

AIDA

ANNALI ITALIANI DEL DIRITTO D'AUTORE
DELLA CULTURA E DELLO SPETTACOLO

Anno XXI

2012

(Estratto)

CARMEN OTERO GARCÍA CASTRILLÓN

Protection of Intellectual Property through border
measures in the European Union



MILANO - DOTT. A. GIUFFRÈ EDITORE

Protection of Intellectual Property through border measures in the European Union (*)

SUMMARY: I. Factual context and logic of border measures in intellectual property. – II. International obligations and constraints. – III. Eu autonomous framework. A) Material scope. B) Procedures. C) Possible abuses, polemic issues and practical difficulties. – IV. Eu international action. A) Bilateral trade agreements and concerted actions. B) Anti-counterfeiting trade agreement (atca). – V. Conclusions

I. Traditionally, infringements of intellectual property rights (IPR) have been materialized in goods illegally identified with a trade mark, illegally reproducing a literary work or a design, as well as a protected patent ...etc. These infringements can take place in the context of a contractual as well as, more commonly, a non-contractual relationship. Depending on their characteristics and on the applicable law, IPR infringements can be prosecuted in criminal (1) and/or civil judicial procedures. Anyhow, when the allegedly infringing goods are internationally traded, they have to go through the customs to leave a country and enter another. Indeed, trans-border sales and commercial distribution agreements are the kind of economic transactions through which these infringements take place internationally. Although it is not strange that these operations are formalized through the web (commercial or consumer contracts), they are, obviously, materialized with the export/import of the concerned goods.

Border measures can be understood as those actions taken by the local custom authorities regarding goods under their control, in particular, but not exclusively, at the exit and at the entrance of goods in the internal (national or economically integrated) market. In this regard, it has to be acknowledged that the final destination of goods going through customs is not always the national-internal market (2). It is indeed clear that customs' authorities –and, therefore, their actions- are of an administrative nature and that they are not empowered to establish the infringement of IPR. Moreover, as non-specialists, it may become difficult for them to distinguish fake from genuine goods. However, customs are in a privileged position to contribute to the prevention and prosecution of IPR infringements, be it under the order of a judicial authority (criminal or civil - preventive or final decision) or on its own motion, particularly counterfeiting and piracy since these IPR violations are more

(*) Questo scritto ha ricevuto un giudizio positivo di un referee.

(1) At least, counterfeiting and piracy constitute crimes. In this area of law they can be defined as contraband activities and always involve smuggling. See B. GODART, «The involvement of organized crime in intellectual property rights infringements», in O. VRINS and M. SCHNEIDER (Eds) *Enforcement of Intellectual Property Rights Through Border Measures; Law and Practice in the EU*. Oxford, New York, 2012, pp. 27-48.

(2) There are different possible custom situations and procedures such as importation, exportation, re-exportation, placement under a suspensive procedure or mere control. For the European Union (EU) see *infra*.

easily identifiable for customs officials. This fact was soon recognised internationally, though it was not until the adoption of the World Trade Organization (WTO) Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) that specific international obligations were assumed by States as to the intervention of national customs authorities in this field. Following this Agreement, the World Intellectual Property Organization (WIPO) has defined border measures on IPR as the «legal procedures enabling owners of copyright and related rights –who have valid grounds for suspecting that the importation of pirated copies of their works or objects of related rights, respectively, may take place- to lodge an application for the suspension by the customs authorities of the release into the circulation of such copies» (3).

The high volume of IPR infringement in the international area is a re-known fact despite the difficulties of providing with precise figures (4) due to «the clandestine nature of many counterfeiting and piracy activities, the general lack of indicative data and the difficulty in detecting counterfeit and pirated products» (5). In this regard, it has been shown that it is customs authorities who provide more details. Particularly, in the EU between 2005 and 2009 the number of registered cases at EU borders of goods suspected of infringing IPR increased from 26.704 to 43.572; in 2010 the number reached 79.112 and in 2011 the total amount of cases was 91.245, affecting 114.772.812 articles for a domestic retail value of 1.272.354.975 euros (6).

It is crystal-clear that IPR holders are interested in the defence of their rights whilst traders of infringing goods make their international business out of their efforts, sometimes involved in other criminal activities (smuggling). On their part, acquirers of IPR infringing goods (often consumers) get involved on this illicit traffic due to the cheaper prices that, on the other hand, imply assuming risks related to the inferior quality of the products (health, safety). Beyond other public interests which include the reduction of obstacles to international trade, States are also interested in the defence of IPR, particularly when they provide benefits for the national economy (be it directly or throughout foreign investment). Implementing a system

(3) *Guide to the Copyright and Related Rights Treaties Administered by WIPO and glossary of copyright and related rights terms*. WIPO, 2003, p. 270.

(4) WIPO Advisory Committee on Enforcement is working on this issue, whose importance is enlightened by the Global Congress Combating Counterfeit and Piracy (particularly, Sixth Congress Outcomes Statement, 2-5 February 2011, p. 2). See WIP=/ACE/7/6, 2 September 2011 «Work on Counterfeiting and Piracy Concerning the Development of a Methodology to Measure the Socio-Economic Impact of Counterfeiting and Piracy», prepared by J. BERGEVIN for the 7th Session Geneva, November 30-December 1, 2011. For the Global Congress see <http://www.ccapcongress.net/about.htm>. Visited in July 2012.

(5) *The economic impact of counterfeiting and piracy. Executive Summary*, OECD, 2007, p. 15.

(6) *Report on EU customs enforcement of intellectual property rights. Results at the border-2011* (hereinafter, EU customs enforcement 2011), July 2012, p. 10. Only in 3% of the cases goods detained were original and in 4,5% the right-holder did not react to the customs' notification, p.12. The WCO, on its part, elaborates an Annual Report on Customs and IP, for 2010 see: http://www.wcoomd.org/files/1.%20Public%20files/PDFandDocuments/Enforcement/WCO_Customs_IPR_2010_public_en.pdf. Visited in July 2012.

for border measures requires attending to all these interests whilst, of course, respecting fundamental rights of the concerned parties. It is important that the IPR enforcement system is able to deter infringers from continuing their illicit business.

The EU gives –as has always done- extraordinary importance to IPR and their protection from infringements in the internal market as well as in international commercial relations (7). In the last years, the Council adopted a Resolution on a comprehensive EU anti-counterfeiting and anti-piracy Plan (2008) (8) that incorporated the previous Strategy for the enforcement of intellectual property rights in third countries (2005) (9). It was in the framework of the global Plan that the Council adopted a Resolution on EU Customs Action Plan to combat IPR infringements (years 2009-2012) (10). Among other non-legislative actions (11), the Commission launched the European Observatory on Counterfeiting and Piracy (2009) (12), a public-private partnership joining forces and exchanging experiences on best public and private practices to spread them over the EU (13). The tasks of the Observatory have been recently entrusted to the Office for Harmonisation in the Internal Market (OHIM) (14).

(7) *Europe 2020; A strategy for smart, sustainable and inclusive growth*, COM(2010) 2020, of 3 March 2010. See Flagship Initiatives «Innovation Union» and «An industrial policy for a globalization era» pp. 12 and 17. http://ec.europa.eu/research/innovation-union/pdf/innovation-union-communication_en.pdf#view=fit&pagemode=none; and http://ec.europa.eu/enterprise/policies/industrial-competitiveness/industrialpolicy/files/communication_on_industrial_policy_en.pdf. Visited in July 2012. See also the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: *A Single Market for Intellectual Property Rights. Boosting creativity and innovation to provide economic growth, high quality jobs and first class products and services in Europe*, COM (2011) 287 final, 25.05.2011.

(8) Council Resolution of 25 September 2008, on a comprehensive European anti-counterfeiting and anti-piracy plan, *OJ* (2008) C 253/1, 14.10.08.

(9) Strategy for the enforcement of intellectual property rights in third countries, *OJ* (2005) C 129/3, 26.05.05.

(10) Council Resolution of 16 March 2009 on the EU Customs Action Plan to combat IPR infringements for the years 2009 to 2012, *OJ/C* 71, 25.03.09.

(11) Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee on *Enhancing the enforcement of intellectual property rights in the internal market*, COM (2009) 467 final, 11.9.2009. The document talks about comprehensive information, fostering administrative cross-border cooperation and facilitating voluntary agreements.

(12) See the speech of the European Commissioner for the Internal Market, Charlie McCreevy, on 2 April 2009 at <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/09/169&format=HTML&aged=0&language=EN&guiLanguage=en>. Visited in July 2012.

(13) See http://ec.europa.eu/internal_market/iprenforcement/observatory/index_en.htm. Visited in July 2012. It counts with three subgroups on Legal Issues, Public Awareness and Statistics that have released different reports on a number of issues.

(14) Regulation (EU) No 386/2012 of the European Parliament and of the Council of 19 April 2012 on entrusting the Office for Harmonization in the Internal Market (Trade Marks and Designs) with tasks related to the enforcement of intellectual property rights, including the assembling of public and private-sector representatives as a European Observatory on In-

Considering the need to effectively protect IPR and to ease international trade, this study aims at presenting the European Union (EU) approach to IPR border measures, both from an autonomous and an international perspective. Departing from international obligations and constraints in the field -point II-, the EU autonomous regime will be analysed taking into consideration its foreseen review -point III-. Bilateral agreements and concerted actions will follow together with a reflection on the polemic Anti-counterfeiting Trade Agreement (ATCA) -point IV-. In this regard, it has to be noted that the debates on ATCA impacts on civil liberties are set aside this study provided that it is not concerned with IPR infringements in the web (except for cases where the web can be used as the means to agree on the trans-border movement of material goods). The study will finish with some conclusions -point V-.

II. A number of WTO agreements multilaterally govern international trade in goods aiming at the reduction of the potential obstacles to trans-border commercial transactions. Particularly, the General Agreement on Tariffs and Trade (GATT-94) (15) establishes the pillars on which the whole system for the liberalization of international trade sits. Despite the *ius prohibitionis* (16) and the territoriality (17) of IPR lead to characterize these rights by their ability to restrict trade, GATT rules have always respected their trade-restrictive effect on the basis of the need to preserve these territorially protected subjective rights (art. XX.d refers to «protection of patents, trademarks and copyrights, and the prevention of deceptive practices») (18). It could even be said that the birth of TRIPS (19) -the «weird» agreement on the regulation of subjective rights within the WTO framework (20)- may be explained, beyond others relevant reasons (21), due to the perception of a need for harmonization on substantive (22) and enforcement (23) norms in the field of IPR

fringements of Intellectual Property Rights, OJ (2012) L 129/1 of 16.05.2012.

(15) http://www.wto.org/english/docs_e/legal_e/legal_e.htm. Visited in July 2012.

(16) IPR owners have the right to impede that third parties use their right without their consent except when this kind of use is legally permitted.

(17) On IPR's territoriality and the *lex loci protectionis criteria*, J.W. FAWCETT and P.L. TORREMANS, *Intellectual Property and Private International Law*. 2ND Ed. Oxford University Press, 2011 paras. 12.22 et ss pp. 676 (Berne Convention n. 26); para.12.54, p.687 (CUP, n. 25), and para.12.66, p. 690 (TRIPs n. 19).

