

New European Regulation 608/2013 concerning combating counterfeit goods

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Abstract

This paper identifies the changes that have occurred with the repeal of Anti-Counterfeiting Regulation (EC) 1383/2003 and the introduction of Regulation (EU) No. 608/2013 of the European Parliament and of the Council on 12 June 2013. A summary is provided of the impact of the new Regulation, taking into account customs enforcement of intellectual property rights (IPR), whether an IPR infringement has occurred, and clarification of the prerequisites for action by Customs. The paper identifies two essential areas that remain excluded from the Regulation's scope of application: parallel imports including overruns and travellers' personal luggage, and highlights the need for these areas to be addressed in future amendments to the Regulation.

1. Background

With Regulation (EU) No. 608/2013 of the European Parliament and of the Council of 12 June 2013 (published on 26 June 2013 in OJ EU No. L 181 p. 15), concerning customs enforcement of intellectual property rights (IPR), the old Anti-Counterfeiting Regulation (EC) 1383/2003 was repealed with effect from 1 January 2014. After a little more than one year of operation of the new Regulation, it is time for a summary of its impact.

Regarding its scope of application, the new Regulation expands the subject matter covered as it includes additional IPR. Also, it clarifies its nature as a procedural body of law whereas the material question, whether an IPR infringement has occurred, has to be answered by applying European and national IPR rules. Furthermore, the prerequisites for customs action have undergone some clarification. The so-called 'simplified destruction procedure' has been upgraded and is now a binding, strengthened procedure as a 'super-simplified destruction procedure' for goods in small consignments. However, two essential areas remain excluded from the Regulation's scope of application: parallel imports including overruns and travellers' personal luggage.

2. Expansion of scope of application

The scope of application of the new IPR enforcement Regulation extends Customs' authority to utility models, trade names, topography of semiconductor products and geographical indications beyond agricultural products (Art. 2). Although originally much discussed, trademarks acquired by use have not made their way into the Regulation, presumably because their existence is more difficult to prove by customs authorities.

The scope of application of the previous Anti-Counterfeiting Regulation was expanded continuously, thus this latest broadening of the area of action by customs authorities represents a logical advancement of this area of law. It is unfortunate, however, that parallel imports and travellers' personal luggage remain exempt from customs' action (see Art. 1 para. 5 (EU) 608/2013).

‘Parallel imports’ are goods that have been manufactured with the consent of the rights holder, but which are not meant to be distributed on the European market by covenant. **‘Overruns’** are also goods which are produced with the rights holder’s consent, but not in the given number (the so-called ‘night-shift production’). Hence, parallel imports and overruns are genuine goods and only become illegitimate based on a violation of contractual arrangements. The parallel importation of such goods may be prohibited based on national and European IPR laws but customs authorities may only take action based on national laws, not based on Regulation 608/2013. The reasoning behind this exemption from Regulation (EU) 608/2013 is that customs authorities shall not deal with genuine goods. However, this argument falls short as they do so based on national laws. It has long been proposed to align the European rules with national practices to avoid unnecessary misunderstandings on behalf of the entities seeking protection.

Furthermore, **travellers’ personal luggage** is also exempted from the Regulation’s scope of application as long as the goods are of a non-commercial nature and contained in travellers’ personal luggage (Art. 1 para. 4 (EU) 608/2013). This exemption serves the unhindered passenger traffic but poses a great source for the influx of counterfeit goods into the European Union (EU). In the past, the travellers-exemption only applied where the maximum amounts according to Art. 41 Council Regulation (EC) No. 1186/2009 were not exceeded (that is, the value of goods carried on, in air traffic, by an adult, to the value of EUR 430). However, this limitation used to be inconsistent with the respective IPR laws which only prohibit the importation of counterfeit goods for commercial purposes. As a consequence, this amendment is aligning the respective IPR and customs provisions. The goods in travellers’ luggage are to be understood as being for commercial purposes in cases where the circumstances indicate that the goods will be the subject of a future commercial transaction, that is, the number of goods (for example, five identical or similar counterfeit watches, five counterfeit shirts of similar size and colour, five identical or similar counterfeit fountain pens); the value of the goods in relation to their number (for example, the more expensive the goods, the lower the threshold for commercial importation); the availability of the goods on the European market (for example, the latest iPhone before its release in Europe, five units). Generally, the threshold of five identical or largely similar goods is agreed as indicating the commercial nature of the importation.

