders believe in this Regulation, according to Christophe Zimmerman, DG Taxation and Customs Union (TAXUD). Rights holders are more aware of the rules in force and their right to protection as well, which is proven by the number of applications, which has increased from 981 applications in 2000 to 2888 in 2004.⁴⁹ This is an important step in the development of world trade and the enlargement of European Union and also against these crimes groups.⁵⁰

The conclusion of this is that the new Regulation provides more accessible, clear, flexible and easier to apply rules for rights holders and Customs,⁵¹ as well as rendering greater possibilities for SMEs to protect their exclusive rights.⁵² The goal is to establish efficient external borders to protect the internal market against infringements of intellectual property rights and to decrease the chances of endangering consumers’ health and safety, as well as the damage they certainly cause business in the EU.⁵³

⁴⁷ Commissions initiatives, supra 44; Söderlund, supra 43, p 616; Regulation 1383/2003, supra 4; COM (2003) 20 final, supra 42, explanatory memorandum, 2.5; Unmarck Rygaard, supra 36, p 360. The duty-free limit is today 175 euros. (Travellers’ personal baggage: See 3.3.2.)

⁴⁸ IP/05/1247, supra 42.

⁴⁹ Zimmerman, supra 1.

⁵⁰ Commissions initiatives, supra 44.

⁵¹ COM (2003) 20 final, supra 42, 1. Introduction.

⁵² Zimmerman, supra 1; Commissions initiatives, supra 44.

⁵³ Regulation 1383/2003, supra 4, 2nd recital in the preamble; Blakeney, supra 10, p 21.

Due to the youth of the Regulation, it is difficult, though still possible to observe a few disadvantages or miscalculations, which will be discussed below.

2.3.1 The new regime vs. national legislation

According to the EC Treaty, art 110(2), Regulations are directly applicable to the Member States of the EU. Due to this, national legislation that is in conflict with Regulation 1383/2003 is not allowed. According to Regulation 1383/2003, the Member States cannot, for example, refuse to provide an ex officio procedure. However, if the Regulation leaves holes for the Member States to fill, then they are free to do so, e.g. they may increase their applicability or scope as long as this is not in conflict with other rules, (Germany, chapter 4).

In the case of Regulation 1383/2003, *Commission Regulation (EC) No 1891/2004 of 21 October 2004 laying down provisions for the implementation of Council Regulation (EC) No 1383/2003 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*⁵⁴, came into force precisely to give the Member States guiding principles on supplementing Regulation 1383/2003.

⁵⁴ OJ L 328, 30/10/2004, (Regulation 1841/2004).

3 The IPR external border measures within the EU

3.1 Introduction

To appreciate this thesis, it is necessary to understand the different actors and their relations to the intellectual property rights; these include the rights holders, authorized users and/or their representatives as well as importers, exporters etc., here concerning trademarks, design rights and patent rights. To facilitate the designation of the party dealing with the rights holder, i.e. importer, exporter, declarant, consignee, holder of the goods etc, the term “importer” will cover all of these.

3.2 Who is entitled to act?

The expression, “rights holder”, which is defined in Regulation 1383/2003, article 2 (2), covers all holders of all kinds of intellectual property rights. According to Regulation 3842/86, the holder of the intellectual property right is the same as the owner of it, though the last mentioned Regulation only refers to trademarks. The definition is wider today and as said above, comprises all kinds of intellectual property rights. For the purposes of this Regulation, the rights holder is the person registered under either a national or a Community intellectual property right. These requirements are further discussed in 3.4.1.1 (applications for action) and in article 5-6 in Regulation 1383/2003.

The expression “rights holder” is extended in article 2 (2) (b) and linked to “any other person authorized” or “a representative of the rights holder” or “an authorized user”, through a power of attorney of any kind. An authorized person or an authorized user is, for example, a licensee. INTA comments that an authorized licensee is thus allowed to lodge an application for action at Customs. According to INTA, the definition is not clear enough, since it appears to include both exclusive and non-exclusive licensees. It is common among the Member States that non-exclusive licensees do not have any power to act in courts; therefore, it should not be possible (nor is it particularly efficient for them) to have the power of delaying goods. INTA recommends excluding non-exclusive licensees from the Regulation, because it could confuse matters if a non-licensee applies for action without being informed about the position of other authorized users.⁵⁵ Concerning licenses (and here exclusivity is mentioned), almost all Customs offices in the Member States require a registration from the rights holder for the use of the intellectual property right in question before allowing

⁵⁵ *Comments on the Proposed Amendments*, INTA Anti-Counterfeiting & Enforcement Committee, April 8, 2002 (INTA position Paper).
www.inta.org/downloads/tap_counterfeit2002.pdf

applications for action etc.⁵⁶ Because it is difficult to prove a valid authorization from the rights holder to a mere user or representative, Customs always contact the rights holder, if they have detained goods suspected of infringing his exclusive right.⁵⁷

Where a rights holder has to be represented, the representatives are usually lawyers, but representatives can also be used for other matters and could be e.g. economic consultants.⁵⁸

According to *M Schneider and O Vrins*, it is possible that the legislator was hoping for a successful and widely used Regulation and therefore deliberately created a broad definition of the words “rights holder”.⁵⁹ The opinions of rights holders have not been positive since the mere authorized user or representative receives too wide a legitimacy. This may lead to breaches of business confidentiality in cases when, for example, the licensee has to answer questions about suspected goods and give details of the real goods. This could be due to a lack of understanding of the overall position owing to the licensee’s limited point of view.⁶⁰

3.3 What is to be detained or not?

This chapter will describe those intellectual property rights - used without the consent of the rights holder - which are covered by the Regulation. The discussion also considers rights that are left outside its coverage and why this is the case. The boundary between genuine goods freely circulating on the internal market and infringing goods harming this market is also discussed.

In the EC treaty, articles 23 and 24⁶¹, the Member States agreed to establish a Customs Union, which prohibits Customs duties, when goods are

⁵⁶ Schneider, M. (European trade mark and design attorney, Gevers & Partners, Brussels) and Vrins, O. (Attorney-at-law, Altius Law Firm, Brussels), “Regulation (EC) 1383/2003”, chapter 3, *Enforcement of Intellectual Property Rights through Border Measures Law and Practice*, edited by Schneider, M and Vrins, O (secondary reference to De Meyer, C. and Van den Broecke, P., *De douane verordening 1383/2003 en het douane beslag*, in MC Janssens (ed), *Combattre les atteintes à la propriété intellectuelle*, CIR 2004, 83 (87-88)), p 142, (Schneider/Vrins).

⁵⁷ Sannes, P., Co-ordinator, Customs North/Department of IPR, Groningen, The Netherlands, in interview the 9 December 2005 (Mr Sannes).

⁵⁸ Regulation 1841/2004, supra 54, article 1.

⁵⁹ Schneider/Vrins, supra 56, p 142ff.

⁶⁰ INTA Position Paper, supra 55, comment to article 1(c), p 3.

⁶¹ EC Treaty, article 23: “1. *The Community shall be based upon a custom union which shall cover all trade in goods and which shall involve the prohibition between Member States of customs duties on imports and exports and of all charges having equivalent effect, and the adoption of a common customs tariff in their relation with third countries.* 2. *The provisions of Article 25 and of Chapter 2 of this Title shall apply to the products originating in Member States and to products coming from third countries which are in free circulation in Member States.*” Article 24, EC Treaty: “*Products coming from a third country shall be considered to be in free circulation Member States if the import formalities*

imported or exported between Member States. By virtue of these articles, Regulation 1383/2003 does not apply to goods already entered or goods that are manufactured for free circulation within the European Union, in agreement with the principle of free movements of goods⁶². The Regulation only applies to the external borders of the Union, which means that as soon as goods have crossed the external borders, the goods are free to circulate.⁶³

3.3.1 The various types of infringement

Article 2 in Regulation 1383/2003 explains the meaning of “goods infringing an intellectual property right”; today all types of intellectual property rights can be infringed and are comprised within the Regulation 1383/2003. Therefore, detention by the EU Customs is possible, if the goods are suspected of infringing intellectual property rights registered within the EU, either through a Community registration or a national one. The legislation comes into play when goods are imported, exported or re-imported to/from third countries, aiming to take part of the free circulation of goods within the European Union or are placed in free zones or warehouses during transit.⁶⁴

The amendments over the years, which now encompass all intellectual property rights, took account of the increasing numbers of types of infringements.⁶⁵ The exclusive rights to be treated in this thesis, however, are trademark rights, design rights and patent rights only.

3.3.1.1 Counterfeiting

Counterfeited goods can be summarized as encompassing all types of products that are unlawfully bearing someone else’s trademark.⁶⁶ Article 2(1)(a)(i)-(iii) in Regulation 1383/2003 – explains this expression further so that it covers both trademarks under Community law and the national laws of the Member State, always where Customs has taken action against suspected goods at the borders.

According to the article, infringement of intellectual property rights such as counterfeiting consist of marking goods and packaging with someone else’s

have been complied with and any customs duties or charges having equivalent effect which are payable have been levied in that Member State, and if they have not benefited from a total or partial drawback of such duties or charges.”

⁶² EC Treaty, article 28 (ex article 30): “Quantitative restrictions on imports and all measures having equivalent effect shall be prohibited between Member States.”

⁶³ Vrins, O., *Le Règlement (CE) No 1383/2003 du Conseil des Communautés Européennes du 22 Juillet 2003: Le Droit Douanier Élargit ses Frontières*, Rechtsleer/ Doctrine, I.R D.I 2004, p 106f (Vrins); Blakeney, supra 10, p 21.

⁶⁴ Regulation 1383/2003, supra 4, 3rd recital in the preamble.

⁶⁵ COM (1998) 25 final, supra 32, 2. Aim of the proposal for a regulation.

⁶⁶ Brodie, A., Wragge and Co, *The fight against counterfeit goods just got a little bit easier: The new Customs Regulation 1383/2003*, PUBLICATIONS & EVENTS (print version), IP Update, July 2004 (Brodie).

identical trademark or a name so close that it cannot be distinguished from the essential parts of the registered trademark, to be decided in an assessment at the border. The trademark can be “any trademark symbol (including a logo, label, sticker, brochure, instructions for use or guarantee document bearing such symbol), even if presented separately (...).”⁶⁷

The exclusive right to the trademark has to be registered for the same type of goods, whether a Community Trademark (“CTM”) or a national trademark (within the Member State where Customs action is taken).⁶⁸ A CTM is obtained through a registration, at OHIM in Alicante, Spain only. The application for registration is sent either to the relevant national authorities for registration of trademarks or directly held at OHIM.⁶⁹

According to the national trademark legislations in the Nordic countries, it is possible to obtain a valid trademark, through registration or establishment. Outside these countries, the establishment route is neither particularly common nor efficient. A merely established trademark becomes a problem on an international or pan-European market, since such trademarks are often not registered in large databases together with registered trademarks. It is wiser to obtain a valid trademark through a registration. A database also facilitates things for SMEs if they wish to be sure of not infringing other trademarks.⁷⁰ Regulation 1383/2003 covers registered trademarks only – it is only possible for example, for a holder of an established trademark in Sweden to file a national application for customs action there.

Thus, registration allows action from Customs and it also hinders an infringer from improperly registering the infringed mark.⁷¹

3.3.1.2 Piracy

Article 2 (1) (b) in Regulation 1383/2003 – covers the expression “pirated goods”. Exclusive rights such as design rights, copyrights and related rights (performance rights), are all rights that can be copied and thus be subject to the expression – pirated goods.⁷² In this thesis, pirated goods are limited to those controlled by design rights only.

⁶⁷ Regulation 1383/2003, supra 4, article 2 (1) (a) (ii); Daele, K., *Regulation 1383/2003: A New Step in the Fight against Counterfeit and Pirated Goods at the Borders of the European Union*, E.I.P.R. no 5, 2004, p 215 (Daele).

⁶⁸ Regulation 1383/2003, supra 4, article 2 (1) (a) (i).

⁶⁹ Council Regulation (EC) No 40/94 on the Community Trademark (after amendments: OJ L 172, 05/07/2005), article 25 (Regulation 40/94); Koktvedgaard, M., and Levin, M., *Lärobok i Immaterialrätt – I Sverige, EU och internationellt*, 7 edn, p 312ff (Koktvedgaard/Levin).

⁷⁰ Koktvedgaard/Levin, supra 69, p 326ff.

⁷¹ Orgalime, supra 6.

⁷² Brodie, supra 66.