(18) As long as these measures are applied in a proportionate and non-discriminatory way. See *supra* and n. 42.

(19) The TRIPS Agreement is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994, http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm. Visited in July 2012.

(20) International agreements on IPRs are mostly promoted and administrated within the World Intellectual Property Organization (WIPO). The Agreements administered by the WTO mostly deal with Member States compromises on reducing administrative conditions and requirements for international commercial transactions.

(21) D. GERVAIS, *The TRIPS Agreement. Drafting History and Analysis*. 3rd. Ed., 2008, pp. 11-27.

(22) Copyrights and related rights (arts. 9-14), trademarks (arts. 15-21); geographical Indications (art.22-24), patents (arts. 27-34), industrial designs (arts. 25-26), trade secrets (art.39) and topographies of semiconductors (arts.35-38).

that was not being achieved in purely international IPR fora. In this regard, it can be noted that normative harmonization is frequently understood as a condition for market opening.

Previous international agreements, such as the Paris (CUP) (24) and the Berne (25) Conventions, covered substantive harmonization of IPR (26). Beyond the application of the national treatment rule as to the «legal remedy against any infringement of their rights» (27), these Conventions scarcely mentioned enforcement issues. CUP refers to the seizure «on importation [...] etc.» of goods «unlawfully bearing a trade mark or trade name» (art. 9.1) and goods bearing «false indications» of source of origin of the producer, manufacturer or merchant (art. 10.1). These rules impose an obligation to make seizure available in cases of infringing (nationally produced as well as imported) goods (art. 9.4). Countries not permitting seizures on imports shall replace them «by prohibition of importation or by seizure inside the country» (art. 9.5). It is not necessary to make seizure available for goods in transit (art. 9.4). Anyhow, seizures «shall take place [...] in conformity with the domestic legislation of each country» (art. 9.3). On its part, Berne Convention imposes on Member States the availability of seizures of «infringing copies» internally and on importation (28) «in accordance with the legislation of each country» (art. 16). It is clear that these rules provide for a single type of enforcement action (seizure of goods infringing certain IPR) that can be applied on purely internal as well as on international (import related) infringements, leaving States freedom as to the way of implementing this action in national legislation.

TRIPs, therefore, is the first international treaty dealing intensively with IP enforcement (29), with the additional advantage of counting with the effective WTO Dispute Settlement System (art. 64). Beyond the general obligations applicable to all forms of enforcement (art. 41), its Chapter III rules on civil and administrative

(23) Part III of the TRIPs Agreement is devoted to IPR Enforcement. See *infra*.

(24) Paris Convention for the Protection of Industrial Property, of March 20, 1883, as modified. See http://www.wipo.int/export/sites/www/treaties/en/ip/paris/pdf/trtdocs_wo020.pdf

(25) Berne Convention for the Protection of Literary and Artistic Works, of September 9 1886. See http://www.wipo.int/export/sites/www/treaties/en/ip/berne/pdf/trtdocs_wo001.pdf

(26) For an analysis see D. GERVAIS «The international legal framework of border measures in the fight against counterfeit and piracy»; in O. VRINS and M. SCHNEIDER (Eds) *Enforcement of Intellectual Property Rights through Border Measures; Law and Practice in the EU*. Oxford, New York, 2012, pp. 52-53.

(27) Art. 2.2 CUP, n. 24. In Berne Convention, n. 25, art. 5.3. states that «when the author is not a national of the country of origin of the work for which he is protected under this Convention, he shall enjoy in that country the same rights as national authors».

(28) On importation, art. 13.3 of Berne Convention expressly mentions: Recordings made in accordance with paragraphs (1) and (2) of this Article and imported without permission from the parties concerned into a country where they are treated as infringing recordings shall be liable to seizure.

(29) During the Tokio Round of GATT negotiations (1973-1979) US and the EEC had already presented a text on Draft Measures to Discourage the Importation of Counterfeit Goods GATT Doc No L4817. Other two drafts followed. See D. GERVAIS, *The TRIPs Agreement* n. 21, pp. 8-10.

procedures and remedies (arts. 42 to 49), as well as on criminal procedures (art. 61) and provisional (art. 50) and border measures (arts. 51-60). It is worth noting that border measures count with a particular section in the chapter and that it extends throughout a large number of detailed provisions. One cannot do anything but agreeing that TRIPS was a huge normative step for IP enforcement, especially considering international normative precedents (30).

In another trade related international front, the World Customs Organization (WCO) responded to concerns on IPR trans-border infringements -particularly counterfeiting and piracy- and to the existence of TRIPs provisions on border measures, adopting –in collaboration with WIPO- a new Model Law on border measures (31). Though, for obvious reasons it is not compulsory for WCO Member States, this law provides detailed recommendations on the implementation of TRIPs and, aiming to provide customs' best practice in the field, it is regularly updated and leads to a higher level of protection. Beyond intending at the designation of customs contact points for mutual exchange of information and cooperation (art. 12), it contains rules on applications for customs intervention (arts. 1.1 and 2, and 3), on the creation of a centralised customs system (art. 1.3) (32), on the duration of customs surveillance over suspected infringing goods (art. 2), on the customs grant of the application (art. 4), on indemnities and securities (art. 5), on the suspension of clearance and its duration (art. 6); on the release of the suspected goods (art. 7); on the examination of the goods by the right-holder (art. 8); on ex officio action (arts. 9 and 10) and on powers or suspension of clearance and disposal of counterfeit goods (art.11). In addition, recognizing the pervasive effects of IPR infringements, the WCO has established two technical working bodies -the IPR Customs Expert Group (33) and the IPR Strategic Group (34)- aiming to analyse criminal

(30) D. GERVAIS «The international ... » n. 26, p. 48.

(31) Model Provisions For National Legislations To Implement Fair And Effective Border Measures Consistent With The Agreement On Trade Related Aspects Of Intellectual Property Rights, adopted on 20 February 2003. http://www.ecap-project.org/archive/fileadmin/ecapII/pdf/en/ipr_enforcement/customs_handbook/annex3.pdf There was a previous 1995 Model Law. WCO, *Secure. Provisional Standards Employed by Customs for Uniform Rights Enforcement*, June 2007, http://www.wcoomd.org/files/1.%20Public%20files/PDFandDocuments/Enforcement/SECURE_E.pdf. Visited in July 2012.

(32) Art. 1.3 WCO Model Law n. 31, states: art. 1.3: «Customs shall establish a centralised system for managing applications for the suspension of the customs clearance referred to in paragraphs 1 and 2 above. The details of centralised system shall be prescribed in regulations issued by the (competent authority)».

(33) Composed of experts from the Member Customs administrations, approaches the IPR topic from a Customs perspective taking into consideration the latest trends of the phenomenon as well as the most recent modus operandi followed by counterfeiters worldwide. One of the major tasks of the working group is the constant updating of the so called WCO IPR Model legislation (which is a set of best practices aimed at providing aid to those Customs administrations drafting legislation on IPR issues) and the creation of a proper risk analysis tool. Taking into account the outcomes of the analysis of the most recent IPR violations worldwide, strategic information is being provided to Customs administrations in order to enhance their efficiency and effectiveness in their daily fight against counterfeiting and piracy. All these efforts would be useless without strong and effective co-operation between Customs and Business partners

violations and provide effective guidance on how to cope with the negative impacts of counterfeiting and piracy (35). On its part, the WIPO works on TRIPs implementation conducting surveys and gathering information on the enforcement of IPR (36).

Hence, GATT, on the one hand, and TRIPs, on the other, constitute the essential international setting of obligations and constraints regarding the regulation on border measures for the protection of IPR. It is important to note that TRIPs establishes minimum standards with which Member States are obliged to comply (art. 1.1) (37) remaining free to implement a more extensive protection. The contrasting debates on the existence of international constraining «maximum rules» (38) conclude that—the ceilings that may be found in international IPR norms are those related to the treaties objectives. In TRIPs this leads to incentivising innovation, disseminating technology and satisfying public interests (arts. 7 and 8) which clearly constitute abstract ceiling references (39). Hence, although as a matter of course it is possible that protection standards surpassing what is required by TRIPs may infringe the Agreement, most of these violations would have to be established through the WTO Dispute Settlement System on a case-by-case basis (40). Only then it would be possible to systematize the standard-ceiling; as has been the case -in the limits of the IPR protection- with certain patent rights' exemptions (41).

(34) It gathers customs experts and representatives from the private sector together, has been created with the declared aim of establishing the highest degree of synergy and cooperation in the common fight against IPR violations.

(35) http://www.wcoomd.org/home_epoverviewboxes_valelearningoncustomsvaluation_epcounterfeitingandpiracycap.htm. Visited in July 2012.

(36) <http://www.wipo.int/enforcement/en/>. Visited in July 2012.

(37) In India- Patent Protection for Pharmaceutical and Agricultural Chemical Products WT/DS50/AB/R; and in India- Patent protection for Pharmaceutical and Agricultural Products, WT/DS79/R, it was clearly established that WTO Member States «are free to determine how best to meet their obligations under the TRIPs Agreement within the context of their own legal system».

(38) The ceilings would aim at (1) ensuring that countries cannot go beyond that level of protection in their domestic legislation and (2) «immunizing» countries against pressure from powerful trading partners to introduce higher protection standards. A. KUR, «International Norm-Making in the Field of Intellectual Property: A Shift Towards Maximum Rules?», *The WIPO Journal*, No. 1, 2009, http://www.wipo.int/export/sites/www/about-wipo/en/wipo_journal/pdf/wipo_journal_1_1.pdf. Visited in July 2012. The author provides for examples in Berne Convention (arts. 2.8 and 10.1) and TRIPs (arts. 9.2 and 10.2).

(39) A. KUR and H. GROSSE RUSE-KHAN, *Enough is Enough; The Notion of Binding Ceilings in International Intellectual Property Protection*, Max Planck Papers on Intell. Prop. Competition and Tax L. research Pape No.09-01, 2008, <http://ssrn.com/abstract=1326429>. Visited in July 2012.

(40) D. GERVAIS, «The International ... », n. 27, para. 3. 96, p. 70.

(41) Canada – Patent protection of Pharmaceutical Products, WT/DS114. The «regulatory review exception» (Bolar) (competitors of a patent owner are permitted to use the patented invention without the authorization of the patent owner during the term of the patent for the purposes of obtaining government marketing approval, so that they will have regulatory permission to sell in competition with the patent owner by the date on which the patent expires) was considered to be TRIPs consistent. On the other hand, the «stockpiling exception» (competitors are allowed to manufacture and stockpile patented goods during a certain period

Along this line, TRIPs establishes that enforcement procedures «shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse» (art. 41). GATT has always imposed as requirements that trade restrictive measures aimed at the protection of IPR have to be necessary (42) and «not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade» (art. XX) (43). GATT does also establish that «there shall be freedom of transit through the territory of each contracting party» (art. V.2). Transit is understood as «the passage across such territory, with or without trans-shipment, warehousing, breaking bulk, or change in the mode of transport, is only a portion of a complete journey beginning and terminating beyond the frontier of the contracting party across whose territory the traffic passes» (art. V.1). It has been argued that the freedom of transit was never intended to apply to illicit trade (44), as that of goods infringing IPR. However, when thinking on inferring the existence of a rule on acting against illicit goods in transit or forbidding their transit, this argument seems to be left without much content as there is no indication on who (which national jurisdiction) and how (on the basis of which law) decides what constitutes illicit trade.