If the traveller has a business that relates to the goods imported with their personal luggage, for example, they have a toy store and are importing counterfeit Barbie-dolls, the commercial nature is obvious and the action falls into the scope of Regulation 608/2013. Consequently, the typical importation of one or two pieces of counterfeit handbags or boots for private purposes is not sanctioned by Regulation 608/2013.

Although such an exemption does not exist for postal traffic, the same rules apply on the basis of the respective IPR laws. Only the importation of goods of a commercial nature fall under the scope of the respective IPR laws (for example, Art. 9 Council Regulation (EC) No. 207/2009, granting the rights of a community trademark against actions in the ‘course of trade’, in Germany § 14 MarkenG, based on EC-Directive 89/104/EC harmonising the laws of the Member States in trademarks; § 11 German Patent Act allowing private use of a patented good for non-commercial purposes). In all other cases (that is, the typical importation for private use of handbags, boots, etc.), there is no commercial nature of the goods and hence the goods are not suspected of an IPR infringement according to Art. 17 Regulation (EU) 608/2013. The action is exempted due to its private nature.

3. The procedural nature of Regulation (EU) 608/2013

The new Regulation concerning Customs’ enforcement of IPR is of procedural not material nature concerning the assessment of IPR. In Art. 1 para. 6 and in the tenth recital in the preamble to Regulation (EU) 608/2013, it is made clear that a differentiation has to be made between, on the one hand,

the procedural rules for customs authorities and on the other hand, ascertaining the existence of an infringement of an IPR.

The background to these provisions is the European Court of Justice's (ECJ) rulings in re 'Nokia' (C-495/09) and 'Philips' (C-446/09). In these proceedings, the parties argued the so-called 'manufacturing doctrine'. This doctrine was based on Art. 6 para. 2b of the former Anti-counterfeiting Regulation (EC) 3295/94 and on the eighth recital in the preamble to Regulation (EC) 1383/03. According to the manufacturing doctrine, the infringement of an IPR according to Art. 2 of Regulation (EC) 1383/03 should be based on the assumption that the goods in question have been manufactured in the respective country of the customs jurisdiction.

The manufacturing doctrine – if the ECJ had not denied its validity in its holdings dated 12 December 2011 (C-446/09 Philips and C-495/09 Nokia) – would have meant a clearly material nature, expanding the infringement action 'manufacturing' to virtually any European country where the goods were detained by Customs.

Hence, it is most welcome that Regulation (EU) 608/2013 made a strong point regarding the solely procedural nature of its provisions, absolutely in line with the ECJ's decisions.

4. Clarity regarding the meaning of 'goods suspected of infringing an IPR'

One of the difficulties of the former Regulation (EC) 1383/03 was understanding in which cases goods were suspected of infringing an IPR. One broad and rights-holder friendly understanding (furthered by Dutch and United Kingdom customs authorities) detected suspected goods in case the mere possibility of an infringement was present. Other customs authorities requested an 'evident infringement' (in line with some national legislation, for example, in Germany).

It is evident that different approaches to the threshold of when a suspected good is present lead to diverging decisions depending on the jurisdiction in which the goods were detained.

The new Regulation (EU) 608/2013 provides in Art. 2 para. 7 that "goods suspected of infringing an intellectual property right" means goods with regard to which there are reasonable indications that, in the Member State where those goods are found, they are *prima facie* [...] the subject of an act infringing an intellectual property rights, in that Member State ...".

Hence, Art. 2 incorporates the latest ECJ's general advocates' holding in re Philips/Nokia, according to which there have to be reasonable indications of an IPR infringement.

5. Simplified procedure and super-simplified procedure for destruction of goods

With the former Regulation (EC) 1383/03, the European Legislator had provided the option for Member States to introduce the so-called 'simplified procedure' for the destruction of suspected goods (see Art. 17 of Reg. (EC) 1383/2003). This option was adopted by 15 Member States. The simplified procedure was a successful and effective measure to quickly solve the threat of infringing goods by destroying them on request of the rights holder in the event that the importer had not reacted to a destruction notice within ten days of its receipt. With the new Regulation (EU) 608/2013, this simplified destruction procedure was introduced as binding law for all of the EU's 28 Member States (see Art. 23 of Reg. (EU) 608/2013).

Furthermore, the new Regulation introduced an even more effective tool, the 'super-simplified procedure for the destruction of goods in small consignments' (Art. 26 of Reg. (EU) 608/2013). In the case of goods suspected of being counterfeit in small consignments (that is, a postal consignment which contains three

units or less or has a gross weight of less than two kilograms [see Art. 2 para. 19 Reg. (EU) 608/2013]), the simplified destruction procedure may generally (that is, without a special request by the rights holder) be applied by customs authorities where the importer does not react to a destruction notice within ten days of its receipt. The only requirement is for the rights holder to declare a general opt-in with the super-simplified procedure at the time of filing the application for customs measures. So the destruction decision is, in practice, left with customs authorities.