Pirated goods were added for the first time in Regulation 3295/94, as mentioned above, and have since then been a great success, so far as concerns copyrights, when one out of every ten interventions in 1998 was suspected or actual infringement of a copyright. Unfortunately the protection of design rights has not been so used, and in 1998 only 5,8% of all interventions involved a design right. The explanation appears to be that goods found to infringe a design right often infringe a trademark as well and Customs prefer to act under the rules relating to counterfeiting, owing to long experience of detaining counterfeited goods. Infringed trademarks are indeed visually easier to detect.⁷³

A 2004 breakdown of the intellectual property rights covered under Regulation 3295/94 reports that the trend is still the same: 74% of interventions under the Regulation were actions taken against suspected counterfeiting and only 2% involved suspected infringement of design rights.⁷⁴

Exclusive rights such as a Community design right or a national design right gain protection with or without registration (nationally depending of the provisions of that Member State).⁷⁵ The registration of a Community design is again made via OHIM in Alicante while the unregistered Community design right is obtained as soon as the conditions for protection are reached and the design has been published.⁷⁶

Pirated goods are either products manufactured without the rights holders consent, including cases of users with consent producing larger quantities than agreed.⁷⁷

Schneider and *Vrins* discuss an interesting problem of interpretation, which concerns the expression “copies” within this article⁷⁸. The discussion is based on the fact that the expression does not agree with the terms used in Community law generally concerning infringed design rights; “which for the informed user does not produce a different overall impression”⁷⁹. It is possible that it is used for the benefit of the interpreters, i.e. Customs by excluding complex terms, but according to *Schneider* and *Vrins* it is more

⁷³ COM (1998) 25 final, supra 32, p 10. An explanation of the great differences between the success of border detention on infringement of copyrights and design rights could be that there exist a greater number of infringements of copyrights on films and CD's.

⁷⁴ TAXUD, supra 42, statistics 2004. For completion: 14% - copyrights and related rights, 5% patents and supplementary protection certificates, 5% - data not communicated.

⁷⁵ Regulation 1383/2003, supra 4, article 2 (1) (b); Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs, OJ L 3, (5/1/2002); Daele, supra 67, p 215.

⁷⁶ Regulation 40/94, supra 69, article 11.

⁷⁷ Bodén, E., *Tullstopp, tullverkets medverkan för att hindra att varumärkesförfalskade och pirattillverkade varor kommer ut på den öppna marknaden*, p 49. This discussion is further treated in chapter 3.3.2 – The non-detainable.

⁷⁸ Regulation 1383/2003, supra 4, article 2 (1) (b): ” ‘pirated goods’, namely goods which are or contain copies made without the consent of the holder of a copyright or a related right or design right (...).”

⁷⁹ Directive 98/71/EC of the European Parliament and the Council of 13 October 1998 on the legal protection of designs, OJ L 289 (28/10/1998), article 9.

likely to confuse. So what is a copy and what is not? The Customs at the external borders will have to assess the matter, then the rights holders or else it will go to the national courts. The fear is that pirated goods might not be considered as copies and thus not detainable at the external borders.⁸⁰

3.3.1.3 Infringement of patents

The first time it was discussed whether the infringement of patents should be included in a Regulation on border measures was in the preparatory work for Regulation 3295/94. The response was positive since patents were “the heart of the machinery available for safeguarding innovation” and “allow people to profit from their own ideas and creativity”.⁸¹ However, in 1994, the Commission considered that it was too early to include patents and technically too difficult for Customs, since the Regulation was already introducing the notion of “pirated goods”. It was considered necessary to uphold the main goal of the Regulation only – to ensure a uniform and well functioning Regulation and then extend this one-step at the time.⁸² It is important to remember that the assessment of patent infringement is more difficult and extensive, than is the assessment of counterfeiting or piracy where visual comparison usually suffices.⁸³

In the amendment to Regulation 3295/94 (Regulation 241/1999), the infringement of patents was introduced, as Customs was now considered ready. This was very positive from the inventors’ point of view as their research and development gained this protection.⁸⁴

In Regulation 1383/2003, article 2(1)(c) applies to “*goods which, in the Member State in which the application for customs action is made, infringe: a patent under that Member State’s law;*”. Patent rights are considered as a national right – “*a patent under that Member State’s law.*”⁸⁵ Lack of protection in any Member State thus enables traffickers to cross the border in such a country.⁸⁶

A Community right would solve this problem, but the attempt to provide for a Community right has so far failed. Infringement of patents thus only concerns national rights.⁸⁷

⁸⁰ Schneider/Vrins, supra 56, p 126ff.

⁸¹ COM (1998) 25 final, supra 32, p 11.

⁸² COM (1993) 329 final, supra 82, explanatory memorandum.

⁸³ Helder, J. and van Velsen, F., Simmons & Simmons, *Why Customs can help patent owners*, Supplement Benelux IP Focus 2005, Managing Intellectual Property (Helder/ van Velsen).

⁸⁴ COM (1998) 25 final, supra 32, p 11.

⁸⁵ Schneider/Vrins, supra 56, p 123. The different national rights of Germany and the Netherlands are presented in chapter 4.

⁸⁶ Ibid, supra 56, p 128. In the Advocate General’s opinion from 8 December 2005, in case C-539/03, *Roche Nederland BV and others vs. Frederick Primus and Milton Goldenberg* (which has not been settled yet) the Advocate General comments, “As soon as the relevant European patent has been granted, it disintegrates into a bundle of national patents”.

⁸⁷ Ibid, supra 56, p 129.

In 1999, after Regulation 3295/94 was amended, border measures against suspicious infringement of patents were still not applied very often. TAXUD reported in 2000 that only 1% of the total number of cases covered by the Regulation 3295/94 related to goods suspected of infringing patent rights.⁸⁸ The Swedish Customs authority has commented on this and claimed that they apply Regulation 1383/2003 in the same way for all kinds of intellectual property rights.⁸⁹ The issue was again discussed when Regulation 1383/2003 came into force, and there is a continuing problem of assessment of suspicious goods in cases of lack of technical expertise at the borders, when decisions on whether goods might constitute a possible infringement still have to be made.

A patent's complex structure clearly complicates the assessment, therefore rights holders are strongly recommended to expose as much information as possible so as to increase the possibility of detecting infringing goods. The problem with revealing information is that one risks revealing business confidences.⁹⁰

Article 5 of Regulation 1383/2003 prescribes that rights holders should provide the contact details of a person in any Member State designated by the rights holder, who will examine detained goods that might infringe any intellectual property right, in the course of an application for action. Naming a technical expert is especially important when the case concerns goods suspected of infringing a patent, as otherwise Customs is left to assess the point. Indeed, Customs in many Member States has tended to forego use of the *ex officio* procedure, due to lack of technical expertise. Therefore, Customs leaves it either to the courts or the rights holders to inspect and decide.⁹¹

The Regulation facilitates the conditions under which the rights holder can discover infringed patents, as it allows for detention of goods on weaker evidence than in other cases. Customs relies on information received from the rights holders, which thus also facilitates cooperation between them and the rights holders.⁹² The requirements for information are presented in article 5 (5) in the Regulation and discussed in chapter 3.4.1.1 below. However, it has been argued that these broad rules could possibly jeopardize the rule of law insofar as applying to importers' and competitors' goods. This issue has been discussed and arguably solved through the requirement of a declaration of liability, which minimizes the chances of abuse of the rules by the rights holder, except for the first 3 days during which goods are suspended for release under an *ex officio* procedure. In this case, any importer always has

⁸⁸ TAXUD, *supra* 7, statistics 2000.

⁸⁹ Hilner, Y., Swedish Customs Authority, Department for Efficient Trade, in mail contact, 14 November 2005.

⁹⁰ Unmarck Rygaard, *supra* 36, p 361.

⁹¹ Helder/van Velsen, *supra* 83.

⁹² Unmarck Rygaard, *supra*, p 361.

to reckon on these days being lost, as Customs has the general right to examine goods for 3 days without any consequences.⁹³

Even patents is not the intellectual property right that Customs most often takes action regarding, TAXUD has shown that, from 2003 and 2004, the numbers of such cases covered under Regulation 3295/94 has increased from 2% to 5%. This increasing number shows that rights holders appreciate the amendment, and are today increasingly conscious of how to apply the rules.⁹⁴

3.3.2 The non-detainable

Goods excluded not covered by Regulation 1383/2003 are those resulting from parallel imports, breach of manufacturing agreements together with travellers' personal baggage. These are covered by article 3 and will be further described and analysed in this chapter.

Parallel import, *Union consumption of intellectual property rights* or *grey market trading* are all names of a specific type of trading that is excluded from the operation of Regulation 1383/2003. Parallel import (the most common name) has been an issue for rights holders for a long time.

This type of trading is the most efficient way to reach consumers who demand cheaper goods. The lower price is possible through avoidance of set distribution channels and agreements. The rights holder, or someone with the rights holder's consent, provides goods at a lower price in one country, and then a parallel importer buys these goods there. They are sold by the purveyor without anyone's consent in another country, where the rights holder has an agreement with another distributor to sell these products, which the latter may be doing at a higher price. The importer can sell the goods where he wants and do whatever he likes with the products once acquired in the EU in any place where they are lawfully on the market. The rights holder has exhausted his exclusive right to the product.

This parallel trading is a great problem for the rights holders: profits decrease due to the low prices. The discussions often centre on the interpretation of the "market" in which products are first sold – is it EU-wide or national? The Directive on Trademarks⁹⁵ article 7 has established that within the EU is meant. The EU is a coherent internal market, and after products are sold in one Member State with the consent of the rights holder, any buyer allowance may do what he/she wants, without consent from the rights holder in any Members State.⁹⁶

⁹³ Koller, R., Zentralstelle Gewerblicher Rechtsschutz, Germany, in interview the 7 December 2005 (Mr Koller); Mr Sannes in interview, supra 57.

⁹⁴ Helder/van Velsen, supra 83; TAXUD, supra 42, statistics from 2003 and 2004.

⁹⁵ First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trademarks (89/104/EEC), OJ L 40, 11.2.1989.

⁹⁶ Koktvedgaard/Levin, supra 69, p 51f, 130f, 358ff; Blakeney, supra 10, p 3; Schneider/Vrins, supra 56, p 133f.

The rights holders wish to have this stopped and to include parallel imports within the scope of the Regulation. However, Regulation 1383/2003 still excludes it⁹⁷. The Regulation does not describe if both EU-wide and genuinely global parallel import and consumption are excluded. According to *A Clark*⁹⁸ the Regulation needs clarification in this matter. Does it include parallel imported goods from third countries – to subject these to the border measure system while still excluding controls on parallel import within the internal market.

Another problem with parallel trade is that it has been used to camouflage counterfeited goods by mixing consignments – counterfeited products with genuine, making the infringing products extremely hard to detect. This endangers the parallel trade.⁹⁹

According to *Vrins* and *Schneider*, one possible reason why such importation is not included in the Regulation, is that the legislator did not want to place the decision on differentiating between non-infringing and parallel imported goods on Customs and instead let the latter be handled by the courts.¹⁰⁰ According to *H H Lidgard*¹⁰¹, Customs has problems in relying on rights holders' information regarding goods that they suspect of infringing their exclusive intellectual property rights. There is a history of rights holders trying to apply border measure legislation against genuine products subject to parallel import, even though this type of import is excluded from the system of border measures.

The opposition to the rights holders' wish to include parallel imports within the scope of Regulation 1383/2003 is that the goods in question are genuine products, therefore there is no need for the same protection as for infringing goods.¹⁰² Despite this, in the Green paper of 1998,¹⁰³ the Commission considered whether to include parallel imports within the scope of the border measure system, but indeed decided not to amend the scope because of the difficulty for Customs in distinguishing genuine products from counterfeited ones as expressed above.¹⁰⁴

⁹⁷ Regulation 1383/2003, supra 4, abbreviated version, article 3(1): "*This Regulation shall not apply to goods bearing a trademark with the consent of the holder of that trademark or (...) which are protected by a patent or (...) by a design right (...) which has been manufactured with the consent of the right-holder but are placed in one of the situations referred to in the Article 1(1) without the latter's consent.*"

⁹⁸ Clarks, A., (Doctor, School of Law, Warwick, United Kingdom) *Parallel Imports: A new job for Customs*, EIPR no 1 1999, p 6-7.

⁹⁹ Blakeney, supra 10, p 3.

¹⁰⁰ Schneider/Vrins, supra 56, p 134.

¹⁰¹ Professor in civil law at the University of Lund, Sweden.

¹⁰² Lidgard, supra 23, p 134-138.

¹⁰³ COM(1998) 25 final, 32, p 14.

¹⁰⁴ Vrins, supra 63, p 134; Lidgard, supra 23, p 134-138.