TRIPs Member States compromise on establishing border procedures to improve the enforcement IPR. The procedures may lead to the adoption of a measure consisting on the suspension of the release into free circulation of goods suspicious of infringing IPR (art. 51). Customs authorities are, in any case, called to intervene in these procedures, be it on their own motion or under the direction of an independent authority (usually judicial). As it will be noted infra, in both cases customs intervention may have a provisional or, finally, a definitive enforcement character. In any case, TRIPs allows for certain flexibility as to the scope of Member State's action in this area. This flexibility can be specially observed considering, on the one hand, the trading situations in which the goods could be subject to the procedures and, on the other, the IPR concerned.

As to the trading situations, TRIPs Member States compromise on adopting procedures to avoid, at IPR holders' instance, the importation of goods suspicious of infringing certain IPR. On imports of goods put on the market in another coun-

before the patent expires, but the goods cannot be sold until after the patent expires) was inconsistent with patent rules and not covered by its exceptions under TRIPs Agreement.

(42) Attending to the WTO Dispute Settlement System case law, it could be argued that the requisite is satisfied as long as the measure is the less trade-restrictive alternative reasonably available to reach the goal of protecting the IPR at issue. See the Note of the WTO Secretariat on the «*Necessity Test*», S/WPDR/W/27, 2 December, 2003, pp. 7-10.

(43) In *United States – Import Prohibition of Certain Shrimp and Shrimp Products*, DS58, Panel Report of 15 May 1998 and Appellate Body Report of 12 October 1998, a measure was considered «unjustifiably» discriminatory because of its intended and actual coercive effect on the specific policy decisions made by foreign governments, and constituted «arbitrary» discrimination because of the rigidity and inflexibility in its application, and the lack of transparency and procedural fairness in the administration of trade regulations.

(44) M. SCHNEIDER and O. VRINS, «Regulation (EC) 1583/2003» in O. VRINS and M. SCHNEIDER (Eds) *Enforcement of Intellectual Property Rights through Border Measures: Law and Practice in the EU*. Oxford, New York, 2012, para. 5.614, p. 239.

try by or with the consent of the right-holder (parallel imports – footnote 13, art. 51 (45)), goods in transit (footnote 13, art. 51), exports (art. 51), and ex officio actions (art. 58), Member States are under no obligation to establish border enforcement procedures. Their intervention is optional. This is also the case for imports of no-commercial character in small quantities (46), which can also be excluded from the scope of the border procedures (art. 60). The option for this exclusion is explained on the basis of customs' practical difficulties with small shipments, particularly in travellers' luggage. However, each day, more and more IPR infringing products are acquired through Internet (47) and subject to customs control when sent by postal services (48). In this regard, it is important to remember that TRIPs' general obligations regarding enforcement procedures does not «affect the capacity of Members to enforce their law in general» (art. 41.5).

The IPRs concerned are, compulsorily, copyrights and trademarks as inferred from the definition of their respective infringements. «Pirated copyright goods» are defined as «goods which are copies made without the consent of the right-holder or person duly authorized by the right-holder in the country of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the country of importation» (footnote 14.b of art. 51). This definition comprehends the general understanding of copyrights. On its part, «Counterfeit trademark goods» are defined as «any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation» (footnote 14.a art. 51). This definition implies the exclusion of registered trademarks from the Member States border measures compromises. Nevertheless TRIPs allows for Member States to extend the application of the procedures to other IPR, so registered trademarks could be included at Member States will (art. 51). It is important to remember that TRIPs substantive harmonization IPR does not imply that every Member State's na-

(45) In this regard, it has to be acknowledged that art. 6 permit Member States to establish the international exhaustion of IPR, case in which, at least in what concerns goods to be released for internal circulation, there will be no suspicion of infringement. For an analysis of art. 6 see D. GERVAIS, «The TRIPs...», n. 21, pp.197-202.

(46) Regarding the determination of «quantities» it may be interesting to note that in the compulsory criminal sanction of willful counterfeiting and piracy on a «commercial scale» (art. 61), the US resorted to the WTO Dispute Settlement System alleging that China's reference of 500 copies was too high. The Panel report on *China – Measures Affecting Trading Rights and Distribution Services for Certain Publications and Audiovisual Entertainment Products* (WT/DS363/R), 12 August 2009, established that USA had not sufficiently proved that the limit of Chinese law was high enough to be considered contrary to TRIPs. This issue was not brought on appeal (WT/DS363/AB/R, 21 December 2009).

(47) Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee on a Customs response to latest trends in Counterfeiting and piracy, COM (2005) 479 final, p. 6; Internet sales are an increasing problem.

(48) D. GERVAIS, «The International...», n. 27, says in this regard that «the meaning of *de minimis* could be re-examined», para.5.69, p. 69.

tional legislation will have the same understanding of infringement.

Ex-parte procedures start with the right-holder application to the «competent authorities», customs or judicial (art. 52). In case of resorting to customs authorities, considering that there can be a number of customs within a country, the WCO Model Law provides for the establishment of a system centralizing the applications (49). In his application, the right-holder has to be able to demonstrate, not only his legitimisation, but also the prima facie infringing character of the goods. This can only be established under a particular national law, which, given the territorial character of IPR, has to be the corresponding to the importation country. Applications also have to provide information for the authorities to identify the goods (50). In this regard, a right of inspection of the goods is established in applicant's favour (art. 57). «Within a reasonable period» (51) from the application, the claimant has to be notified on its acceptance (arts. 52 and 54) as well as on the period that the suspension measure –and, when it is the case, other monitoring actions- will last. For obvious reasons, this decision must also be notified to the importer (art. 54). Although it is not established, following the general provisions on civil and administrative procedures (art. 42), it would be preferable that notifications are done in written form (52).

As to the execution of the measures, the authorities are allowed to discretionally require the claimant providing a security or assurance in order to prevent claimants' abuses and to protect both the defendant and the competent authority. This assurance «shall not unreasonably deter recourse to these procedures» (art. 53.1). In this regard, it has to be considered that although this security will not be essential in cases where there is no defendant (the infringing material is being looked for but none has been found), customs authorities can still require it (art. 53.1 TRIPS) (53).

The suspension period shall not exceed ten working days after applicant's notification, though it can be extended another ten working days «in appropriate circumstances». If during that period, customs authorities are not informed that the applicant –or any other interested party except the defendant- has initiated the corresponding proceedings on the merits, the merchandise should be released (naturally, «provided that all other conditions for importation or exportation have been complied with»). However, the suspension can be maintained after that ten days period –and its eventual prorogation for another ten days- when the competent authority (usually judicial) adopting this provisional measure has ordered its extension (art. 55, first sentence). In this regard, it has to be noted that TRIPs section on judicial provisional measures establishes the possibility to adopt them *inaudita altera*

(49) Art. 1.3 WCO Model Law n. 32.

(50) As D. GERVAIS puts it in «The international...» n. 27, para.3.38, p.62. What is, or what is not, sufficient should be determined on a case-by-case basis. The more, the better, but the authorities should not require excessive or difficult to obtain information (art. 41 TRIPS).

(51) Following D. GERVAIS, *Ibid*, p. «normally a matter of few days». This is equivalent to the «prompt» notification of art. 54. D. GERVAIS, *The TRIPS*, n. 21, p. 478.

(52) D. GERVAIS, , «The International...», n. 27, para.3.50, p. 64.

(53) *Ibid*. para.3.46, p. 64.

parte and, beyond the obligation to give notice to the affected party -«without delay after the execution of the measures at the latest»-, it provides for the defendant's right to claim its review –«including a right to be heard»-. The review may lead to confirming, revoking or modifying the provisional (suspension) measure (art. 50.2 and 4). This review is equally established in cases when proceedings on the merits have been initiated (art. 55, second sentence). If proceedings on the merits are not initiated «within a reasonable period, to be determined by the judicial authority ordering the measures where a Member's law so permits or, in the absence of such a determination, not to exceed twenty working days or thirty one calendar days, whichever is the longer», the defendant can request the measure to be revoked or otherwise cease to have effect (art. 55, third sentence). For the suspension, the WCO Model Law establish, except in particular cases, a minimum duration of one year (54).

When non-judicially adopted or confirmed suspension measures affecting industrial designs, patents, layout-designs or undisclosed information expire, goods complying with customs requirements should be released for circulation. However, the owner, importer or consignee entitled to the release will have to post a security «in an amount sufficient to protect the right-holder for any infringement». This security, which does not prejudice any remedy available to the IP right-holder, shall be released if the right-holder does not pursue the available infringement action «within a reasonable period» (art. 53.2).

The importer, the consignee and the owner of the accused goods are entitled to compensation for damages caused by wrongful detention or a detention followed by a release due to applicant's inaction (art. 56). The rule does not mention other expenses or attorneys' fees, but they are not excluded either (55).

To substantiate their claims, the right holder and the importer (not the owner or consignee) must be able to benefit of an inspection right over the goods (art. 57). The right-holder can charge with this inspection to an expert (56). In addition, customs authorities have to be able to discretionally order the infringer to inform the right holder of the names and addresses of the consignor, the importer and the consignee and of the quantity of the goods in question.

Once the infringement is established, the competent authorities will be allowed to order the destruction (unless national constitutional provisions forbid it) or the disposal outside the channels of commerce of the infringing goods (art. 59). These remedies should be adopted without any kind of compensation to the owner/consignee/importer of the goods, avoiding any harm to the right-holder, taking into consideration the interest of third parties, attending to the proportionality between the infringement and the remedy, and minimizing risks of further infringements (art. 46). Except in exceptional circumstances, counterfeited goods

(54) Art. 2 WCO Model Legislation, n. 31, establishes «Customs shall specify how long it will provide assistance regarding applications made under article 1. The minimum duration for such assistance shall be no less than one year, unless the applicant requests a shorter period for assistance or applies for action in cases of specific shipments».

(55) D. GERVAIS, «The International...», n. 26, para.3.57, p. 66.

(56) *Ibid.* para.3.59 p. 66.

cannot be released to the stream of commerce by simply removing the trademark unlawfully affixed, nor can they be re-exported in an unaltered way nor subjected to a different customs procedure (57).

If Member States decide to require border ex officio action allowing competent authorities (usually customs) to suspend the release of goods, (1) the authorities should be entitled to seek relevant information from the right-holder; (2) the importer and right-holder must be promptly notified of the suspension; (3) the right-holder or other party other than the defendant must proceed to the next stage within ten working days (possible extension for another 10 days) (4) an importer appeal of the suspension will be treated, mutatis mutandis, as the ones taking place in ex-parte initiated procedures; and (5) regarding liability, public authorities and officials who did act in good faith will be exempted of any responsibility (art. 58).