However, although the super-simplified procedure is generally regarded as an effective tool for combating the postal traffic as an ever-growing trade channel for counterfeit goods (70% in 2013), it has to be noted that only where there is a suspicion of infringement may such destruction take place. In all cases of the mere non-commercial importation of goods by post, the super-simplified procedure may not be applied. The non-commercial importation of counterfeit goods by no legal means represents an IPR infringement (and hence no suspicion!), as all the IP statutes require commercial action. As a consequence, for private imports the super-simplified procedure is not so effective after all.

It is planned with the new European Trademark Directive (see Proposal for a Regulation [...] amending the Directive to approximate the laws of the Member States in relation to trade marks of 27 March 2013, COM (2013) 162 final 2013/0089 (COD)), to introduce the rights holder's possibility to prohibit imports also in cases in which only the sender of the goods acts for commercial reasons (and not the importer himself). By such a legislative change all cases concerning the importation for private use (the typical boots and handbag cases) by postal traffic would fall within the scope of the Customs Regulation. Hence, such a change would eventually send the right signal to consumers that buying counterfeit goods for private use is harmful to society as it promotes a criminal business.

6. Transit cases

In the past decade, transit cases have received overwhelming attention by customs authorities, courts and regulators. Such cases are characterised by a set of facts in which there is no IPR infringement in the country of origin and destination, but there is an IPR infringement in the country where the transit takes place. According to the ECJ's holding in various proceedings beginning with the Diesel/Montex case (ECJ C-281/05, 9 Nov. 2006), customs measures concerning suspected goods in transit are only possible when in relation to such goods 'measures were taken that necessarily entail their being put on the market in that Member State of transit'. The reasoning behind this holding is the status of IPR laws which does not provide for a mere transit constituting an infringement of IPR.

As outlined above, the industry affected by such rather rigid but legally correct interpretation of the law has undertaken various argumentative approaches like the manufacturing doctrine (rejected by the ECJ in Nokia, C-495/09 and Philips, C-446/09, both dated 1 Dec. 2011) to have the European customs rules applied and detain goods in transit, although without success.

A very special case is still pending with the Dispute Settlement Body (DSB) of the World Trade Organization (WTO) concerning the transit of medicine which is generic in the countries of manufacture (India) and destination (Brazil), but which enjoys patent protection in the EU (see DSB 408 and 409) through which it was transported and seized by Dutch customs authorities.

Based on these milestone disputes covering the balancing of free trade principles with IPR protection, the issue of goods in transit was heavily disputed in the legislative process of Regulation (EU) 608/2013. However, no clear solution has been found. Measures against goods in transit are still possible in cases where there is a good suspected of infringing an IPR. In transit situations, the ECJ's standards of determining an infringement have to be applied.

Only with regard to medicines does recital 11 in the preamble to Regulation (EU) 608/2013 mention the transfer cases and obliges customs authorities, 'when assessing a risk of infringement of intellectual

property rights, [to] take account of any substantial likelihood of diversion of such medicines onto the market of the Union'. Hence, the prerequisites of determining a situation in which such goods are suspected of infringing IPR are more detailed than with 'normal' goods, for which 'reasonable indications' (see Art. 2 para. 7) are sufficient.

7. Summary

The European Legislator has built upon former Regulations enabling an effective combat against counterfeit goods.

The scope of application has been expanded to cover utility models, trade names, topography of semiconductor products and geographical indications beyond agricultural products. Unfortunately, parallel imports and related phenomena remained excluded from the Regulation's scope of application as well as imports of a non-commercial nature. With the latter, in passenger traffic, non-commercial imports are excluded from customs measures by means of the Regulation itself, mainly Art. 1 para. 5; in postal traffic, non-commercial imports are excluded by the respective IPR provisions.

The simplified destruction procedures have been expanded considerably: first, by being binding law in all Member States, and second, by functioning almost automatically in cases of small consignments for commercial use.

The issue of measures against goods in transit has not been legally solved; the current holdings of the ECJ will be applicable in the future. For medicines, a special provision has been included directing the customs authorities' discretion into a careful administering of medicine passing across the customs territory.

However, it is necessary to work further on aligning the respective customs and IP rules so that the applicable measures will be further harmonised and a common understanding of the exceptions to customs action become more evident.

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