According to article 3(1) second subparagraph in Regulation 1383/2003¹⁰⁵, the Regulation also excludes goods that have been **manufactured or supplied under circumstances other than the agreed**. One example is overruns, i.e. products manufactured by a genuine licensee, but outside the agreed quantities or quality standards in the license agreement. Another example is a breach regarding agreed distribution channels so as to provide the products to other markets.¹⁰⁶ *Schneider* and *Vrins* refer to arguments about how products provided outside license agreements (especially “overruns”) are to be treated. The rights holder gets no royalties and it constitutes a breach of the agreement, because of this, the breach could constitute an infringement due to the lack of consent from the rights holder. The issue is the problem for Customs in differentiating between goods – genuine goods within a license agreement or overruns; therefore, Regulation 1383/2003 excludes manufactured and supplied products under circumstances other than the agreed, for example territorial (other distribution channels) breaches against the license agreement, but according to the arguments; does the article say that overruns are excluded as well?¹⁰⁷

The preceding regulations prescribe that non-commercial trafficking is also excluded from the scope of the Regulation. With Regulation 1383/2003 the wording has changed into a stricter interpretation of the exclusion of **travellers personal baggage** covering non-commercial trafficking on a non large scale only. This new wording still gives rise to a number of concerns. According to *K Daele*¹⁰⁸ one of the concerns is still that infringement of intellectual property rights is a commercial matter and not at all one concerning individuals. Merely to say, or suggest, that trafficking with intellectual property rights has to reach a commercial scale is not enough. *Daele* mentions the problem of travellers, who cross borders several times per month/ per week. The problem here is that the traveller may never exceed the duty free limit of 175 euros, but all together, but the aggregate may count as large scale non-commercial trafficking or even camouflaged commercial trafficking. *Daele* suggests a solution for this last mentioned disguised problem, to calculate the infringing products as if they were not infringing products – genuine products, e.g. force the traveller to pay the real price. *Daele*'s proposed solution would give the exemption (travellers' personal baggage) an efficient and fair manner of application.¹⁰⁹

¹⁰⁵ Regulation 1383/2003, supra 4, article 3(1), 2nd paragraph: “*It shall similarly not apply to goods referred to in the first subparagraph and which have been manufactured or are protected by another intellectual property right referred to in article 2(1) under conditions other than those agreed with the right-holder.*”

¹⁰⁶ *Daele*, supra 67, p 216; *Schneider/Vrins*, supra 56, p 135.

¹⁰⁷ *Schneider/Vrins*, supra 56, p 135; *Schneider/Vrins*, supra 56, p 135, secondary reference to *Knaak, R., H Harte-Bavendamme, Handbuch der Markenpiraterie in Europa*, para 22. See chapter 4.1 Germany.

¹⁰⁸ *Karele Daele, Freschfields, Bruckhaus, Deringer Brussels.*

¹⁰⁹ Regulation 1383/2003, supra 4, article 3 (2): “*Where a traveller's personal baggage contains goods of a non-commercial nature within the limits of the duty-free allowance and there are no material indications to suggest the goods are part of commercial traffic, Member States shall consider such goods to be outside the scope of this Regulation*”; *Daele*, supra 67, p 216.

The concept of commercial or large scale is not defined or explained in the Regulation and therefore left for the Member States and their Customs to define and interpret.¹¹⁰ According to *Schneider and Vrins* Customs authorities will weigh different measures together and then define what a large scale is, which is then the same as a commercial one. The quantity of goods, how often the traveller crosses the borders and what kind of goods it is, are all measures to be considered in the procedure to apply the commercial scale or not. The Regulation leaves space for national law to criminalize or include travellers' personal baggage within the scope of the Regulation.¹¹¹

This issue of excluding or including traveller's personal baggage has been discussed many years due to the great damage it causes. Several proposals have been made from rights holders, who often argue for the exemption to be included in the scope of the Regulation instead of excluded. Another proposal is to let travellers abandon products when Customs has intervened. If he/she decides to abandon the goods, then the rights holder will not follow up the matter.¹¹²

3.4 Co-operation in fighting the battle – Customs procedure

The detention procedure had to change, since the increase in infringing intellectual property rights would not slow down. Rights holders in the EU are constantly injured and today it is not only the large, global companies that are suffering, but infringements are a threat to all kinds of businesses. SMEs are now also more aware of the fact that it is extremely important to protect their intellectual property rights.

Infringers are improving all the time and that put pressure on Customs to improve their recognition of infringing goods. But Customs has to rely on rights holders cooperating.

To prevent infringements, fees were abolished and the need for security lightened; simplified alternatives to juridical procedures and preventative measures were introduced, which render it possible for SMEs to protect their exclusive rights as well as for large companies. The EU Customs has to act in a harmonized way, with professional customs officers, who operate under efficient rules with attentive rights holders. The main goal for

¹¹⁰ My reflection to the not set scale between commercial/large scale trafficking or not is that it is a setback towards the goal in developing a harmonised Customs Union, when the Member States are free to define and interpret given provisions.

¹¹¹ *Schneider/Vrins*, supra 56, p 136f.

¹¹² *Ibid*, supra 56, p 137, secondary reference to the unpublished European Apparel and Textile Organisation (Euratex), *Règlement communautaire anti-contrefaçon: proposition d'amélioration formulées par la Commission*, 7 February 2003.

Customs is to fight the battle against the infringers.¹¹³ The question is whether this is done at the expense of the rule of law...

EU Customs in general

The Customs operates under the “Community Customs Code”¹¹⁴ and its implementing provisions¹¹⁵, which are the basis for the work of the Customs Union and have direct effect within the Member States. The Commission has now drawn up new strategies to simplify Customs legislation and make it easier to fight against organized crimes.¹¹⁶

The EU Customs applies a “risk management-programme”, which includes a “risk analysis” which is applied to goods that cross the border. The risk analysis is divided into three steps: “identify the risks”, “analyse the risk” and “assess and weigh the risk”.¹¹⁷ Since organised crime groups are improving their methods of avoiding border measures, the Customs has to do the same; therefore, they are forced to use new and more efficient measures. The techniques are described in words like “targeting” and “selecting” – where targeting means the building of administrative systems, for a future survey of the importers and exporters and their goods. Selecting means the actual control at the borders, with random checks.¹¹⁸

Infringing products are mainly exported from the Asian regions and especially China, which provides 60% of the consignments that Customs seizure at the external borders of EU. This type of consignment hides in the shipment of 5000 sea-containers a day and 1000 flights a week sent from China to Europe. China is now trying to stop infringers through a cooperation agreement with the EU and has changed their customs legislation so as to enable an efficient cooperation.¹¹⁹

On October 11th 2005, the Commission presented a new plan of action to combat counterfeiting and piracy, where they pointed out the importance of the legislation regulating border measures in an efficient way so as to strengthen the cooperation between Customs and rights holders. Within this action plan, an extended electronic system was introduced, to include both the risk analysis and the database concerning rights holders and their

¹¹³ Helder/van Velsen, supra 83.

¹¹⁴ Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code, OJ L 302, 19.10.1992.

¹¹⁵ Commission Regulation (EEC) No 2454/93 of 2 July 1993 laying down provisions for implementation of Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code, OJ L 253, 11.10.1993.

¹¹⁶ *Customs strategy*, Taxation and Customs Union (Customs strategy).

¹¹⁷ The risk management is further described at the taxation and Customs Union’s website: http://europa.eu.int/comm/taxation_customs/customs/customs_controls/risk_management/customs_eu/index_en.htm#Putting%20Risk

¹¹⁸ Commission initiatives, supra 44, the response through customs control techniques. See also *Risk management for Customs in the EU*, supra 119.

¹¹⁹ Kovács, L., European Commissioner in charge of Taxation and Customs Union, *Stepping up against counterfeiting and piracy*, Press conference Brussels, 8 February 2005, (Kovács), p 3.

products, e.g. their applications for action etc. The Commission also presents their wish to extend the international trade agreement - the TRIPS agreement - to allow Customs interventions on exported goods as well as goods in transit.¹²⁰

Customs and Regulation 1383/2003

Customs' authority to detain suspicious goods within Regulation 1383/2003 has expanded during the years so far as intellectual property rights are concerned. Today they have the authority to suspend goods to be released for free circulation within the Union, goods for export or re-export and goods in free zones or warehouses during transit through the Union.¹²¹

The access to control and detain suspected goods in free zones and warehouses was introduced in 1999 because it was discovered that infringers very often used these zones to transfer their infringing goods from free zone to free zone. At that time, the Customs could not do anything until the goods left the free zone or the warehouse.¹²²

Goods in transit can, without clearance from Customs, be moved and stored over internal borders, but as soon as the goods are suspected of infringing intellectual property rights, the Customs now have the right to detain the goods.

Goods in external transit i.e. from a non-Community Member State destined to another non-Community Member State, but through the Community in transit, that are suspected of infringing an intellectual property right are included within the scope of the Regulation. Stated by the ECJ in case *Polo/Lauren* and now amended in the Regulation is that rights holders today have the right apply for Customs action in external transit. Since there is a risk for these goods to be put on the internal market while passing through several of the external transits within the EU, the placing of these goods constitutes a possible infringement. In contradiction, the ECJ held in the case *Class International BV v Unilever NV and others*, that parallel imported goods (genuine goods imported without the consent from the rights holder) in external transit in the EU does not constitute a use of the rights holder's trademark. Thus, the rights holder cannot oppose the import of his right against these goods in external transit. The arguments about the risks of allowing infringing goods to pass through the EU in external transit presented in the first mentioned case concerned infringed goods not genuine goods.¹²³

¹²⁰ IP/05/1247, supra 42.

¹²¹ Daele, supra 67, p 216; Regulation 1383/2003, supra 4, 5th recital.

¹²² COM (1998) 25 final, supra 32, p 12.

¹²³ Helder/van Velsen, supra 83; Case C-383/98, *Polo/Lauren*, [2000] E.C.R I-02519; Case C-405/03 *Class International BV v Unilever NV and others*, OJ C 315, [10.12.2005]; www.bordermeasures.com.

3.4.1 The customs intervention

Intervention from Customs is undertaken in two different ways; the first type of intervention has to start through a request from the rights holder to Customs to take action at the border against suspected goods. The second is a relatively new type of intervention that is undertaken through an ex officio procedure, i.e. when Customs intervene on their own initiative. This procedure has been mentioned in passing earlier in this thesis. The two ways are to be found in the Regulation in articles 4-8 - “*Applications for action by the Customs Authorities*” and are further discussed in this chapter.

3.4.1.1 The application for action

According to Regulation 1383/2003, each Member State has to designate one competent Customs department, which will have the authority for handling applications for action in the State where the infringing goods are expected to cross the border. If the rights holder wants to lodge several applications for action, then the applicant has to apply in these countries one by one. As mentioned earlier, an application for action in a Member State requires a valid exclusive right registered in that same State. Where Community rights, such as CTMs or Community design rights, are involved filing is through a Community-wide application to one Customs department, which is then valid in all Member States.¹²⁴ In a Community application, the applicant has to provide an application translated into one of the official languages of the Community as well as into any other languages within the EU if asked for.¹²⁵

The Community application is a step towards the harmonisation of the area of protection of intellectual property rights by simplifying administration. The Community application is recommended in Regulation 1891/2004¹²⁶ – the implementing regulation for Regulation 1383/2003, the action period is also set to one year – only. This simplifies the work for the rights holder as well since he/she only has one expiry date per year covering the whole EU; the renewal is presented to the competent Customs authority where the initial application was filed.

If an electronic data interchange system exists in a state, Customs departments are now encouraging rights holders to lodge applications through this system. Otherwise, the application has to be in written form. Under Regulation 1383/2003 there is now a uniform application.

The application has to contain all information needed to identify the infringing consignment in an effective way. The mandatory information required is presented in article 5 (5), Regulation 1383/2003, and it prescribes that the rights holder has to give “(i) *an accurate and detailed*

¹²⁴ See Advocate General’s opinion, supra 87.

¹²⁵ Schneider/Vrins, supra 56, p 146.

¹²⁶ See Regulation 1891/2004, supra 54.

technical description of the goods; (ii) any specific information the right-holder may have concerning the type or pattern of fraud; (iii) the name and address of the contact person appointed by the right-holder.” If the rights holder has other useful information, for example information on the consignments such as, dates of arrival, origin, certain recognizable marks, the importer’s identity – anything that might facilitate the job of Customs - it is only optional for the rights holder to give appropriate details. In addition, the rights holder’s names and addresses are requested in each of the Member States where an application for action is lodged. If the application concerns an intellectual property right of a “highly specialised nature”¹²⁷, then the Customs is entitled to demand additional information that is more detailed.