Beyond this detailed regulation on border measures, TRIPS provides for international cooperation «with a view to eliminating international trade in goods infringing intellectual property rights»; particularly, regarding «counterfeit trademark goods and pirated copyright goods» they compromise on promoting «the exchange of information and cooperation between customs authorities» (art. 69). To this end, they establish contact points in each country (58).

Up to July 2012, the only international conflict on IPR border measures has been related to goods in transit. India and Brazil presented requests for consultations under the Dispute Settlement Procedure due to EU customs seizures –in The Netherlands- of medicines in transit between both countries (59). As it has been noted, TRIPS does not oblige to apply border measures to goods in transit but neither does it exclude this possibility. In summary, beyond non-TRIPS compliance, the GATT-based arguments are that the seizure was unreasonable, discriminatory and interfered with, and imposed unnecessary delays and restrictions on the freedom of transit of generic drugs lawfully manufactured within, and exported from, India by the routes most convenient for international transit. It is argued that the rights conferred by the owner of a patent right cannot be extended to interfere with the freedom of transit of products lawfully manufactured within and exported from a Member State; and that seizures of in-transit goods «create barriers to legitimate trade, permit abuse of the rights conferred on the owner of a patent, are unfair and inequitable, unnecessarily burdensome and complicated and create unwarranted delays». It is also noted that the measure has a particularly adverse impact on developing and least-developed countries (60). In July 2012, this process remains on its consultation's phase.

(57) *Ibid.* paras.3.63-3.77, p. 68: The conflict between arts. 46 in fine (prohibiting the release of counterfeit products into the channels of commerce) and 59 (limits its text to prohibition the «exportation» of counterfeits «in an unaltered state») is only apparent.

(58) The list regularly updated and published by the WTO as document IP/N/3.

(59) WTO Cases European Union and a Member State (The Netherlands) – Seizure of Generic Drugs in Transit; DS407, presented by Brazil on 11 May 2010, and DS408 presented by India on 12 May 2010.

(60) For an exhaustive analysis see X. SEUBA, *Border measures concerning goods allegedly infringing Intellectual Property Rights. The seizures of Generic Medicines in Transit*. Working Paper ICTSD, June 2009.

III. EU legislation has not really needed special action to be adapted to TRIPs commitments. The abundant EU harmonization of substantive IPR (61) has been pursued to ease the protection of the rights in the internal market as well as the free movement of goods between Member States (62). Nevertheless, it has to be acknowledged that this substantive harmonization does not exclude the existence of certain differences between Member States' perceptions of IPR infringements (63). Regarding procedures for IPR defense and for infringements' prevention, in addition to Directive 2004/48 on IPR (civil and administrative) enforcement (64), Regulations on the intervention of custom authorities have been in existence – successively extending the material scope (65)- since 1986 (66). Once TRIPs Agreement was in force, the European Court of Justice (ECJ) –now the Court of Justice of the European Union (CJEU)- expressly ruled that EU border measures must be interpreted in compliance with it (67). In any case, it is clear that TRIPs provisions are not such as to create rights upon which individuals may rely directly before courts by virtue of EU law (68) and that «in the absence of any Community rules in the matter, it is for the domestic legal system of each Member State to lay down the detailed procedural rules relating to actions for the enforcement» of IPR (69).

The aim of EU legislation on border measures for IPR protection is to «guarantee consumers safety and protection, respect for holders' IPR and the financial interests of the Community in an economic area that is both competitive and open to free competition». It «should serve to promote business innovation and competi-

(61) See http://ec.europa.eu/internal_market/indprop/index_en.htm (industrial property) and http://ec.europa.eu/internal_market/copyright/index_en.htm (copyright and neighbouring rights).

(62) Parallel to GATT art. XX.d -see *supra*-, art. 36 of the Treaty on the Functioning of the European Union (TFEU) establishes the possibility of excepting the free movement of goods on the basis of the protection of territorial IPR (industrial and commercial property). ECJ has produced an abundant and important jurisprudence in this regard.

(63) O. VRINS and M. SCHNEIDER (Eds) *Enforcement of Intellectual Property Rights Through Border Measures; Law and Practice in the EU*. Oxford, New York, 2006, p. 993.

(64) Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, *OJ* (2004) L 195/16, 2.06.04. On 24 May 2011, the Commission proposed the review of the Directive. In the Commission's roadmap for the review of the Directive the submission of its proposal to the Impact Assessment Board and the launch of the inter-service consultation are scheduled for July 2012; and the adoption is expected for September 2012. http://ec.europa.eu/governance/impact/planned_ia/docs/2011_markt_006_review_enforcement_directive_ipr_en.pdf. Visited in July 2012.

(65) M. SCHNEIDER and O. VRINS, «Regulation...», n. 45, para. 5.12-5.22, pp. 109-112.

(66) See *infra*.

(67) Case C-53/96 *Hermès International v FHT Marketing Choice BV* (1998) ECR I-3605.

(68) Cases C-300/98 and C-392/98 *Parfums Christian Dior SA v. Tuk Consultancy BV, Assco Gerüste GmbH* (2000) ECR-I11307; para. 43-49.

(69) Case C-89/99, *Schieving-Nijstad VOF v. Robert Groenvelde* (2001) ECR I-5851, para.34.

tiveness and safeguard jobs while protecting national economies». However, its main objective is «to provide the single market and consumers with more effective protection in a bigger Community» (70).

Regulated through the Community Customs Code (71), the twenty seven Member States integrate the EU customs territory (72); hence, it is delimited by their external borders –when not touching upon each other-. Member States customs are, therefore, EU customs. Once the goods surpass whichever EU customs, they benefit of free circulation within the customs territory (73). When entering this territory, goods are under customs supervision as long as necessary to determine their customs status; then they may be subject to customs control (74). As it will be seen, there are different custom controlled situations.

Following the path opened by Regulation 3842/86 (75) and Regulation 3295/94 (76), from July 2004, Council Regulation 1383/2003 (77), 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

(70) Proposal for a Council Regulation 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 COM (2003) 20 final; 20.01.2003, explanatory memorandum, pp. 2-5.

(71) Council Regulation (EEC) 2913/92 of 12 October 1992 establishing the Community Customs Code *OJ* (1992) L 302; and Regulation (EC) N° 450/2008, laying down the Community Customs Code (Modernised Customs Code) *OJ* (2008) L 145/1. The new Regulation will become applicable once the implementing rules have been revised, before 25 June 2013.

(72) Art. 3.1 CCC, n. 69, defines the EU customs territory, which includes the 27 Member States and their territorial waters, inland maritime waters and airspace; the territory of the principality of Monaco and the territory of the United Kingdom Sovereign Base Areas of Akrotiri and Dhekelia. Some islands (Faroe, Greenland), overseas territories and municipalities (Gibraltar, Ceuta and Melilla, Saint Pierre Miquelon and Mayore; Heliogard and Büsingen), as well as national waters (national waters of Lake Lugano located between the bank and the political frontier of the area between Ponte Tresa and Porto Cartesio) are excluded.

(73) Art. 28 TFEU. There is, however, an exception for goods released for free circulation at reduced or zero rate of duty on account of their end use; art. 82.1 CCC, n. 72.

(74) Art. 37 CCC, n. 69, states «1. Goods brought into the customs territory of the Community shall, from the time of their entry, be subject to customs supervision. They may be subject to customs controls in accordance with the provisions in force. 2. They shall remain under such supervision for as long as necessary to determine their customs status, if appropriate, and in the case of non-Community goods and without prejudice to Article 82 (1), until their customs status is changed, they enter a free zone or free warehouse or they are re-exported or destroyed in accordance with Article 182».

(75) Council Regulation (EEC) No 3842/86 of 1 December 1986, laying down measures to prohibit the release for free circulation of counterfeit goods, *OJ* (1987) L 357, 18.12.1986.

(76) 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 exportation, *OJ* (1994) L 341/8, 30.12.94; amended by Council Regulation (EC) No 241/99 of 25 January 1999, *OJ* (1999) L 27/1.

(77) Council Regulation (EC) No 1383/2003 of 22 July 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, *OJ* L 196, 02/08/2003.

rights, and its implementing Regulation 1891/2004 (78), set the conditions under which the customs authorities may intervene in cases where goods are suspected of infringing IPR and the steps to be taken when goods are found to be illegal. As it will be shown, the Regulation clearly satisfies and exceeds TRIPs commitments. It has to be noted that, on 24 May 2011, the Commission proposed a new Regulation on customs enforcement of IPR (hereinafter the Proposal) to further reinforce the framework for customs action while ensuring the interests of legitimate traders from possible abuses (79).

It is not an EU customs' task to decide on the infringement or on the validity of IPR. The Regulation takes good care in insisting that it does not interfere with the other legal remedies open to the right-holder (recital 8, arts. 14.2 and 17). However, aiming at the protection of IPR right-holders as well as consumers' health and safety (Recital 2), custom authorities are called to intervene when, in doing their job, they find goods suspected of infringing IPR. In any case, this intervention has to take place «without impeding the freedom of legitimate trade» (Recital 2).

Overall, customs intervention is subject to the appropriate criminal (80), civil or purely administrative IPR procedures, be them initiated before or after customs action. Therefore, generally, border measures can be understood as being «provisional and preventive» in nature. Only recently, in the Proposal, this fact has been expressly pointed in the border measures legislation (81). When, previous to any customs action, a judicial procedure on the merits is initiated before a competent court (82), this intervention may be ordered through a provisional measure addressed to the customs authorities of the competent jurisdiction (83). If it was to be

(78) Commission Regulation (EC) No 1891/2004 of 21 October 2004 laying down provisions for the implementation of Council Regulation (EC) No 1383/2003, *OJ L 328*, 30.10.2004, amended by Commission regulation (EC) no 1172/2007 of 5 October 2007 to take account of the accession of Bulgaria and Romania, *OJ (2007) L 261/12*. Hereinafter, implementing Regulation.

(79) COM (2011) 285 final 24 May 2011, explanatory memorandum p. 4.

(80) In 2005 the Commission released a proposal for a Directive on criminal measures aimed at ensuring the enforcement of IPR and a proposal for a Council Framework Decision to reinforce the criminal law framework to combat IP offences (COM (2005) 276 final). This was intended to supplement the civil and administrative measures, procedures and remedies provided for in Directive 2004/48. As announced in Official Journal C 252 of 18 September 2010, the Commission decided to withdraw the proposal. Criminal sanctions for enforcement of intellectual property rights are not part of the EU *acquis*.

(81) Recital 16 states. «Taking into account the provisional and preventive character of the measures adopted by the customs authorities in this field».

(82) For an analysis on the basis for jurisdiction for IPR infringement proceedings see J.H. FAWCETT and P.L. TORREMANS, *Intellectual Property ...* n. 17 paras.5.505-5.506, 5.152 and, for provisional measures paras.5.301, 5.322 and 5.330. See also P.A. DE MIGUEL ASENSIO «Cross-border adjudication of Intellectual Property Rights and Competition Between Jurisdictions», *AISA*, vol XLI, 2007, pp. 105-154. For a comprehensive analysis on the basis of the territoriality principle and its consequences on the exclusive jurisdiction see B. ÜBERTAZZI, *Exclusive Jurisdiction in Intellectual Property*. Mohr Siebeck, Tübingen, 2012.