According to article 6, a declaration of liability has to be appended to the application for action. With this declaration, the rights holder declares his/her liability, i.e. he/she will bear the costs of the suspected importer, in case the suspected goods are found not to infringe an intellectual property right or if the proceedings are not completed, due to the rights holder’s acts, omissions or negligence. The rights holder has to bear the cost caused by the application of Regulation 1383/2003, for example storing goods at Customs. With this declaration, the rights holder also agrees to bear the costs of the necessary translations, if he/she lodges applications in several Member States or applies for a single Community application. This new system is better for SMEs (due to their weaker position from an economic perspective) than the old legislation where the rights holder had to actually secure an amount of money, which would cover all possible costs. This will be further discussed in the analysis.

Before Regulation 1383/2003, the rights holder could wait months before Customs made their decision whether to accept the application for action or not. With this Regulation, Customs has to notify the rights holder within 30 days. If Customs do not notify the rights holder in writing within this set time, the rights holder has the right to initiate civil actions in court in the Member State concerned and hold the Member State liable for not notifying the rights holder in time, a breach of Regulation 1383/2003.

If Customs decide not to process the application for action, they have to notify the applicant of the cause, for example, that it does not contain all the information required. This decision can be annulled if the rights holder completes the application or chooses to appeal the decision.

If Customs does accept the application for action, the competent authority has to inform their Customs offices immediately. It then lies in the hands of the applicant to inform and provide all information and translations to other concerned customs authorities, resulting from an application applied for in several Member States. Customs also has to notify the rights holder about the application’s period of validity, which cannot exceed more than one

¹²⁷ Regulation 1383/2003, supra 4, article 5 (6). According to COM (2003) 20 final, supra 42, p 6, a highly specialised nature is, for example, plant variety rights.

year, as mentioned. The applicant has to renew the application with the same authority that dealt with it the first time. If conditions have changed, the applicant has to inform the Customs.¹²⁸ *Daele* has made some observations on the validity of the application. He believes that Regulation 1383/2003 does not indicate how many times renewals can be presented nor how long they may be. How is it supposed to be interpreted? Another opinion than *Daele*'s is further discussed in the analysis.

Statistics presented for 2004 shows an increase of 53% in the number of applications for action, over the 2003 figure. The total amount of applications filed with the customs authorities in the EU during 2002 was 1.671, in 2003 it was 1.886 and in 2004 2.888. Important to remember in this breakdown, is that a Community application for action is counted as 25 applications. These overall low figures suggest that many companies (rights holders) within EU are still not applying for action to protect their intellectual property rights.¹²⁹

The need to stop infringements of intellectual property rights has been discussed above; the problem still is to have rights holders understand the need for their cooperation and the actions needed to prevent these infringements. The problem here is to get enough information so that it is possible for Customs to find the infringing products. Are rights holders within the EU interested in revealing sufficiently detailed information about their rights and their products?¹³⁰

3.4.1.2 Ex officio procedure

Article 4 of Regulation 1383/2003 now extends the right for Customs to react ex officio i.e. take action without any initiative in the form of an application from a rights holder. As mentioned before, the 2003 statistics showed that 45% of Customs ex officio procedures are made against travellers. Now that the Regulation is applicable to almost every intellectual property right, the ex officio procedure can be used on a greater scale, which facilitates the protection of intellectual property rights especially for SMEs. Customs can also help rights holders by detecting infringing traffic linked to a product that is protected by law in any Member State. Thus, the rights holders are forced to improve the detailed information given to the customs as preparatory information.

The Customs have the right to take an ex officio initiative to suspend products if they have "sufficient grounds" to suspect infringement. The requirement of suspiciousness is now weaker; under the old regime, there had to be an "evident infringement". This, in one way favours the rights

¹²⁸ Regulation 1383/2003, supra 4, articles 5-8; COM (2003) 25 final, supra 32; IPR Helpdesk, supra 14; *Daele*, supra 67, p 217ff; *Schneider/Vrins*, supra 56, p 141-151.

¹²⁹ *Schneider/Vrins*, supra 56, p 141. Compare Germany and the Netherlands, which are both decreasing in the lodging of applications for action.

¹³⁰ *Söderlund*, supra 43, p 617; *Daele*, supra 67, p 217.

holders and the goal of decreasing infringement but on the other hand opens up the risk of detaining genuine products.

The procedure starts with Customs asking the rights holder for information that they might need to confirm there are sufficient grounds for suspecting possible infringement, and then detaining the goods. The legislator has weakened the requirements, due to the increased number of infringements and with that; the pressure has increased for Customs to use its powers. *Daele*¹³¹ claims that the liability of Customs should be lightened as well in case the importer initiates court proceedings since the decreased requirements for detention leads to the greater possibility of mistakes. But will not all result in rights holders and Customs abusing their power to detain goods, which would threaten the trade of genuine importers and exporters?

After detention, the Customs has to inform the rights holder and the importer. The suspension or detention lasts for a maximum of 3 working days from the time the importer and the rights holder has knowledge of the intervention during which he/she has to lodge an application for action; otherwise, the goods have to be released.¹³² In article 4 (2) it is prescribed that the details of the suspected and detained goods are confidential until the application for action has been granted. Only the nature of the detained goods and their approximate number has to be given when notifying the rights holder and the importer.

The ex officio procedure is very positive for SMEs, which may not even know that their intellectual property rights are being infringed. With this procedure, the Customs can help these rights holders to stop infringing products being released into the internal market and also inform them how to lodge an application.¹³³

Customs action due to the ex officio procedure was in total of EU in 2001: 37% (1852 procedures), 2002: 17% (1274 procedures), 2003: 22,2% (2293 procedures) and 2004: 19% (4132 procedures).

Both the ex officio procedure and the application for action procedure rely on the interest of rights holders in protecting their rights. Thus, the Customs need a certain level of specified information for intervention from the rights holders. Therefore, the application for action should be as specific as

¹³¹ Daele, supra 67, p 217. My reflection is that the Customs liability can not be jeopardized as long as they release the goods within 3 days from the notification towards the rights holders and the importer. This because the importer is the liable one these 3 days and thereafter if the rights holder lodges an application in the faith of an infringement, this part is liable if the goods are proven genuine. The rights holders have an opportunity to delay goods this way up to 3 days though.

¹³² See Regulation 1383/2003, supra 4, article 4.

¹³³ Daudpota, F., INTA, *Anticounterfeiting Milestones of the European Union*, INTA Special Report, Counterfeiting, September 2004; IPR Helpdesk, supra 14, p 5; Commissions Initiatives, supra 44; Daele, supra 67, p 217ff; COM (2003) 20 final, supra 42, explanatory memorandum to article 3 (2); Regulation 1383/2003, supra 4, article 4.

possible. Today it suffers from being too general, due probably to rights holders' business secrecy needs and it probably will stay the same in the future. This might result in the general application only suiting as a base of information for an ex officio procedure, if it is too non-specific to function as a proper application for action.¹³⁴

3.4.2 Seizure of the suspected goods

After the first step relating to an application is concluded, the procedure moves to the second level, where Customs are ready for an intervention regarding the suspected goods.

As soon as the Customs has detained suspected goods, they will inform the rights holders that lodged an application for action at the Customs about the “actual or estimated quantity and the actual or supposed nature of the goods”¹³⁵.

For the purpose of having suspected infringements proved after the application for action has been filed, national legislation concerning “protection of personal data, commercial and industrial secrecy and professional and administrative confidentiality”¹³⁶ is applicable. In these cases the rights holders, the authorized user or their representatives have the right to obtain information from the Customs concerning the detained goods, including details of the importer, the sender/consignee/manufacture, the origin of the products, if known etc. In the *Adidas*¹³⁷ case, suspected counterfeited goods were detained by Customs and the Adidas company requested information concerning the sender's identity and address with a view to initiating further proceedings. The Swedish Customs and legislation rejected this request. Then, after a reference from the Swedish court, the European Court of Justice held that too strict national legislation cannot block the purpose of the Regulation – to have infringements of intellectual property rights stopped. One can conclude that national legislation is applicable in that Member State where the Customs action is taken, but that the interpretation of this legislation cannot be too strict.¹³⁸

In some cases though, it is considered important to enforce the stricter rules of the national legislations, i.e. in patent cases, where the need for confidentiality is evident.¹³⁹ In article 12 in the Regulation, it is prescribed that the rights holder is only allowed to use this additional information to initiate further proceedings and if this information is abused the rights

¹³⁴ Söderlund, supra 43, p 617.

¹³⁵ Regulation 1383/2003, supra 4, article 9(2).

¹³⁶ Daele, supra 67, p 220.

¹³⁷ Case C-223/98 [1999] E.C.R. I-7081, *Adidas*.

¹³⁸ Regulation 1383/2003, supra 4, article 9; Daele, supra 67, p 220;

¹³⁹ Schneider/Vrins, supra 56, p 154, secondary reference to the unreported Belgian case: No 02/939/C, Koninklijke Philips Electronics vs, Belgian State – The confusing picture can be sorted out by a consideration of the purpose of the Regulation and its status, Community rules having direct applicability, as discussed earlier and in all cases prevailing over provisions of national legislation giving different results.

holder has to answer at civil action and a suspension of the application for action at the Customs will occur. The suspension is either timeless or temporary, depending on the rights holder's behaviour.

The rights holder, an authorized user, representative or other concerned party has the right to inspect representative samples of the detained goods and then receive samples from the suspicious consignment.¹⁴⁰ The sending of samples to rights holders is simplified today thanks to digitalized pictures. Such pictures are not used when an examination in laboratories or investigation by engineers is decisive. In these cases, it is up to the rights holder to request a physical sample. The right to have samples sent to a rights holder has caused problems and Customs were confused on the point.¹⁴¹ Exposure of information is only possible for the purpose of simplifying the procedure and is the responsibility of the rights holder.¹⁴²

The legislator required limited use of samples for the purposes of simplifying further investigations so as to protect the importer from their further use, say in court proceedings or after release.¹⁴³ *Schneider* and *Vrins* have discussed the meaning of the expression in article 9 (3) about that samples of detained goods being provided for the rights holder "strictly for the purposes of analysis and to facilitate the subsequent procedure". Does this allow the use of samples in further court proceedings? Since the fight against infringers depends on evidence of infringements, the article cannot apply only to analysis at Customs. *Schneider* and *Vrins* support their statement by referring to another issue raised by article 11 on the simplified procedure (discussed in the next chapter): the storing of samples after destruction for evidence in case of future proceedings. This benefits both the rights holder and the importer.¹⁴⁴

If the goods are found not to infringe, the rights holder must return the samples to Customs before they let the suspected goods go.¹⁴⁵

3.4.2.1 Establishment of infringement – simplified or juridical procedure?

From July 1st 2004, there are two types of procedures to be taken against detained goods suspected of infringing one or several intellectual property rights after an application for action has been filed. The goal is to give the rights holder and/or the importer an alternative to juridical procedure. The new additional procedure, called the "simplified procedure" allows the

¹⁴⁰ Regulation 1383/2003, supra 4, article 9 and 12; COM (2003) 20 final, supra 42, analysis of the main articles; Daele, supra 67, p 220.

¹⁴¹ *Schneider/Vrins*, supra 56, p 156.

¹⁴² Regulation 1383/2003, supra 4, article 9; COM (2003) 20 final, supra 42, analysis of the main articles, article 9; Daele, supra 67, p 220.

¹⁴³ COM (2003) 20 final, supra 42; Daele, supra 67, p 220.

¹⁴⁴ *Schneider/Vrins*, supra 56, p 157.

¹⁴⁵ Daele, supra 67, p 221.

rights holders to decree an immediate destruction of the infringing goods, without a juridical statement of infringement, which will be in line with the law of the Member State where the seizure took place. These two different ways of protecting intellectual property rights of the European Union are further discussed in this chapter.¹⁴⁶

Whether the Customs have detained goods suspected of infringing an intellectual property rights ex officio or on demand from the rights holder, it is then always up to the rights holder to decide if he wants to initiate proceedings – simplified or juridical. The existence of the choice presupposed that the simplified procedure has been implemented in that Member State's national legislation and that the other party has not objected to the procedure.

If the simplified procedure is not applicable, the juridical procedure is always used if the rights holder requests it and the matter settled by the national legislation of that Member State where the goods have been detained. As mentioned, the Member States are now allowed by Regulation 1383/2003 to introduce the simplified procedure into national Customs legislation. As this procedure is optional; it is not directly applicable as are the rest of the articles, and the procedure does not exist in all Member States. The simplified procedure was primarily introduced as a quicker and cheaper alternative to the juridical procedure. The fast destruction of infringing goods also facilitates the problem of storing suspected goods, which Customs are suffering from (especially regarding goods in transit): it thus decreases costs and facilitates the administrative burden on the courts. Many easily solved cases thus end up not having to go through the long court proceedings.

If an application for action has been lodged, the rights holder has to make the decision whether he wants to initiate further procedures, simplified or juridical and inform the Customs in writing within 10 working days (or 3 working days if the goods are perishable, such as foodstuffs) after he has been informed of the detention. The information given by the Customs should consist of the quantity and nature of the goods and the identity of importer the goods, if known.¹⁴⁷ This short time is for the benefit of the importer, because of the costs to him, due to a detention. There is often not the same problem in deciding whether to take further proceedings, when the infringement concerns either trademarks or copyrights, because they are visual or auditory. Problems arise when it comes to more complex intellectual property rights, such as patent rights, and it is difficult for a

¹⁴⁶ COM (2003) 20 final, supra 42, analysis of the main articles, article 11.

¹⁴⁷ This information was not allowed for in Regulation 3295/94, but now constitutes a prerequisite for the existence of the simplified procedure, since it is based on agreement between the rights holder and the suspected holder of the goods. The rights holder constitutes the target for civil liability in the Member State where the action has been taken, if he uses the information about the suspected goods and its owner for other purposes than the simplified or juridical procedure. If an abuse concerns the rights holder of a Community right, Customs in that Member State is obligated to inform the other 24 Customs authorities within the EU. (Regulation 1383/2003, supra 4, article 12)

rights holder in a maximum of 10 days to inspect the suspected product and then decide what to do. Hence, the new procedure is positive for the rights holders since, if the importer gives an active or passive consent or abandons the goods, destruction happens immediately. But, is this within the rule of law?

If the rights holder has informed the Customs within the given time period that he will initiate court proceedings to settle a possible infringement, the importer of goods involving patent rights or design rights (trademarks excluded) has the right to have the goods released, according to article 14 in the Regulation, unless any precautionary measures has been authorised or if Customs is not satisfied or finished with the papers and other formalities needed. This possibility is provided for on account of the cost of detention and further investigation. In patent and design right cases it is often more difficult whether there is infringement or not.¹⁴⁸ The importer must provide Customs with a security that is sufficient to cover the possible costs for the rights holder. If someone other than the rights holder initiates further proceedings against the importer with a view to having an infringement found, but cannot prove his right within a period of 20 (sometimes extended to 30) working days after this person was notified about the detention, the security is released.

The simplified procedure is the most important amendment to Regulation 1383/2003 and facilitates action taken regarding smaller consignments or goods where the importer, the consignee or the declarant is unknown.¹⁴⁹ The simplified procedure also, for the first time, allows a procedure where the parties on both sides can cooperate actively or passively without initiating court proceedings. The 10 days period can be extended if the importer or declarant needs extra time to consider and reach other people involved or to settle.

The responsibilities for the simplified procedure rest strictly on the rights holder who has the goods destroyed. The rights holder has to be reminded of the uncertainty it leads to, in case the importer later initiates court proceedings to settle whether the goods were genuine. When goods are destroyed, the Customs has to save samples for future possible use in case of further investigation of any kind. In case of a verdict in favour of the importer, he/she is entitled to compensation for the loss of goods, this to be computed according to the national law of the Member State where the action has been taken (which might give rise to differing solutions in

¹⁴⁸ Regulation 1383/2003, supra 4, article 14 excludes trademarks, as it is easy detect an infringement. This is not the same with, for example the complex technology of a patent or a shape of a design right. If the shape is not attached to a trademark, it is sometimes difficult to detect.

¹⁴⁹ Regulation 1383/2003, supra 4, article 11-13; COM (2003) 20 final, supra 42, analysis of the main articles; Daele, supra 67, p 221f; Schneider/Vrins, supra 56, p 168; Grondman, M. and Mutsaerts, F. (Banning Advocaten), /Noordzij, C. and Maks, M., (Elzas Noordzij Trademark Attorneys), "The Netherlands", *Enforcement of Intellectual Property Rights through Border Measures Law and Practice*, chapter 21, edited by Schneider, M. and Vrins, O., Oxford University Press, p 1217.

different countries).¹⁵⁰ One must then ask how effective the new procedure is and how costly to the rights holders, if they later on might have to bear the costs of a process in court and - if the verdict holds there was no infringement – the costs of the now genuine products?

In cases where the rights holder does not initiate further proceeding for, the goods are released into the free circulation, and the rights holder has thus given his indirect consent to entry through the external borders.¹⁵¹ The period of detention has to be limited so as to prevent any possible abuse by the rights holders, who may try to detain goods of all kind, whether infringing, or legitimately imported or parallel imported.¹⁵²

¹⁵⁰ Schneider/Vrins, supra 56, p 160f; Daele, supra 67, p 221f.

¹⁵¹ Regulation 1383/2003, supra 4, article 11 (2) and 13.

¹⁵² COM (2003) 20 final, supra 42, analysis of the main articles, article 13.

4 The More Protectionist vs. The Pro-Active

The next part of this thesis is constituted by a comparison of the relevant national laws of Germany and the Netherlands. It aims to investigate the implementation and application of Regulation 1383/2003; and see how Germany and Netherlands responded to the new border measures and whether they differ in any key respect from each other.

Germany is an interesting Member State to examine, due to its reputation for being the most protectionist jurisdiction in Europe.¹⁵³ In the Netherlands, on the other hand, the Dutch Customs are known for being very pro-active in their way of working, e.g. they actively keep Customs' actions fast and effective as well as ensuring that their officers are well informed.¹⁵⁴ Both countries have a tradition of a large flow of infringing products across their borders by sea and air. Germany was the eastern border of the EU (before the 2004 enlargement) while the Netherlands, with its geographic position, acts as a perfect conduit to the rest of Europe.¹⁵⁵

Important to remember, as discussed earlier, is that the Regulation has direct effect in the Member States, though there are a few exceptions, for example concerning Article 11 on the simplified procedure.

4.1 Germany

So far as border detention are concerned, the German Customs has its busiest offices at Frankfurt Airport and the port of Hamburg. Both are among the largest locations handling freight and consignments of goods of all types in Europe.¹⁵⁶

Comparing Community and German national provisions within the area covered by Regulation 1383/2003, the German provisions cover a wider area than does the Community Regulation. The German national legislation includes for example “parallel import, infringements of utility models and unregistered trademarks”, etc.¹⁵⁷

¹⁵³ *Unfair practices, German style*, IP-Kat, Jeremy 2.40 am.

http://ipkitten.blogspot.com/2003_08_01_ipkitten_archive.html

¹⁵⁴ Grondman/Mutsaerts/Maks/Noordzij, supra 149, p 1204; Schneider, M., Gevers & Partners, *Anticounterfeiting and Customs practices in the Benelux countries*, INTA Anticounterfeiting, April 2003 (Schneider).

¹⁵⁵ Linklaters Oppenhoff & Rädler, *EU Enlargement*, March 2004, p 4 (EU Enlargement); Grondman/Mutsaerts/Noordzij/Maks, supra 149, p 1225; Mr Sannes in interview, supra 57.

¹⁵⁶ Koerber, S., Weber & Sauberschwarz, “Germany”, *Enforcement of Intellectual Property Rights through Border Measures Law and Practice*, chapter 12, edited by Schneider, M. and Vrins, O., Oxford University Press, p 746 (Koerber).

¹⁵⁷ Koerber, supra 156, p 729.

Concerning parallel imports, the question to ask is how the German legislator motivates it, when the author of Regulation 1383/2003 did not believe that parallel import should be covered by these rules. Parallel importations are not infringing intellectual property rights, and therefore do not need any protection of this type. The TRIPS agreement, which is the most important and extensive agreement concerning amongst other matters, infringement of intellectual property rights do accept the exhaustion principle concerning consumption (parallel imports), in its article 6¹⁵⁸. Germany's position is explained by the great harm that parallel-imported goods causes.¹⁵⁹ The problem for German rights holders appears when parallel imported goods pass the Dutch borders, where they are not covered by national provisions either and are then free to circulate within the whole EU, including Germany.¹⁶⁰

Schneider and *Vrins* have earlier discussed the uncertainty of the interpretation of article 3(1) in the Regulation, concerning products manufactured by a licensee, but not according to agreement. In Germany, the Customs has the right to detain "overruns", where the breach of agreement is obvious and free of doubt. Here, the rights holder must give Customs the fullest; most specific details (numbers of expected products and from which country) as well as contact information.¹⁶¹ The negative side of this is the possible breach of any secrecy clause in the relevant agreement. According to German Customs, such details are not revealed to the public, which are held in official hands by Customs information systems and can be regarded as safe.¹⁶²

The 2004 statistics TAXUD presented concerning Germany show an interesting development of the EU border measures. During 2004 cases under Regulation 3295/94 were divided into; trademarks 95%, patents 3%, copyrights and related rights 2%. The number of German procedures increased by 168% between 2003 and 2004, e.g. 2003 – 2587 and 2004 – 6810, and the increase in the number of intercepted articles during the same period was only 8%. Statistics also show that the German Customs intervene mainly on the basis of an application for action (98% in 2004). German Customs interceptions involved commercial traffic in 86% of cases and passenger traffic in 12%. (The last 2% is not detailed.)¹⁶³

¹⁵⁸ Nordell, Per Jonas, *Traktatsamling i immaterialrätt*, p 15; Lidgard, supra 23, p 135f.

¹⁵⁹ Koerber, supra 156, p 737f.

¹⁶⁰ Mr Sannes in interview, supra 57.

¹⁶¹ Patentsgesetz, § 15, § 142 a

<http://bundesrecht.juris.de/patg/BJNR201170936BJNE016701307.html>

; Markengesetz, § 30, § 146

<http://bundesrecht.juris.de/markeng/BJNR308210994BJNE016601301.html>

¹⁶² Mr Koller in interview, supra 93.

¹⁶³ TAXUD, supra 42, statistics from 2004.

4.1.1 Infringements

In general the application for action we have been considering are filed either according to national provisions, which are here functioning by virtue of the direct effect of Regulation 1383/2003, or by an application concerning a Community right. The German national applications give greater possibilities for action, as mentioned earlier.

The German provisions regarding action by Customs at its external borders cover both registered and non-registered trademarks (mark), as long as they are recognized in commercial circumstances as similar to what is considered as a registered trademark. According to the German Trade Mark Law, infringement of a trademark constitutes using another registered or non-registered mark unlawfully in a commercial way. The definition of marks includes company symbols and titles, according to article 6bis in the Paris Convention for the Protection of Intellectual Property.¹⁶⁴

According to the German Design Law, a product does not infringe a design right, when it is new and original in its design as compared to other already existing design rights.¹⁶⁵

The German Patent Act¹⁶⁶ divides patents into product patents and process patents. If a process is protected by a patent, no one is allowed to infringe this process; neither infringing the product that is manufactured by the process without the consent of the rights holder, i.e. contributory infringement. In addition, it is prohibited to supply or offer essential parts of a protected innovation, when it is obvious that the suspected infringer is aware of the patent, and that he intends to infringe it.¹⁶⁷

Utility models (also called small patents) are also within the national German provisions concerning border detention. These are available for the exact same type of inventions as are patents, except there is no protection for methods. A utility model is often used when the inventor wishes to introduce the innovation quickly or if the product lifetime is unlikely to last longer than 10 years, which is the maximum time for a registration for a utility model. Before a registration can be granted, the model has to be proven to be an innovation as well as industrially applicable. Other requirements set for the registration of patents are not required for utility

¹⁶⁴ Koerber, supra 156, p 729-732; Markengesetz § 4 and §14, <http://bundesrecht.juris.de/markeng/index.html> or http://www.jpo.go.jp/shiryuu_e/s_sonota_e/aippi_e/germany/tl/chap2.htm; Paris Convention for the Protection of Industrial Property http://www.wipo.int/treaties/en/ip/paris/trtdocs_wo020.html

¹⁶⁵ German Design Law, sec. 1 (2), http://www.jpo.go.jp/shiryuu_e/s_sonota_e/aippi_e/germany/da/chap1.htm

¹⁶⁶ Patentgesetz: <http://bundesrecht.juris.de/patg/index.html> or <http://www.ip-firm.de/patentact.pdf>; Wiegeleben, P., Uexküll & Stolberg, *Germany: Avoiding contributory infringement*, Managing Intellectual Property, briefings, June 2003 (Wiegeleben).