(83) In Case C-53/96 *Hermès International v FHT Marketing Choice BV* (1998) ECR I-3603, the Court affirmed the provisional measure characterization –according to art. 50.6 TRIPS- of the Dutch preliminary relief.

addressed to other Member State jurisdiction, had it been characterized as having civil character (for this purpose the fact that it could have been adopted by a criminal court is of no relevance), it would have to be recognised and enforced in that Member State according to Brussels I Regulation (84), which could be complicated or, maybe in the future, even impossible (85).

As it has been noted (86), the Regulation does not guarantee an absolute uniform system for IPR border measures in the EU customs for a number of reasons. Firstly, although, as a Regulation, it is directly applicable, some of its provisions necessarily require Member States to enact certain measures (87) and one of the Regulation's procedures (simplified) is optional and not all the Member States have decided to implement it (88). Therefore, most members States have adopted legislation to execute the Regulation and, some of them, have been said to imply an «atypical interpretation» of its provisions (89). Secondly, it must be acknowledged that IPR are not fully harmonized substantively in the EU; which implies that there are differences between them on the determination of infringements or risk of infringements. Moreover, national laws on border measures, beyond supplementing the Regulation norms, can still be applied to IPR (90) and to commercial situations

(84) Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, *OJ* (2001) L 12/1, 16.01.2001.

(85) J.H. FAWCETT and P.L. TORREMANS, *Intellectual Property ...* n. 17 para.5.350, p. 254. See C. HONORATI, «Medidas provisionales y revisión del Reglamento de Bruselas I: Una oportunidad perdida para mejorar la regulación», *Anuario Español de Derecho Internacional Privado*, 2012, in press.

(86) M. SCHNEIDER and O. VRINS, «Regulation...», n. 44, para.5.23 and ss., pp.112 et al.

(87) Following art. 5.2, each Member State designates the authorities that will apply the regulated customs procedures; art. 5.3 require Member States to encourage right-holders to lodge their applications electronically; art. 15 each Member State shall determine the conditions of storage of the goods during the period of suspension of release or detention; art. 15 order Member States to establish the conditions of storage of the goods during the period of suspension of release or detention (without costs for customs administrations); art. 17 require Member States to adopt measures in order to enable the competent authorities to take certain decisions and put them into practice; and art. 18 compel Member States to establish sanctions (effective, proportionate and deterrent) for the infringement of the Regulation.

(88) For Spain I. DÍEZ DE RIVERA ELZABURU and J.J. CASELLES FORNÉS, «Spain», para.30.86 and ss, pp.1005and ss; and For Italy, R. BARBUTO and R. ARISTA «Italy», para.19.165 and ss, p. 667, in O. VRINS and M. SCHNEIDER (Eds) *Enforcement of Intellectual Property Rights Through Border Measures; Law and Practice in the EU*. Oxford, New York, 2012. Though the system exists in Italy, it is not applied due to the initiation of criminal procedures and the fact that the holder and the declarant have no title on the goods to agree on their destruction.

(89) M. SCHNEIDER and O. VRINS, «Regulation...», n. 45, even said: «one may wonder whether these interpretations are in line with the spirit of the Regulation», para.5.30, p. 114.

(90) This is the case of i.e., well known marks –art. 6 CUP-, trade or company names, utility models and topographies of semiconductors. Hungary includes goods infringing semiconductor topographies. L. BERCZES, «Hungary» in O. VRINS and M. SCHNEIDER (Eds) *Enforcement of Intellectual Property Rights Through Border Measures; Law and Practice in the EU*. Oxford, New York, 2012, paras. 17.06-17-07, p. 600.

(91) not falling in the scope of the Regulation (92). Therefore there are variations on the way each Member State apply border measures on IPR.

A) Following TRIPs Agreement, the Regulation establishes its material scope of application attending to the delimitation of the goods, the IPR and the customs situations in which the infringing or suspected of infringing goods could be.

As to the goods covered, the Regulation expressly establishes that moulds and matrices may be treated as the infringing goods when they are used for their manufacture (art. 2.3). The Proposal maintains this rule and expands it to «devices, products and components» able to circumvent technological devices used to protect IPR (93). For the rest, the determination of the goods covered is done on the negative. This way, firstly, the non-commercial goods contained in a traveller's private luggage «with the limit of the duty-free allowance» are excluded from the Regulation coverage (art. 3.2). At least, considering EU tax customs rules, imports have no commercial character when they are occasionally done, in small quantities and have exclusively personal or family use (94). Nevertheless, it goes without saying the difficulties that controlling the duty free allowance, and its repeated use, can have in practice to determine the commercial character of the goods exceeding its economic value (95). Reference to the duty free allowance is not present in the Proposal which, hence, will simplify the application of the rule. Posted mail cannot be considered personal luggage (96). Although, therefore, internet sales enter the scope of the Regulation once the goods are sent by post, the Regulation procedure becomes too complex for these cases. In this regard, the Proposal reforming the Regulation incorporates a special procedure for small consignments of counterfeit or pirated goods that will allow customs to destroy them at no cost for right-holders and without requiring his and the holder consents (special modality of simplified procedure) (97).

Second in the list of exclusions are goods manufactured under conditions different from those agreed with the right-holder. These are cases of contractual (or quasi contractual) infringements for which it seems clear that courts are best suited

(91) This is the case of parallel imports (art. 3). Germany and the UK include parallel imported goods. S. KURBER, «Germany» and T. ALKIN, P. NUNN AND S. TRACEY, «UNITED KINGDOM» in O. VRINS and M. SCHNEIDER (Eds) *Enforcement of Intellectual Property Rights Through Border Measures; Law and Practice in the EU*. Oxford, New York, 2012, pp.549 and 1049.

(92) M. SCHNEIDER and O. VRINS, «Regulation...», n. 45, para.5.23 p. 112.

(93) Recital 5 and Art. 2.7 n. 78.

(94) Art. 6 Council Directive 2007/74 of 20 December 2007 on the exemption for value added tax and excise duty of goods imported by persons travelling from third countries, *OJ* (2007) L 246/6. On its part, Directive 2004/48 n. 62, (recital 14) states that «acts carried out on a commercial scale are those carried out for direct or indirect economic or commercial advantage; this would normally exclude acts carried out by end consumers acting in good faith».

(95) M. SCHNEIDER and O. VRINS «Enforcement ...» n. 44, paras.5.297-5.301, pp. 172-173.

(96) Art. 5 Council Directive 2007/74, n. 95, defines personal luggage as the one accompanying the traveler.

(97) Art. 24 n. 77. See also the *Recommendations de la Villette*, 5 October 2010, <http://www.douane.gouv.fr/data/file/6589.pdf>. Visited in July 2012.

to take decisions. Finally, goods manufactured with right-owners' consent but without him having authorised the customs situation are also excluded (art. 3.1). This means that the Regulation cannot be used to act against parallel imports despite EU rejection of international exhaustion of IPR (98). Nevertheless, beyond national laws legislation on border measures covering parallel imports, nothing impedes right-holders resorting to judicial civil preventive measures that could order customs action –in contractual infringements as much as in parallel import cases- to suspend their release for circulation. The Proposal, however, does not expressly exclude its application to parallel imports and, considering that they may be infringing IPR, they will be covered under the reviewed Regulation.

The IPR covered by the Regulation comprise (art 2.1) copyright or related rights, design rights, trademarks –narrow understanding-, patents, supplementary protection certificate for medicines, plant variety rights, designations of origin or geographical indication and geographical designations. It is interesting to note that copyright and trademarks are only covered as far as their infringements are comprised within the Regulation definition of counterfeit and piracy. The result is that discrimination between IPR has been voiced since, whilst patents, plant varieties and other IPR can be fully enforced at the border, not all goods capable of infringing trademarks can (99).

The Regulation does not cover all trademarks infringements due to the restrictive definition of counterfeit goods (art. 2.1.a) (100). It is limited to identical and non-distinguishable («on its essential aspects») of registered signs, which shows a lack of coordination with the scope of protection of trademarks, particularly with community trademark for which «similarity» is enough to establish infringement of the sign, existing even from the application (although not validly registered yet) (101). However, it includes trademark symbols and packaging materials, many times traded separately from the goods that, after a simple process, they will identify once in the EU territory. As to the different treatment received by trademarks in comparison to other IPRs, it is important to note that the Proposal will finish with it

(98) Cases C-355/96 *Silhouette International Schidied v. Harlauer Handelsgesellschaft* (1998) ECR I-4799, para.26; C-173/98 *Sebago and Maison Dubois* (1999) ECR I-4103 para.21, and C-414/99 to 416/99, *Zino Davidoff S.A. and Levi Strauss* 20 November 2001, para.66.

(99) M. SCHNEIDER and O. VRINS «Regulation ...» n. 44 para.5.61 p. 61.

(100) Art. 2.1.a « (i) goods, including packaging, bearing without authorisation a trademark identical to the trademark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the trademark-holder's rights under Community law, as provided for by Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trademark or the law of the Member State in which the application for action by the customs authorities is made; (ii) any trademark symbol (including a logo, label, sticker, brochure, instructions for use or guarantee document bearing such a symbol), even if presented separately, on the same conditions as the goods referred to in point (i); (iii) packaging materials bearing the trademarks of counterfeit goods, presented separately, on the same conditions as the goods referred to in point (i)».

(101) M. SCHNEIDER and O. VRINS, «Regulation ...» n. 44, paras.5.45, 5.48 and 5.49, pp. 117-118.

by expressly mentioning them in the list of protected IPR (102) and by introducing a new definition of counterfeited goods (103). Regretfully, this definition excludes the reference to packaging material, walking back from the present coverage (104). Nevertheless, practice shows that some national authorities leave aside the literal interpretation of the Regulation and have applied it in cases of goods with signs merely similar to a trademark as well as on the basis of a trademark application or even unregistered well-known trademark (105).

The definition of pirated goods (106) has also been subject to criticisms due to the use of the word «copies» which, whilst easing customs application of the Regulation, leads to confusion since its scope is not defined (or related to the type of rights/infringements) (107). The Proposal provides with a more clear definition (108).

It is clear that the IPR on utility models, *sui generis* protection of non-original databases, topographies of semiconductor products, trade names, know-how, and goods infringing (only) unfair competition laws are not included (109). However, the Proposal aims at extending the scope of the Regulation also to topographies of semiconductor products, utility models and trade names (110). In this extension of the IPR covered, the Proposal includes «any exclusive intellectual property right established by the EU legislation» (111), which seems to anticipate the creation of

(102) Recital 5 and art. 2.1 and 2, n. 78.

(103) Art. 5.2 n. 78 states that counterfeit goods means: «(a) goods which are subject of an action infringing a trade mark and bear without authorisation a trade mark identical to the trade mark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trade mark; (b) goods which are subject of an action infringing a geographical indication and bear or are described by a name or term protected in respect of that geographical indication».

(104) M. SCHNEIDER and O. VRINS, «Regulation ...» n. 45, para.5.628, p. 242.

(105) In Spain, see I. DÍEZ DE RIVERA ELZABURU and J.J. CASELLES FORNÉS, n. 89, paras.30-20 and 30-21, pp. 991-992. Even with the extended coverage of the proposal to any exclusive IPR «established by the EU legislation», it is doubtful that unregistered well-known trademarks (art. 6 *bis* CUP) are included. M. SCHNEIDER and O. VRINS, «Regulation ...» n. 45, para.5.621, p. 240.

(106) Art. 2.1.b «pirated goods», namely goods which are or contain copies made without the consent of the holder of a copyright or related right or design right, regardless of whether it is registered in national law, or of a person authorised by the right-holder in the country of production in cases where the making of those copies would constitute an infringement of that right under Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs or the law of the Member State in which the application for customs action is made.

(107) M. SCHNEIDER and O. VRINS, «Regulation ...» n. 45, para.5.64-5.65, pp. 122-123.

(108) Art. 2.7 states that 'pirated goods' means goods which are subject of an action infringing a copyright or related right or a design and which are or contain copies made without the consent of the holder of a copyright or related right or a design, regardless of whether it is registered, or of a person authorised by that holder in the country of production.

(109) M. SCHNEIDER and O. VRINS, «Regulation ...» n. 45, para.5.110, pp. 130-131.

(110) Recital 5 and art. 2.1.b, j, k, and l, n. 80.

(111) Recital 5 and art. 2.1.m, n. 80.

new unitary rights (112).

The Regulation does not establish substantive harmonization of IPR nor of the circumstances under which infringements exist. The CJEU has recently recognised so in the Nokia-Philips case (113). In this regard, the Proposal expressly states that the Regulation provisions do not «introduce any new criterion for ascertaining the existence of an infringement of the intellectual property law applicable» (114). Moreover, as it has been pointed, it is not an EU customs' task to decide on the infringement or on the validity of IPR. However, under the Regulation and for its particular purposes, custom authorities have to be confronted to the «suspicion» of infringement in ex officio actions (art. 4.1) or to the existence of «sufficient ground» for infringement in ex parte actions (art. 9.1) (115). There is a clear difference that calls for a stricter analysis of the case in the regular ex parte actions; which can be explained due to the nature of the ex officio interventions that, at the end, require the right-holder to turn to the «regular» procedure by presenting his application for customs intervention.

The IPR infringement-as well as the infringement suspicion- has to be established according to the applicable national or EU (unitary rights) law (art. 10) (116). This situation has to be distinguished from cases where civil or criminal courts judge on certain goods' infringement of IPR and, for this purpose, take into consideration the customs procedure under which those goods are placed or their value and commercial character (in cases of goods contained in personal luggage or sent by post). As the CJEU established in the Nokia-Philips case «Unlike the decision taken by the customs authority to detain the goods temporarily, [...], the substantive decision [...] cannot be adopted on the basis of a suspicion but must be based on an examination of whether there is proof of an infringement of the right

(112) M. SCHENIDER and O VRINS, «Enforcement ...», para.5.621, p. 240.

(113) ECJ judgment of 1 December 2011 in joined cases C-446/09, *NV Koninklijke Philips Electronics v Far East Sourcing Limited* and C-495/09, *Nokia Corporation v. Her Majesty's Commissioners of Revenue and Customs*.

(114) The Proposal emphasizes the distinction between the procedural nature of its rules and the substantive law on IP, n. 79 p. 4 and recital 6.

(115) A. PETERSEN-PADBERG, «Regulation 1583/2005» in T. COTTIER and P. VÉRON (Eds) *Concise International and European IP Law*. 2nd Ed. Kluwer Law International, 2011, p. 371, consider this expressions to be wider than the TRIPs art. 51 «valid grounds».

(116) In this regard, despite its non-explicit exclusion in ECJ ruling in *Montex* case (ECJ, 9 November 2006, C-281/05, *Montex Holdings Ltd. V. Diesel SpA*), the so-called «manufacturing fiction» inferred from interpreting recital 8 of the Regulation cannot be used. Moreover, to avoid any more doubts, the Proposal n. 79 does not include any resembling recital. *Montex* case refers to trousers with DIESEL trademark originated in Poland –then, a non-EU member- and going to Ireland – the mark was not registered there- in transit through Germany, where the trademark was registered and the goods had been retained by customs authorities. Considering the absence of Community rules in this regard, the fiction –used by many national courts- was to resort to the same norms as those used to determine whether goods produced in the Member State where the customs action took place infringe the rights of the holder. Hence, goods blocked whilst in external transit through an EU Member State should be considered counterfeit if they would have constituted an infringement of the right-holder's mark had they been manufactured in the country of transit. On the basis of territoriality, the conclusion always was that the Regulation explicitly prohibits the transit of such goods.

relied upon» (117).

The customs situations where intervention may take place are those in which goods infringing IPR (arts. 1.1 (118)) are found during checks on goods entering or leaving the EU customs territory. This includes cases where the goods are released for free circulation, exported, re-exported, placed under a suspensive procedure or placed in a free zone or free warehouse. As will be noted, the most complex aspects of the Regulation scope in this respect are related to the so-called in-transit goods.

All these situations imply customs supervision and, therefore, allow conducting customs control. The release for free circulation implies importation and the entry in the internal market. The export and re-export imply the abandonment of the customs territory, be it from a truly internal market situation (export) or from a controlled customs situation (re-export) (119). The suspensive procedure refers to goods under customs supervision until they leave the customs territory or their custom status is changed. There are different suspensive procedures/arrangements: external transit (120), customs warehousing (storage; usually the delivery country has not been determined yet) (121), inward processing in the form of a system of suspension (122), processing under customs control (123), temporary importation

(117) *Nokia- Philips* n. 113, para. 68.

(118) Art. 1.1 «(a) when they are entered for release for free circulation, export or re-export in accordance with Article 61 of Council Regulation (EC) No 2913/92 of 12 October 1992 establishing the Community Customs Code (now, arts. 70, 162 and 182(2) CCC – n. 71-); (b) when they are found during checks on goods entering or leaving the Community customs territory in accordance with Articles 37 and 183 of Regulation (EEC) No 2913/92, placed under a suspensive procedure within the meaning of Article 84(1)(a) of that Regulation, in the process of being re-exported subject to notification under Article 182(2) of that Regulation or placed in a free zone or free warehouse within the meaning of Article 166 of that Regulation».

(119) According to art. 182 CCC, n. 68, non-community goods placed (i) under temporary importation procedure, (ii) under the customs warehousing procedure (iii) under the inward processing procedure in the form of a system of suspension, (iv) under the procedure for processing under customs control, or (v) in a free zone or a free warehouse; leave the EU customs territory after being introduced into this territory without ever having been conferred with the custom status of community goods (released for free circulation).

(120) Art. 91 CCC, n. 71, states «The external transit procedure shall allow the movement from one point to another within the customs territory of the Community of: (a) non-Community goods, without such goods being subject to import duties and other charges or to commercial policy measures; (b) Community goods, in cases and on conditions determined in accordance with the committee procedure, in order to prevent products covered by or benefiting from export measures from either evading or benefiting unjustifiably from such measures».

(121) Art. 98 CCC, n. 71, states «2. Customs warehouse means any place approved by and under the supervision of the customs authorities where goods may be stored under the conditions laid down». «1. The customs warehousing procedure shall allow the storage in a customs warehouse of: (a) non-Community goods, without such goods being subject to import duties or commercial policy measures; (b) Community goods, where Community legislation governing specific fields provides that their being placed in a customs warehouse shall attract the application of measures normally attaching to the export of such goods».

(122) Arts. 114-119 CCC, n. 71.

(123) Arts. 130-136 CCC, n. 71.

(124) and placing on a free zones or a free warehouse (125) and when goods not subject to any customs procedure; and thus need not to be declared (126).

Summarizing, it is possible to distinguish two main situations covered by the Regulation. One: goods entering (for release for free circulation) or leaving the EU customs territory (export or re-export, placing the goods under a suspensive customs procedure); cases in which they are subject to customs declaration. Two: goods in all other cases (entering free zone or free warehouse, or entering or leaving the EU whilst carried on means of transport only passing –non-stop- through the waters or airspace of customs territory), which are not subject to customs declaration. Therefore, transit situations are also within the Regulation scope. Even the mere transshipment –a frequent situation- fall within the Regulation since, although it is not a customs procedure and it is not subject to customs declaration, it consists on goods «entering or leaving the customs territory» (127). In this regard, it is important to note that the Regulation, although not in its provisions, expressly mentions the trans-shipment of unauthentic goods (3rd recital). Clarifying this issue, the Proposal refers to all customs situations where goods «are or should have been subject to customs supervision» (128). This is, however, the most internationally polemic aspect of the Regulation, that will be addressed below. Nevertheless, it is interesting to note that goods in transit do not represent a high volume of customs action, as it is also the case in export situations. Custom action mostly takes place whilst goods are under an import procedure (129).

B) The Regulation provides for regular (compulsory) and simplified (optional) procedures. The simplified procedure is exceptional and, in case of being established in national law, can only be used with the right-holder's agreement (art.11). Where implemented, it has been extremely successful and much used (130). The Proposal attains the compulsory introduction of this procedure as well as the incorporation of a new specific procedure for small consignments (131). However, under the Proposal the simplified procedure will no longer be an option for perishable goods (132).

Usually, the procedures are initiated *ex parte* (arts. 3 and 4). Nevertheless, if

(124) Arts. 137-144 CCC, n. 71.

(125) Art. 84(1) art.166 CCC, n. 71.

(126) M. SCHNEIDER and O. VRINS, «Regulation» n. 44, para.5.117-5118, p.132-135.

(127) For entry, see art. 37 CCC, n. 72. For exit, art. 182a CCC states «Goods leaving the customs territory of the Community, with the exception of goods carried on means of transport only passing through the territorial waters or the airspace of the customs territory without a stop within this territory, shall be covered either by a customs declaration or, where a customs declaration is not required, a summary declaration».

(128) Recital 4 and art. 1.1, n. 80.

(129) *EU Customs Enforcement 2011* n. 6, p. 19, indicates that 92,92% of all cases took place in import procedures, 4,13% in transit with an EU destination, 1,31% in transit and 1% in export procedures.

(130) M. SCHNEIDER and O. VRINS, «Regulation ...» n. 45, para.5.782, p.272. In 2011, 77,69% of the goods detained were destroyed under the simplified procedure. *Vid. EU customs enforcement 2011*, n. 6, p. 12.

(131) Arts. 23 and 24 n. 80.

(132) Art. 17.3 n. 80.

during border controls customs authorities perceive the presence of «suspicious» merchandise, be it perishable or non-perishable goods, they can suspend the clearance or retain the merchandise *ex officio* during three working days, informing the declarant or the holder of the goods and the IPR right-holder for him to present the corresponding application for intervention (art. 4) (133). *Ex officio* interventions, whose number is being progressively reduced in practice (134), remain available under the Proposal, which adds guarantees for the declarant or holder (135) and for the IPR right-holder (136).