¹⁶⁷ Patentgesetz, supra 166, § 9-10.

models.¹⁶⁸ Due to the lack of any examination and the generally lower requirements for registration, the right to enforce a utility model is not granted when the validity is tested in an official novelty search, (to investigate if the right is exclusive), if the rights holder is lodging an application for action, to detain goods suspected of infringing his right. Thus, the right is not definite.¹⁶⁹ A third party always has the possibility of proving lack of novelty and subsequently the utility model can be invalidated by a court. To register a strong exclusive right as a utility model, it is important for the rights holder to examine the novelty of the innovation before registration, to be sure of the capacity to act in court and at the borders.¹⁷⁰

4.1.2 Rights holder and suspected infringer

The German national provisions concerning rights holders are applied in the same way as article 2(2)(a) in Regulation 1383/2003 prescribes. An authorized user is anyone that the rights holder has an agreement with, and whom he allows to use his exclusive right. As mentioned before, this agreement can be either exclusive or non-exclusive. According to the German legislation, it is not mandatory to register the licensee in the intellectual property right register, for him/her to be able to fight against infringers and lodge applications for actions.¹⁷¹ However, the authorized user has to have the written consent of the rights holder;¹⁷² often the rights holder steps in and pleads the case instead of the licensee.¹⁷³

4.1.3 The German procedure

German Customs detains goods ex officio according to the article 4 in Regulation 1383/2003, if it has sufficient grounds. In Germany sufficient grounds for detention of goods could be that goods arrives in the same shipment as contains several other suspected goods¹⁷⁴ or that the importer cannot show any proof of any trade agreement with the rights holder after the importer has been informed of the detention.¹⁷⁵

When an application for action is lodged and the German Customs do not accept it, the applicant has the right to appeal. He/she also has the possibility of going to the finance courts, if the Customs authorities will not change

¹⁶⁸ Suchantke, J., *Germany: Utility models – a route to speedy enforcement*, Managing Intellectual Property, briefings, March 1999 (Suchantke).

¹⁶⁹ Ibid, supra 168.

¹⁷⁰ <http://www.prh.fi/en/hyodyllisyysmallit/hakeminen/mitatoiminen.html>;
<http://www.prh.fi/en/hyodyllisyysmallit/hakeminen/uutuudentutkiminen.html>

¹⁷¹ Koerber, supra 156, p 740.

¹⁷² Koerber, supra 156, p 740; Fischer, G., Zentralstelle Gewerblicher Rechtsschutz, Germany, in interview the 13 January 2006 (Fischer).

¹⁷³ Mr Koller in interview, supra 93.

¹⁷⁴ Koerber, supra 156, p 739; secondary reference to Hoffmeister K and Harte-Bavendamm H – EG-Produktpiraterie-Verordnung – in Harte-Bavendamm H – Handbuch der Markenpiraterie in Europa (1st edn, 2000), §5, para 209 (Koerber); Mr Koller in interview, supra 93.

¹⁷⁵ Mr Koller, supra 93, in interview; Fischer, supra 172, in interview.

their primary decision. The finance courts often do not accept appeals, unless the present case would of important significance or possibly set a precedent.¹⁷⁶

Article 11 in Regulation 1383/2003 is in fact based on the German model and has been applied in Germany for several years.¹⁷⁷ This needs to be remembered as the simplified procedure does not have direct effect and needs implementation into the national law to be applicable. Germany has not yet implemented the procedure, but does use it pursuant to their provisions.¹⁷⁸ According to the Regulation, the Customs has the right to destroy detained goods if the rights holder gives his consent in written form together with consents from every authorized user, if the user does not contact the rights holder – their passive consent is given, thus avoiding future proceedings. According to the German provisions though, there is no need for consent from the rights holders and his users. If there is no objection, the goods then belong to the State of Germany; a confiscation concludes the case and the infringement is determined by the Customs. The German legislator believes that the German provisions will not prevail and that they will implement the simplified procedure in the near future and then act according to the Community provisions.¹⁷⁹

A preliminary injunction, a pre-measure to a juridical settlement is possible in Germany. Within 10 working days of the detention, civil proceedings start (if the rights holder requests) with this if the requirements, namely, validity of exclusive right and urgent need for an immediate injunction, are fulfilled. After that, the German Code of civil procedure offers a main hearing or a fair trial where the facts in the case are assessed. The rights holder can seek a preliminary injunction from the court in just a couple of days.¹⁸⁰ It encompasses the immediate injunction order and grants the possibility of the rights holder getting back his administrative costs.¹⁸¹ A preliminary injunction stops a suspected infringer from having his goods released from detention subject always to security in the form of money or bank guarantee, if the detention concerns either a patent right or design rights (not trademarks), all according to article 14 in the Regulation.¹⁸²

To get the injunction, the rights holder has to provide sufficient evidence that he is the lawful holder of the exclusive right in question and that his right is infringed “beyond reasonable doubt” or that the infringement is

¹⁷⁶ Koerber, , supra 156, p 744.

¹⁷⁷ Ibid, supra 156, p 760.

¹⁷⁸ Fischer in interview, supra 172.

¹⁷⁹ Koerber, supra 156, p 747ff and 760.

¹⁸⁰ Ibid, supra 156, p 752; Hendrick, P., Berghuis van Woortman, B. and Flynn, J., Freshfield Bruckhaus Deringer, *Dealing with cross-border litigation*, supplement, Patent Focus (Managing Intellectual Property) 2005 (Hendrick/Berghuis van Woortman/Flynn).

¹⁸¹ Klitzsch, G. and Stockmair, W., *The protection of Technical Innovations and Designs in Germany, Obtainment, Exploitation, Enforcement*, 2nd edition, p 120 (Klitzsch/Stockmair).

¹⁸² Koerber, supra 156, p 752; Hendrick/Berghuis van Woortman/Flynn, supra 180.

obvious, e.g. in cases where the infringement is visual.¹⁸³ Another requirement is that the rights holder has to prove urgency i.e. that a continuing infringement would cause the rights holder unrestorable damage¹⁸⁴ that cannot wait until a main hearing. The requirement of urgency and the damage that might be caused is assessed by the court from the perspective of both parties.¹⁸⁵ The evidence is based on easily available documents, samples etc. At this stage, witnesses are often not involved.¹⁸⁶

In clear cases, the issue is often settled without a full hearing, but if the suspected infringer requests it, he has the right to one. The suspected infringer also has the right to declare a pre-action defence against the upcoming claim for an injunction from the rights holder. The defence should be filed at the court where the demand for a preliminary injunction is to be judged. A pre-action defence is an instrument commonly used by suspected infringers, and can lead interest the court to settle the case in its hearing or even provide it with enough doubts to reject the claim.

An expert's opinion is often decisive but the court cannot provide the parties with an expert's opinion and judgement (as is often allowed in main proceedings) and will settle the issue by relying on the judgement of the applicant's expert only. In such cases the German courts are careful in their assessment (especially when the matter concerns complex technology), and in fact consider the perspective of both parties.¹⁸⁷

The infringement has to be proven "beyond reasonable doubt", as mentioned before or it has at least to be "made believable" to the court.¹⁸⁸ Moreover, despite the lower requirements of proof than in a full trial, the rights holder has to provide the court with an affidavit as well as with all useful documents, certified or not.

Often the infringer accepts the preliminary injunction, which is always temporary, and waits for full trial to state his or her view. In case the "infringer" accepts the preliminary injunction as the final settlement between the parties, the case is closed and the goods are destroyed or handed over to the rights holder for further investigation.¹⁸⁹ If the suspected infringer does not accept the injunction, he has the right to appeal to the upper regional court, which functions in this matter as a second and final hearing: a third instance is not available here. The preliminary injunction is

¹⁸³ Hendrick/Berghuis van Woortman/Flynn, supra 180; Ahrens, S., Clark, D. and Parker, L., Lovells *Cross-border protection of intellectual property rights*, PLC reference:2-102-6606, 29 January 2004. <http://crossborder.practicallaw.com/2-102-6606?tab=5&jurisFilter=>

¹⁸⁴ Klitzsch/Stockmair, supra 181, p 120.

¹⁸⁵ Klink, J., *Cherry Picking in Cross-Border Patent Infringement Actions*, E.I.P.R issue 11, 2004, p 497 (Klink). The German Civil Procedure Rules, the Zivilprozeßordnung (ZPO).

¹⁸⁶ Klitzsch/Stockmair, supra 181, p 120.

¹⁸⁷ Klink, supra 185, p 497. Compare expert's opinion in preliminary injunction cases to main proceedings, Klink, supra 185, p 502.

¹⁸⁸ Klitzsch/Stockmair, supra 185, p 120.

¹⁸⁹ Koerber, supra 156, p 752; Hendrick/Berghuis van Woortman/Flynn, supra 180.

further discussed in the analysis in a comparison to the instrument border detention.

Finally, despite the fact that trademark cases often involve design rights as well¹⁹⁰, and the Customs are used to and prefer the rules governing trademarks, an odd feature is that during 2004, Germany did not present any cases of design rights. Patent cases hardly exist too, whether due to the difficulties in detecting them or the fact that there are less infringements and less damage done than with trademarks. This is not supported by the surprising figures that Italy presents – 100% patent cases. The numbers of intercepted products has not grown that much, but the figures do show that rights holders have increased their activity, probably due to increased knowledge of the possibilities open to them.¹⁹¹

4.2 Netherlands

Due to the position of the Netherlands, faces enormous volumes of products enter the country every day for example at the Schiphol international airport and the port of Rotterdam. This huge problem forces Customs (indirect through the Dutch enforcement agency) to concentrate on large consignments and they do not directly operate against small-scale trafficking, as long as it does not jeopardize peoples' health. It follows that rights holders are often left to solve suspected infringement directly in civil courts.

If it proves to be too difficult to hinder large scale infringement through civil action, the public prosecution service may institute criminal proceedings.

The Dutch Customs' pro-active work is claimed to be the solution to the infringement problem at the borders of the Netherlands.¹⁹² The aim is fast action and detention of suspicious goods. The Dutch Customs traditionally detain goods as soon as they are suspected of infringing an exclusive right, or the intellectual property right is not registered at the Customs.¹⁹³ This type of ex officio action taken by the Customs in the Netherlands encourages rights holders to start protecting their rights. Dutch Customs has extremely good knowledge of rights holders' products and their intellectual property rights as well as distribution channels to, from and through the EU. The Customs of Netherlands are well informed by rights holders and are therefore very efficient.¹⁹⁴

¹⁹⁰ TAXUD, supra 42, statistics from 2004, the total trend of the use of legislation concerning design infringement in EU was 2%.

¹⁹¹ Ibid, supra 42, 2004.

¹⁹² Grondman/Mutsaerts/Noordzij/Maks, supra 149, p 1204 and 1225; Mr Sannes in interview, supra 57.

¹⁹³ Schneider, supra 154.

¹⁹⁴ Grondman/Mutsaerts/Noordzij/Maks, supra 149, p 1195.

Between 2003 and 2004, the numbers of procedure increased by 98%, and the number of articles intercepted by 174%. On a percentage basis, TAXUD estimated that the breakdown in 2004 was; 45% trademarks, 1% patents and supplementary protection certificates (copyrights and related rights constituted 54%). Of this number 92% was imported goods, 5% goods through Netherlands in transit and 3% re-imported. 40% of this traffic was related to commercial trade and 60% to passenger trade. The number of applications between 2002 and 2004 decreased 49% - 2004 saw 24% applications for action and 76% ex officio procedures.¹⁹⁵ Statistics show that almost all Member States are more likely to take action on the basis of an application for action: see for example Belgium and Luxembourg. This makes them reactive. In contrast to this, Netherlands tend more to take advantage of the right they have to detain goods ex officio – as clearly indicated by the statistics presented above.¹⁹⁶

4.2.1 Infringements

The Dutch legislation concerning trademarks is based on a uniform framework for the Benelux countries, called “the Uniform Benelux Law on Marks”¹⁹⁷. According to these rules, it is sufficient for the Dutch Customs to detain goods that they suspect of infringing an intellectual property right that has either “visual, auditory or conceptual” similarity to another trademark. The Dutch rules are therefore seen as broader than article 2(1)(a)(i) in Regulation 1383/2003, which requires that a suspicious product be “identical in respect of the same type of goods” as another trademark. The Dutch rule legitimates detention, if the Customs find the goods merely similar to another trademark. This proves that it is more likely for a importer to have imported goods detained by the Dutch Customs. The broad rule even allows rights holders to abuse these rules.¹⁹⁸

In the same way as for trademarks, the requisites for an infringed design right are that it be registered in the Benelux register, and a non-authentic product has to have “the same or a similar appearance” as the authentic one. Compare this with Regulation 1383/2003, which prescribes in article 2(1) (b) that pirated goods are copies of design rights that are provided without the consent of the holder of the right. According to the broad Dutch interpretation of this article, the original product does not have to be exactly copied for a detention to result; it is enough if the distribution channels are dubious, especially if these products have their origin in China or Taiwan, or if incoming goods are too cheap. The Customs of the Netherlands are well informed and therefore they take no risks.¹⁹⁹

¹⁹⁵ TAXUD, supra 42, statistics from 2004.