The only legitimated person to apply for customs intervention is the right-holder (art. 5.1), defined as the holder of the right, any other person authorised to use it or a representative of any of them (art. 1.2). The Regulation, therefore, adopts a flexible approach (137) that, some authors argue, may contrast in certain cases with the legitimisation to initiate procedures on the merits (138). This is clearly an issue that has to be determined in accordance to the corresponding applicable law. To resolve any doubt that may exist in this respect, the Proposal expressly requires that any person submitting an application must be able to initiate proceedings for infringement (139), which will reduce the number of persons that will be entitled to present a customs application in their own name (140). It goes without

(133) The three days are counted from the moment in which the right-holder is informed, art. 5 implementing Regulation n 77. In practice, this short period can be extended for customs authorities to confirm, mainly through conversations with the right-holders, their suspicions. M. SCHNEIDER and O. VRINS, «Regulation ...», n. 45 para.5.319, p. 177.

(134) In 2011, less than 3% of customs actions were initiated *ex officio*. The number has fallen from 26,50% in 2008, 9,62% in 2009 and 4,02% in 2010. See *EU customs enforcement* 2011, n. 6, p. 9.

(135) Art. 17.3 and 5, n. 80, state that they will receive a communication on the customs' intention and have an opportunity to express their views during the three working days from the communication's dispatch, and have to be notified within one working day on the decision of the adoption of the suspension of the release or the detention of the goods. If customs do not find any person entitled to submit an application in that period, the goods shall be released.

(136) Art. 17.4, n. 80, states that «any person entitled to submit an application» on the infringement, will have to receive the notification of the suspension of the release or the detention of the goods within one working day. If no person is found in this period, the merchandise will be released.

(137) Art. 1 implementing Regulation n 79. Right-holders include the original ones, those acquiring the rights latter (by any legal or contractual title) and, in the case of geographical indications' rights, the group as much as all the producers authorized to use it. These are also comprised in the group of persons authorized to use the right, together with the licensees (voluntary or compulsory). Attorneys, consultants, collective societies and right-holder's associations can act as representatives.

(138) M. SCHNEIDER and O. VRINS, «Regulation ...», n. 44 para.5.338, p. 180. Against this interpretation A. PETERSEN-PADBERG, «Regulation...» n. 115, p. 391.

(139) Art. 4.4 n. 79.

(140) Representative bodies will not be allowed to submit applications in respect of geographical indications and copyrights or related rights unless «regularly recognized as having a right to represent» the right-holders and it is doubtful that lawyers or patent and trademark attorneys will be able to do it. M. SCHNEIDER and O. VRINS, «Regulation...», n. 44 para.6.676, p. 251.

saying that the other affected persons involved in the procedures will be the declarant (141), holder (142), consignee, importer or/and owner (143) of the suspected goods.

Member States designate the competent authority before which applications have to be presented (144). It is required that the IPR whose protection is sought is protected in the Member State where the application is presented (arts. 2.1c, 3 and 5), be it in an import or in an -more rare- export situation. It is not unusual that an IPR is protected in a number of Member States or in all the territory of the UE (at least, unitary rights), or that the protection may be needed in a number of EU customs. Since multiple national applications may be considered unnecessarily complicated and/or costly, the application may be presented in one of the Member States' customs and mention other requested States. Although the Regulation only regulates this «community application» expressly in respect of unitary rights' cases (art. 5.4), the ECJ interpreted the Regulation in the sense that the holders of internationally registered trademarks can obtain customs authorities intervention in different Member States through the filing of a community application presented only in one of them (*Zino Davidoff*) (145). In these cases, the national customs where the application is presented is responsible for deciding on its admission and on the adoption of measures, which will be unique for all the mentioned Member States. The other customs will be compelled to act, without reviewing the decision, once they have received it (art. 8.3) (146), be it through the applicant or, with the applicant consent, directly from the deciding customs. They can, however, ask for translations or additional information (art. 8.2). The right-holder is allowed to extend his original community application to other Member States while the measures adopted under it are still in force (147).

To ease and harmonize the application of the Regulation, the Commission has established a manual for right-holders to help them lodge requests under Regulation

(141) As defined in art. 4.18 CCC n. 72. 'Declarant' means the person making the customs declaration in his own name or the person in whose name a customs declaration is made. Art. 2.13 of the Proposal, n. 80, incorporates this definition by reference.

(142) The CCC does not provide a definition of the holder of the goods, but of the holder of the procedure or of the documents (art. 4.20 and 21 CCC n.71). The transporter, a freight agent or a sea agent can be considered «holders». In any case, art. 2.12 of the proposal incorporates its own definition: «person who is the owner of the goods or who has a similar right of disposal over them or who has physical control over them».

(143) Art. 381 and 2 CCC n. 71 refers to the person bringing goods to the EU as well as any person who assumes responsibility for the carriage of goods after they have been brought to the EU.

(144) For example, in Spain, they are addressed to the Subdirección General de Gestión Aduanera, in the Customs and Special Taxes Department of the Economic Ministry and in Italy to the Central Antifraud Office of the Italian Customs Agency.

(145) Case C-302/08, *Zino Davidoff S.A.*, 2 July 2009, paras.25-26.

(146) Art. 3.3 implementing Regulation requires completing the «acknowledgement of receipt» in the form indicating the date.

(147) Annex I (national applications) and art. 3.3 and Annex II (community applications) of the implementing Regulation.

(148). The application must be in written (art. 5.1), using the established uniform forms (art. 3.1) (149) and, if the possibility is available, it can be electronically submitted (art. 5.3). Although there is no express requirement on the language that has to be used (150) or to the number of IPR to which the application may refer, practice shows that it is usually done in the language of the customs Member State where it is presented and that each application refers to one IPR (151). In this regard, the Proposal will allow a single application to cover several IPR (152). The application has to include certain information whilst the provision of additional information is optional, but it is always up to the customs authority to reject or accept the application (art. 5.8). However, in the Proposal the provision of all the information is compulsory and, if not presented, customs authorities will be forced to reject the application (153). The information permits customs authorities to identify the suspected infringing goods. Mandatory information includes: (a) an accurate and detailed technical description of the goods; (b) any specific information the right-holder may have concerning the type or pattern of fraud; (c) the name and address of the contact person appointed by the right-holder (art. 5.5). It is also mandatory to include a proof that the applicant holds the right and a declaration of the right-holder accepting, on the one hand, the costs of the procedure (ordinary or simplified) and, on the other, the liability towards the affected persons in cases of lack of action on his part or if the goods are declared to be non-infringing (art. 6.1) (154). EU customs practice shows that the percentage of these situations taking place is low (155).

The optional information includes: (a) the pre-tax value of the original goods on the legitimate market in the country in which the application for action is lodged; (b) the location of the goods or their intended destination; (c) particulars identifying the consignment or packages; (d) the scheduled arrival or departure date of the goods; (e) the means of transport used; (f) the identity of the importer, exporter or holder of the goods; (g) the country or countries of production and the routes used by traffickers; (h) the technical differences, if known, between the authentic and suspect goods (art. 6). In addition, customs authorities may require additional de-

(148) EU Commission Directorate-General on Taxation and Customs Union, Customs Policy (customs policy and customs control), *Manual for lodging applications for customs actions*, (hereinafter Commission's Manual) http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/right_holders/manual_en.pdf. Visited in July 2012.

(149) Annex I of the implementing Regulation, n 77.

(150) Art. 3.2 of the Implementing Regulation, n 77 states that community applications can be done in one of the EU official languages designated by the member State where the application is submitted.

(151) At least, Commission's Manual n. 176, para.14, p. 21, states that it is not possible to add new IPR to a national application.

(152) Art. 6.3, n 80.

(153) Art. 6.3 and 7.2 (if not provided, the application shall be rejected). The procedure will incorporate a deadline to complete applications lacking information (art. 7.1), n. 79.

(154) Annexes I-B and II-B of the Implementing Regulation n. 77.

(155) EU Customs Enforcement 2011, n. 6, p. 12, right-holder not taking action occurs in the 4,48% of the cases and the goods being original on the 3,03%.

tails relating to the particular IPR. The application itself does not entail administrative costs (art. 5.7) (156).

Customs authorities have to decide on the application on thirty working days after its reception (art. 5.7) (157). They can accept or reject it. When the application does not fulfil the requirements (even the mandatory information) rejection, that in any case would have to be motivated, is an option, not an obligation (art. 5.8). When accepted, the «action» that customs may take consists on the suspension of release or on the detention of the suspected infringing goods. Suspension takes place when the goods are under a suspension customs procedure. Detention takes place when the goods (1) are not yet under a suspension procedure, (2) are in a free zone or free warehouse, or (3) are notified as to be re-exported. This action should have a maximum duration of one year (art. 8.1) except in in community applications, where the duration shall always be one year (art. 8.2). The Proposal ends with the fix one year period for community applications (158). Nevertheless, the measures can be extended on the right-holder's request (art. 8.1) (159). Decisions must be notified to the applicant and to the identified «defendant» (declarant, consignee or importer of the goods) (art. 8.2). In this regard, it is important to note that the Proposal requires customs authorities to communicate their intention to decide the suspension or detention to the holder or declarant of the goods before adopting it, so that they can «express» their «views» within three working days (160).

Along the process, information is exchanged and samples of the infringing goods can be taken to better determine the existence of the infringement or risk of infringement. These data is meant to better substantiate the cases and, therefore, it cannot be used for purposes different than the customs procedure or, eventually, the procedure on the merits (161) (arts. 9.3 and 12 (162)). Upon the right holder application, customs must provide him with the name and addresses of the con-

(156) While some authors (A. PETERSEN-PADBERG, «Regulation ...», n. 116, p. 409) sustain that it does not mean that national authorities are not permitted to ask for a fee or security, others (M. SHNEIDER and O. VRINS, «Regulation...», para.5368, p. 187) argue that it would be against the aim of the legislator; which intended to replace the costs by the undertaking to accept liability.

(157) During that period they can take measures *ex officio*. If the deadline is not respected, national law will decide on the eventual administrative sanctions. See *infra*.

(158) Art. 10.1 n. 80.

(159) The extension request can be done without charges using the recommended form. It is also recommended to apply for it thirty days before the validity of the granted application expires. *Commission's Manual* n. 150, para.13 p.21.

(160) Art. 16.3 n. 80.

(161) Although it is not expressly established and a contrary interpretation could be argued regarding samples, as M. SHNEIDER and O VRINS, «Regulation ...» n. 45, paras.5.442 and 5.433 pp. 199-190, state, there is no reason for depriving the right-holders to use them in the course of legal proceedings «which constitute the outcome and thus the reason behind the border measures system».

(162) Art. 12 seems confusing since its first paragraph limits the use of the information to the simplified procedure and the procedure on the merits, whilst its second paragraph allows for uses not forbidden under the national law where the situation arose.

signee, consignor, declarant or holder of the goods, as well as with the information on the origin and provenance of those goods if this does not affect the national laws on personal data protection (art. 9.3). In *Adidas*, the Court established that national data protection laws cannot block facilitating the identity of declarants or consignees to right-holders for the purposes of the Regulation (163), raising fears of divergent practice in each Member State (164). In addition, the applicant may also inform the right-holder, the declarant or holder of the suspected infringing goods on its amount and characteristics (art. 9.2). The applicant as well as the other affected persons must be allowed to inspect and take samples of the goods (art. 9.3).