¹⁹⁶ Schneider, supra 154.

¹⁹⁷ NE014EN, Marks (Benelux), Conversion Law, consolidation, 19/03/1962 (02/12/1992) http://www.wipo.int/clea/docs_new/en/nl/nl014en.html

¹⁹⁸ Grondman/Mutsaerts/Noordzij/Maks., supra 149, p 1195f.

¹⁹⁹ Ibid, supra 149, p 1198ff.

According to TAXUD, the Netherlands Customs acted under Regulation 3295/94, against goods suspected of infringing patents 2004, only 1% of the time.²⁰⁰ This may be explained by the fact that Dutch Customs does not detain these types of goods ex officio, because they find themselves incapable of assessing complex technical innovations - inside a DVD player, say - without technical expertise. Therefore, they have to rely on the very specific information in an application for action provided by the rights holders. Within the application for action, the Dutch and the German Customs requires from the rights holder the name and number of a technical expert that is capable of assessing the detained goods.²⁰¹ A technical expert is not required within article 5 in Regulation 1383/2003, even though the harmonised applications ask for it.²⁰² It should be remembered that large-scale consignments that infringe patents, often infringe other intellectual property rights as well.²⁰³

4.2.2 Rights holder and suspected infringer

Rights holders today are more aware of the fact that all types of businesses are targets for infringers. They now provide Customs with updates of their new collections – from new covers to mobile phones - in addition to detailed information in the application for action about their products. This helps Customs and gives them well-informed Customs officers, who can be trusted due to their significant knowledge within the area of intellectual property rights and their products.²⁰⁴

The definition of a rights holder in article 2(2)(b) in Regulation 1383/2003, “*any person authorized to use any of the intellectual property rights*” - is interpreted broadly by the Dutch Customs so as to encompass all contracts which ultimately stemming from the rights holder. An authorized user can be, for example, a licensee, a distributor or an agent. Dutch legislation does not obligate the rights holder to register such authorization in the intellectual property register. The authorized user has to provide Customs with an original contract, where it is clearly shown that he has the right to use the intellectual property right. If the contract or authorization is not registered, the authorized user cannot use it against an importer, except in those cases where the rights holder has explicitly authorised this kind of use.²⁰⁵ Customs also likes to have a list of the rights holder’s licensees, which needs to be provided by the rights holder to help the Customs.²⁰⁶

²⁰⁰ TAXUD, supra 42, statistics from 2004.

²⁰¹ Mr Sannes in interview, supra 57; Grondman/Mutsaerts/Noordzij/Maks, supra 149, p 1200; Fischer in interview, supra 172.

²⁰² Regulation 1383/2003, supra 4, article 5. See the linked applications in the appendix.

²⁰³ Mr Sannes in interview, supra 57.

²⁰⁴ Grondman/Mutsaerts/Noordzij/Maks, supra 149, p 1205ff.

²⁰⁵ Ibid, supra 149, p 1205ff.

²⁰⁶ Mr Sannes in interview, supra 57.

4.2.3 The Dutch procedure

The Regulation 1383/2003 prescribes that the rights holder has to append his liability to the application for action. When the rights holder has given his authorisation to a user of the intellectual property rights or a representative to lodge the application, the question arises who bears the liability – the rights holder, the authorised user or the representative? Article 6 in Regulation 1383/2003 is not clear on this. The Dutch Customs will therefore accept a declaration of liability from any of the parties, since the authorized user or representative may not have the capacity to bear the liability in case of future costs to pay.²⁰⁷

Every month, the Dutch Customs compiles a 10 top list of the main products, which have suffered from design infringement together with detailed information about rights holders and their products as well as the trends in the field, which makes it easier to identify goods likely to be infringed and ultimately to detain suspect goods.²⁰⁸ A group of Customs officers will be specially trained by the rights holders to assist in matters concerning actions taken by Customs, whether ex officio or not. As an exception to this, Dutch Customs, as mentioned before, refrains from intervening in cases when a product including a patent is questioned, due to lack of technical expertise. In these cases, the rights holders have to lodge applications for action to have the Customs intervene.²⁰⁹

Before intervening, the Customs officer at the border assesses the suspect goods in a risk analysis, using a checklist. The Customs assess the origin of the goods, the quality, etc. A Dutch detention is always based on a second opinion; first comes the Customs officer and then the Customs specialist at the central intellectual property rights department.²¹⁰ The Dutch Customs authority always has to obtain the opinion of the Dutch enforcement agency as well, to find out if this consignment or importer is under investigation because, for example, the product is harmful or could cause other problems.²¹¹ If the Customs has problems in evaluating goods, they contact the rights holder to find out his opinion on such matters: according to Regulation 1383/2003, these grounds are also sufficient for detaining goods.²¹²

The Dutch provisions concerning “protection of personal data, commercial and industrial secrecy and professional and administrative confidentiality” in article 9(3) (and in article 4(2) in Regulation 1383/2003), have not so far caused any problems, in contrast to the Swedish situation. (*Adidas case*).²¹³

²⁰⁷ Grondman/Mutsaerts/Noordzij/Maks, supra 149, p 1208.

²⁰⁸ Ibid, supra 149, p 1198ff.

²⁰⁹ Ibid, supra 149, p 1204.

²¹⁰ Ibid, supra 149, p 1205ff; Mr Sannes in interview, supra 57.

²¹¹ Mr Sannes in interview, supra 57.

²¹² Grondman/Mutsaerts/Noordzij/Maks, supra 149, p 1205ff; Mr Sannes in interview, supra 57.

²¹³ Grondman/Mutsaerts/Noordzij/Maks, supra 149, p 1213. The Adidas case is further discussed in chapter 3.4.2.

The Dutch Customs still show their pro-active stance by acting mainly under the *ex officio* procedure. During 2004, the same year as Regulation 1383/2003 came into force, the Dutch Customs as mentioned earlier intercepted 174% more articles than the year before, mostly on passengers travelling into the Netherlands. Due to this, an increase in the number of procedures by almost 100%.²¹⁴

4.3 Summary

To compare the above-discussed Member States, both Germany and the Netherlands possess a great tradition of and expertise in cooperating with rights holders and recognizing infringing products. They have both suffered from infringements for a long time, due to their geographical position in Europe and have thus gradually been forced to act in a more pro-active way. This has forced them in different positions, Germany with a broader scope of possible products to hinder at the border, thus the name – the greatest protectionist jurisdiction. Germany adhered to the simplified procedure, which has now been introduced into the new Regulation. The preliminary injunction is also a common method linked to the juridical procedure, which all Member States now apply. The pro-active Netherlands, on the other hand, bases its work against infringers on a constantly widening interpretation of the legislation of the parties involved and held liable. The Dutch Customs also frequently exercise the *ex officio* procedure, which is possible due to a constant update of trends and distribution channels by way of information from rights holders. Their extended intranet also helps Customs update the descriptions of rights holders and their goods.

Together these Member States constitute excellent examples of how see the possibilities and how to stop infringements of intellectual property rights.

A negative side, though, to the Dutch Customs pro-active work is that it does not facilitate the possibilities for taking action by SMEs. The enforcement possibility for small-scale infringement is left to the courts and the small rights holder, due to the Customs primary concern with large-scale infringements. However, the Netherlands is suffering on account of this and will have to start applying the simplified procedure to small cases as well.

From an importer's point of view, all this results in their goods being constantly subject to detention as a result of the extended national interpretation of the Regulation. This also put the rules of competition at risk, since it might enable, or at least facilitate, rights holders controlling the inflow of goods into the EU. This is especially so in Germany, where parallel imported goods, as well as "overruns" are encompassed in the national provisions under Regulation 1383/2003. Neither parallel import nor overruns are included within the scope of the Dutch border measure

²¹⁴ TAXUD, *supra* 42, statistics from 2004.

provisions, as this is not considered reasonable by the Customs of the Netherlands, above all because of the problem of distinguishing these genuine products from infringing ones²¹⁵.

²¹⁵ Grondman/Mutsaerts/Noordzij/Maks, *supra* 149, p 1203.

5 Analysis

The alarming numbers of infringements of intellectual property rights in the EU engenders enormous damage to rights holders, and is especially harmful to small and medium sized enterprises (SMEs), as well as to the whole economy of the EU. Consumers are also exposed to dangerous products, with no redress. These consequences forced the European Commission to act and one possible solution was to control the flow of goods crossing the external borders of EU - Regulation 1383/2003 was thus created on July 1st 2004 with direct effect throughout the whole Community. It thus came into force at an appropriate time, just after the enlargement of the EU.

But is the new Regulation an efficient instrument for preventing infringing products from entering the EU and what effect does it have on the rule of law?

The business of manufacturing and supplying infringing products would not exist if there was no demand from consumers around the world, whether or not aware of the consequences or that they indirectly support organised crimes groups, employment of children and that they risk their own and others lives. Buyers' behaviour has changed from demanding expensive products with famous trademarks only, to demand all kinds of not genuine products to for example foodstuff. Due to this, it is important to change consumers' attitudes so that they do not demand these kinds of products, and not support these markets.

The Regulation is an attempt to help rights holders enforce their rights in an easier, less costly but faster way. But if it is efficient for rights holders to be able to enforce their exclusive rights with detention ex parte, is it fair for importers with genuine goods and how does it affect the rule of law?

To be detained or not

Regulation 1383/2003 lays down measures to be taken against infringements of intellectual property rights and are therefore not applicable to genuine products, which do not infringe such rights. So if importers are expecting products that are not infringing, they should not be affected.

The interpretation of the articles concerning infringement of trademarks, (counterfeiting) has not given rise to any difficulties, there is rather frequent use of these rules as opposed to the rules concerning infringement of design rights (piracy). This has been shown by statistics presented by TAXUD and is explained by the large scale nature of trademark infringement. It is of importance to remember that it is always easier to detect counterfeited goods because the infringement is visible, for example; "ADIDAS" or "ADIDAC" are used. The case is unfortunately not always so easy, for example, what if the suspected infringement were "ADISOC". Is this infringement or not? Design rights are often infringed in counterfeit cases as

well, but the rules of counterfeit seem to be preferred. Thus, there must be instances of infringement of design rights hidden under instances of infringement of trademarks.

When discussing infringements of design rights, the question arises - what is the real meaning of “copy” which is defined in the Regulation as the product which is marred by infringement of a design right? Due to the lack of more precise definition, Customs officers in each separate Member State are obliged to establish a template for interpretation. The important issue here is to harmonize interpretations, which must be the same as the one the courts are creating. At the present stage, the rule of law can be jeopardized and the chances for harmonisation of the word as between the Member States, reduced, which endangers the whole purpose of the Regulation – harmonise to be more efficient.

Patents became subject to the 1999 Regulation on border detention of goods suspected of infringing intellectual property rights. Other types of infringements had already been covered and it was felt that Customs was ready for this further change. However, the requirements in the Regulation for detaining goods suspected of infringing patents was not well suited to this more complex right. In patent cases, there are only national applications for action available, due to problems with the European Community Patent (probably because of language limitations). Time will solve this problem and in the future, there will probably exist a well functioning Community patent. However, the question is whether we want patents - on either a national or a Community level - within the Regulation 1383/2003, since the assessment of possible infringements is too complex, and should not be compared to dealing with either trademarks or design rights. Once again is the rule of law questioned.

The addition of patents has been criticised by almost all industry representatives as shows recently discussions of two new proposals at a public hearing²¹⁶ in the European Parliament, on November 22nd 2005. Some national provisions have created their own practice concerning the assessment of goods suspected of infringing patents, e.g. requirements of technical expertise or rejection of detention of these types of goods ex officio, which can thus only be detained on the initiative of a rights holder (Germany vs. the Netherlands).

Further, these differences of interpretation between the Member States are not in line with the goal of harmonising external border measures. A more suitable instrument has to be introduced that can be accepted by every Member State as well by rights holders. The question remains whether patents should be encompassed within the Regulation at all and if the Regulation and border detention is the right instrument to hinder infringements of patents.

²¹⁶ www.bordermeasures.com

Every Member State has its own provisions, which differ to a greater or lesser degree and this is accepted as long as it does not hinder the Community legislation. For example, both Germany and Sweden accept unregistered i.e. established trademarks, in their national applications for action. The introduction of the established trademark, which does not exist in many other States, has been objected to, on the grounds that confusion will arise as they cannot be found in registers. Germany also includes parallel imported goods, which is due to its none-infringing status excluded in the Regulation. German provisions also include “Overruns” which are excluded in the Regulation because of for example the problem for the Customs officers to reveal them. German provisions have a broad approach and the Germans are convinced that overruns and parallel imported goods do infringe the exclusive right in a way and are that harmful to a rights holder that they have to be included. This same issue has been discussed for a long time concerning the Regulation. Do not an overrun infringe an exclusive right when it is manufactured without the consent from the rights holder? Germany enables the detention of these products today, thus facilitates the way to protect the exclusive rights for the rights holders. The problem is how to find these goods that look exactly the same but does not have the consent from the rights holder. Is the German system with its broader scope compatible with EU norms? This broad approach will probably be difficult for Germany to uphold due to the demands of the free movement of goods principle together with the goal of a harmonized Union, but the approach might be the one to harmonise the EU, to put a definite stop to this harmful business.

Clarification

The validity of the application is discussed by some scholars who believe that Regulation 1383/2003 does not inform the applicant (or the Customs) how many times an application can be renewed nor how long the possible renewable period is. My view is that article 8 (1), 2nd part in the Regulation, does cover these issues and the legislator has left it to the applicant/rights holder to do the assessments, i.e. *“the rights holder shall notify the competent customs department referred to in article 5 (2), if his right ceases to be validly registered or expires”*. Therefore, it is possible to apply for action within a maximum of one year or, if less, for as long as the applicant’s intellectual property right is valid. The legislator leaves it to the competent Customs authority to decide upon a suitable period for the application for action, provided always it is no longer than one year. Thus, the rights holder is free to apply as many times as he pleases, so long as he has a valid intellectual property right. As to this, a Community right is to be preferred – one validity, one Community application - but this is not a requirement.

The Regulation points out that the key to success is for the rights holder to provide the Customs with as detailed information as possible. Very specific information about the rights holder’s intellectual property right, his licensees, manufacturers and suppliers protects him from importers’ claims

for damage, because Customs is less likely to detain non-infringing products. Specific information is for example very important in the Netherlands with its broad application of “rights holder”, who is allowed to do what and when. As against this, there is the risk that the company undergoes when revealing information, such as that on manufacturers and suppliers, which is often a business secret. Customs have to guarantee complete confidentiality when lodging the application on their intranet.

A more efficient procedure?

The requirements of evidence have been lightened for the ex officio procedure and today Customs has the right to detain goods for 3 working days on “sufficient grounds” alone. Goods are suspicious if, for example, a shipment arrives at the border with goods marked with the trademark “Renault” and the rights holder of Renault has not lodged an application for action in this Member State nor ever received goods from this foreign country. Doubt also arises if other goods are found in the same consignment from the same importer say, with the trademark “BMW” – these goods are then suspicious as Renault and BMW probably do not have the same manufacturer. In some countries, it is enough when a consignment has its origin in China or Taiwan. Customs then informs both importer and rights holder and the last mentioned has to lodge an application within 3 days if he/she finds the goods possibly infringing his/her right and from day 4 he is the part liable. Then within 10 days he has to decide if to initiate further proceedings (simplified or juridical) or not. The ex officio procedure helps the small rights holder, who is often unaware of any infringements regarding his exclusive right whereas the well-informed Customs officers, as in the Netherlands, are prepared and act alertly. But in same country the rejects the possibility of detaining goods suspected of infringing a patent, due to the patents complex structure and the lack of technical expertise at the Customs.

Border detention can be compared to the preliminary injunction because they both constitute an interim measure (“StopGap”) taken on behalf of the rights holder without any participation of the other party, i.e. ex parte, in comparison with a juridical procedure which is usually inter partes. Preliminary injunctions are considered as perhaps the most effective sanction in intellectual property matters, because infringement is blocked and there is also an absolute block on the infringer’s sales, giving rise to an immediate financial penalty. Sometimes the court will even block bank accounts. An order of “StopGap” is of course an extensive interference with the business of the enjoined party.

To obtain an interim injunction, the rights holder in, say, Germany has to show that both the validity of the exclusive right and the infringement are “beyond a reasonable doubt”, i.e. that the infringement is obvious from an objective person’s perspective, or is at least “made believable”. This last mentioned requirement differs, for example in the United Kingdom and in Italy, where the court only needs a reasonable case. In addition, the

applicant always has to prove that he is the lawful rights holder as well as that the injunction is urgent.²¹⁷

As noted above, for a border detention only “sufficient grounds” are needed, which appears to be a lower requirement. For preliminary injunctions, the requirements are tougher for the rights holder, as he/she first has to prove validity and urgency beyond reasonable doubts. But the measure is still fairly easily available to rights holders and gives them a way to impose on the importer ex parte, which is a significant interference. In a comparison between preliminary injunctions and border detentions in, say, Germany, the suspected infringer can on the other hand appeal against a preliminary injunction, which cannot be done with border detention. Further, the suspected infringer in border detention cases cannot even object through “protective writs” in the courts. These protective writs can be filed regarding imminent preliminary injunctions but not in border detention cases, where the focus is always on the rights holder and his evidence concerning whether there is an infringement or not.

The goal is to help even the smallest rights holder protect his rights, but in the long term, it might cause trouble for the economically weaker rights holder (irrespective of size), since filing, even a free application for action has to be combined with a declaration of liability. With the new Regulation, the rights holder does not have to secure money corresponding to possible damage, which was often not possible for SME’s. Today the rights holder only declares his liability. Difficulties occur when seizure causes the importer costs and the goods in question turn out to be genuine. Is it the rights holder, the importer or the Customs who shall bear the loss – this depends of the time period of the detention in each case. If the goods are detained less than 3 days, the importer has to bear his own costs due to the fact that he always has to allow 3 days before delivery. If detention lasted for more than 3 days and a rights holder has not filed an application, the Customs are liable. However, if goods are detained on the application of the rights holder, he/she is the party liable if the goods are found not to infringe.

Has the rights holder the possible economic power to act as the party liable, if Customs detain goods, which after, say, 20 days turn out to be genuine goods and the importer claims damages against the small, weak rights holder? This may encourage the small rights holder not to file an application unless he has very specific information about his goods and possible infringers, as mentioned earlier. It is also important in any risk assessment to balance the costs of a detention of genuine goods and the damage to his right in case of an infringement.

The most important amendment in the new Regulation is the simplified procedure, to detain and then destroy infringing goods, without a juridical judgement, but with at least a passive consent from the holder of the goods. The procedure has its origin from Germany, is not encompassed in the direct

²¹⁷ Hendrick/Berghuis van Woortman/Flynn, supra 180.

effect, and therefore has to be implemented within the national legislation. As mentioned, this procedure has proved to be less expensive and more effective, because it is fast and does not burden Customs storage. The holder of the goods can only blame himself if he does not contact the rights holder within the 10 days. Juridical procedure on the other hand generally requires the participation of and objections from the holder of the goods.

One question arises from the new procedure, who has the right to enforce his right and the simplified procedure? According to the article 2 (2) in the Regulation – the rights holder and the persons encompassed there within. In the Netherlands with its broad interpretation and pro-active approach, they allow anyone connected to the rights holder, for example agents, licensees to act in the place of the rights holder. In all cases, it is important to request a written consent from the rights holder to enable action of any type.

A few changes in Regulation 1383/2003 have been suggested so as to better encompass the simplified procedure within the direct effect principle, which would help Member States with its implementation.²¹⁸ According to *Schneider* and *Vrins*, the expected success of the Regulation has not manifested itself, due perhaps to the too cautious implementation of the simplified procedure, even though this procedure has proven to be at least in part a success, according to the statistics.²¹⁹ If the simplified procedure were direct effective it would probably give energy to the more cautious Member States.

Another issue which should also be discussed in the near future concerns the risk of unfair competition, where rights holders can use border detention purely to delay and harass legitimate competitors. This is unfortunately possible today.

The legislator has had great goals to achieve and greater powers to oppose and the question is whether he is going to be successful. The Regulation is strongly in favour of the rights holders but still burdens him with the risk of liability and indirect damage; still the disadvantages and lacunae of the Regulation such as for example the rule of law (which also burdens the rights holder) more concern another party – the importer with genuine products.

The issue of fighting infringements of intellectual property rights will remain one of the most important tasks of the Commission and the question thus remains; is Regulation 1383/2003 the right weapon for protecting intellectual property rights within the EU and will these new provisions reach their goal?

²¹⁸ www.bordermeasures.com

²¹⁹ *Schneider/Vrins*, supra 56, p 185.

Conclusions:

How can rights holders intervene in the best way to protect their intellectual property rights at the EU's external borders? In addition, how can importers with genuine goods avoid the Regulation and its border measures in the best way and not be harmed when the rights holders enforce their rights? Here follows some conclusions, some concerning rights holders, others importers.

Rights holder:

- An application for action for maximum one year has to be so specific that the Customs can intervene on behalf of the application for action or ex officio without a direct demand from the rights holder. The ex officio procedure will not be efficient otherwise.
- Give detailed information about products – how reliable are Customs and their data systems? Customs might make rights holders sure that their data system is secure, even though it is hard to prove a mistake if they reveal the rights holder's business secrets.
- In cases concerning patent rights, the Customs should request more precise details about possible distribution channels for infringements of their product as well as possible country of manufacturing etc.; this is less needed in cases concerning trademarks or design rights. This must be done because Customs cannot act with respect to complex technology, unless they are fully informed about all details. Educate Customs about the products.
- It is more efficient for the rights holder to be aware of the harm caused by infringements and to specify what details that can be revealed through licence agreement. Thus, it is important to regulate possible issues within the agreements in advance, such as who is entitled to act, who is the party liable in case of border detention and further proceedings and then register or append the agreement to the application for action.
- Look for possible distribution channels for infringers into the EU and register rights in likely States, or choose countries with strong, wide and efficient provisions for border detention.
- Work for harmonization and easily applicable Community rights; a more secure and convenient application is offered with one registration valid in all 25 Member States, which can then be lodged by the rights holder in any appropriate one.
- If one Member State has national provisions that differ from the Regulation 1383/2003, and that are preferable for the rights holder, he/she always has the right to apply for action through a national application provided that there is a valid exclusive right within that same State.
- Deal with the risk linked to declarations of liability – especially for SMEs - which now are encouraged to lodge application and undertake such liability as a result of the abolition of fees.

- Due to the risks of this declaration of liability, a technical expert should be provided by the rights holder close to or in the Member States where the infringing consignment is likely to enter the EU. This, to avoid unnecessary costs towards the importer, who will have undergone delays.
- Consider lower requirements of evidence, “sufficient grounds” for detention should be adequate – though there will be increased risk detention and harm to innocent products appearing almost the same.
- The rights holder always has two routes: either a simplified procedure, or, if this is objected, juridical procedure, with the possibility of a preliminary injunction.

The importer with genuine goods:

- More detailed applications for action from rights holders are preferable for the importer because his goods are less exposed to detention.
- Refrain from having goods imported in the same consignments as other famous trademarks, design rights and patents, if possible. That increases the risk of detention.
- Always count on 3 days before delivery in case of border detention, as it is always the importer that is liable at this stage. This is a problem for the importer because of the risk of detention, even though the goods are genuine.
- The importer can never be sure of the different interpretations and practises of Customs in the various Member States. This may be due to the lack of some definitions in the Regulation, for example the expression “copy”.
- Do not be an importer of parallel trade products in Germany, however such goods can find their way in through other Member States. Overruns are suspected there as well. Make sure products comply with any governing agreement.
- Today, detention on sufficient grounds jeopardizes easy and quick border crossings especially when the case concerns patents, which are harder to review by Customs. Note that the Netherlands do not detain patents ex officio.
- Remember the simplified procedure – easy destruction of goods if there is no objection from the importer, so always contact the rights holder in time and object to immediate destruction.
- If the rights holder is bankrupt but liable to the importer – how will he/she pay the damage? The importer is merely included with the rights holder’s other creditors.
- For the importer there are no real alternatives to appealing a border detention decision though he/she could try to file a declaratory action, e.g. civil action stating there is no infringement. This at least should reverse the burden of proof.
- Avoid importation of genuine goods in the western countries of the EU, probably preferable in the eastern countries of EU.

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