During the suspension of release or detention, the goods will be stored according to the way determined by each Member State but shall not give rise to costs for customs administration (art. 15). Considering the declaration assuming costs that the right-holder is required to present with his application, he will have to satisfy the bill. In this regard, the Proposal seems contradictory since, on the one hand, it states that storage conditions, including costs, will be established according to national law (165) whilst, on the other hand, it maintains the principle of the right-owner pays (166). Despite the right-holder could claim these costs back from the infringer –the Proposal so acknowledges expressly (167)-, this has been a debated issue due to the already mentioned right-holder declaration on the assumption of costs (168).

If the goods are found to be infringing, be it in the proceedings on the merits or in the simplified customs procedure, they cannot be put in circulation (art. 16) (169). Then, the competent authorities may be entitled to destroy them (only option under the simplified procedure), dispose of them outside commercial channels or take any other measure that will deprive the person concerned of any economic gains «in accordance with the relevant provisions of national law» (170). It is specified that the removal of the infringing mark, except in exceptional circumstances, is not deemed to be a sufficient measure to deprive from economic gains and that, in any case, the destruction or disposal related expenses must not fall on the exchequer «unless otherwise specified in national legislation» (art. 17). Destruction is the

(163) Case C-222/98 *Adidas* AG ECR I-7081.

(164) M. SCHNEIDER and O VRINS, «Regulation ...», n. 45, paras.5.692-5.693, p. 254.

(165) Nevertheless, it expressly states (art. 22.2. n. 80) that customs authorities may allow the goods to be moved under customs supervision with a view to their destruction.

(166) Arts. 18. 4 and 27.1 n. 80.

(167) Art. 27.2 n. 80.

(168) In a court proceeding or in the agreement of the simplified procedure. M. SHNEIDER and O VRINS, «Regulation ...» n. 45, paras.5.526-5.527, p. 219.

(169) Art. 16 reads: «Goods found to infringe an intellectual property right at the end of the procedure provided for in Article 9 shall not be: allowed to enter into the Community customs territory, released for free circulation, removed from the Community customs territory, exported, re-exported, placed under a suspensive procedure or placed in a free zone or free warehouse».

(170) Beyond the simplified procedure cases, customs are not empowered to take this decision except in a few countries (France and UK where counterfeiting are customs offences).

most frequent final result in practice (171). In this regard, the Proposal, excluding any doubt over its non-interference with substantive legislation and stressing the procedural nature of its rules, deletes any reference to the way in which the infringing goods could be treated in the ordinary procedure (172). Of course, the destruction –broadly defined as including the disposal outside commercial channels (173)- will remain available for the simplified procedure, be it the regular one or the applicable to small consignments. Only in the small consignments case will the expenses be afforded by the customs authorities (174). To finish with the procedure, it has to be recalled that any individually and directly affected person has a right to appeal against the customs decisions (175).

Anyhow, the declarant, owner or importer of the goods accused of infringing certain IPR (176) can have these goods released by presenting a security if certain conditions are met. The rights for which this option is available are designs, supplementary protection certificates or plant variety rights. Geographical indications, geographical designations and designations of origin, together with counterfeit and pirated goods cannot benefit of this possibility. The Proposal, changing the present situation, adds supplementary certificates to this list by not mentioning them expressly in the corresponding provision (177). Beyond the compliance with all the customs formalities, two are the requirements. The first one is the initiation by the applicant of a procedure on the merits. If the procedure on the merits is initiated by someone else, the applicant is not exempted of presenting his own action on the merits within twenty –or in exceptional cases thirty days- from the notification of the suspension; otherwise, the security will be released. The second one is that the authority resolving on the merits has not taken preventive measures once the period of ten days after the notification of the suspension elapses (art. 14). The amount of the security is usually calculated on the basis of the value of the suspected goods (178). Anyhow, the release of the goods could be stopped through the adoption of precautionary measures by other (usually judicial) authorities.

Regarding liability, it is necessary to distinguish between the applicant (right-owner), the declarant, owner and/or importer of the goods, and, finally, the customs authorities. The Regulation provides for a compromise of liability acceptance by the applicant (ar. 6) (179). His liability towards the customs authorities and to-

(171) See n. 130.

(172) Proposal n. 80; see also n. 114.

(173) Art. 2. 14 n. 80. «destruction means the physical destruction, recycling or disposal of goods outside the commercial channels, in such a way as to preclude injury to the holder of the decision granting the application».

(174) Arts. 27.1 and 24.7 n. 80

(175) Art. 241 CCC, n. 72.

(176) Exporters, therefore, do not enjoy this option if they have already transmitted the ownership.

(177) Art. 21, n. 80.

(178) The customs value of the goods is defined in art. 29 CCC, n. 72, as the «transaction value, that is, the price actually paid or payable for the goods when sold for export to the customs territory of the Community».

(179) The question as to whether this constitutes an assurance equivalent to a security as required by TRIPs (art. 50.3) is unclear. But on the principle of providing protection for the

wards the declarant, owner, or importer of the goods is governed by the national law of the Member State where the goods are located (art. 19.3). If they are in different member States' customs, different national laws will be applicable even in community applications cases since EU Regulations on unitary rights do not cover substantive liability (180). As to the liability of customs authorities –which the Proposal does not explicitly address- towards the applicant, it does not exist in case that, despite the application's admission, customs did not intervene, except if national law establish it (art. 19.1). Equally, customs will not be responsible for loss or damages suffered by any person involved in the process except if national law provides for its liability (art. 19.2).

The simplified procedure is designed to permit the destruction of the goods without a final decision on the merits (art. 11). Where Member States have implemented this procedure, customs can, upon the right-holder application, suspend or retain the goods for a period of ten days -three days for perishable goods-. This period may be extended for an additional ten days in appropriate circumstances -except for perishable goods (art. 13.1 and 2) (181). If during this period, the right-holder provides the customs authorities with documents stating, on the one hand, that the goods infringe his IPR and, on the other hand, that the declarant, the holder and/or the owner of the goods agree in written to their abandonment for destruction, it will be done at the expenses of the right-holder (samples will have to be kept by customs authorities). The lack of opposition to the procedure is understood as an acceptance of this agreement. If within the mentioned frame time the right-holder does not provide the authorities with the agreement or does not inform the authorities on the initiation of procedures –administrative, civil or criminal- on the merits (182), the goods will be released (art. 13.1). Although providing these documents is the right-holder' responsibility, it is not required that he is the one initiating the procedures on the merits (art. 14.2). In *Schenker*, the ECJ ruled that the initiation of the simplified procedure does not impede national authorities to impose sanctions (183).

As it has been mentioned, the Proposal avails for the compulsory character of this procedure –already implemented in most Member States- that, at the same time, is diversified attending to different infringement situations. The existing system remains without essential changes but limited to counterfeit and pirated goods (184). In the rest of the IPR infringement situations, an explicit agreement of the

defendant, the rule seems to be in line with TRIPs. D. GERVAIS, «The International...», n. 27, para.3.45, p. 64.

(180) As an illustration see, art. 14.2 of Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark, *OJ* (2009) L 78/1, 24.03.2009.

(181) As in the regular procedure, this deadline is counted from the receipt of the customs suspension notification.

(182) As M. SCHNEIDER and O. VRINIS, «Regulation...», n. 44, 5.488-5.493, pp. 212-213, this could be interpreted as any action aimed at establishing the IPR infringement (preliminary or interlocutory proceedings, obtaining interim measures ... etc.) although not expressly qualified as a proceeding to «determine whether an IPR has been infringed».

(183) ECJ C-93/08 *Schenker SAI v. Valsts ienemumu dienests* (2009) ECR I-903.

(184) Art. 23, n. 79.

holder (not of the declarant) of the goods will be required for their destruction (185). Finally, as it has been noted, a special simplified procedure will be established for small consignments (186).

C) Beyond the possible abuses of IPRs right-holders in resorting to the Regulation, the conformity of its material scope with WTO Agreements' rules has become a polemic issue regarding goods in transit that was brought before the WTO Dispute Settlement System (187). From a practical perspective, it is also interesting to mention the problems noticed on the application of the Regulation.

1) Possible abuses. A real case can be used to illustrate the possible abuses of the Regulation. RR, the genetically modified soya seeds resilient to glyphosphate herbicide, are protected by a patent –owned by Monsanto- in a number of EU Member States, including Spain. This seeds are used in Argentine to produce millions of tons of soya destined to being exported in a great part to the EU. Alleging the patent violation, Monsanto applied for the suspension of the release (in Santander, Bilbao and Liverpool) of various shipments of soya flour originating in Argentina and, afterwards, initiated the corresponding civil IPR infringement judicial procedures against the importers. The Spanish (188) and the British (189) courts sentenced the lack of basis for the demand since the product patent does only cover the seed but not the products obtained with it. Anyhow, the shipments release for free circulation was delayed (190).

Customs authorities are not specialists in IPR and react and take decisions on the basis of indications (191) and their decisions –adopted *ex officio* or *ex parte*– are of a temporary character and are to be substituted by the corresponding judicial decisions –provisional measures or final decisions-. On the other hand, the Regulation provides, beyond the possibility of releasing the goods for free circulation under certain circumstances after paying a security (192), that the importers and/or consignees may claim any civil liability (193). Therefore, although it is not possible to exclude damages on the business implied in the import –or export- operations, they seem to be reduced to an acceptable minimum considering the objective pur-

(185) Recital 11, n. 79, reads: «Where goods suspected of infringing intellectual property rights are not counterfeit or pirated goods, it may be difficult to determine upon mere visual examination by customs authorities whether an intellectual property right might be infringed. It is therefore appropriate to provide that proceedings should be initiated, *unless the parties concerned, namely the holder of the goods and the right-holder, agree to abandon the goods for destruction*».

(186) Art. 24, n. 79.

(187) See n. 59.

(188) Decision of Juzgado de lo Mercantil núm. 6 de Madrid, 27 July 2007, confirmed by the Audiencia Provincial de Madrid, 10 March 2009.

(189) *Monsanto Technology LLC v Cargill International SA*, Patents Court, 10 October 200/, [2007] EWHC 2257 (Pat).

(190) In the Spanish case, Monsanto applied for customs action in January 2006. Customs authorities decided the suspension of 12.150 tons of flour transported in the *Nassau Pride* and imported by SESOSTRIS SAE.

(191) See *supra* arts. 4.1 and 5.5 of the Regulation 1383/2003.

(192) See *supra* art. 14.

(193) See *supra* arts. 6 and 19.3.

sued by the Regulation and the possibility of acting against those IPR owners that abuse the use of this instrument.

2) Goods in transit. In another case, medicines arriving from India with destination Brazil were detained at Rotterdam harbour on the basis of Regulation 1383/03 for suspected patent infringements. As it has been established, the Regulation is applicable to goods under a suspensive customs procedure and to those being introduced in a free zone or warehouse. EU Customs Plan to fight against IPR infringement insists on this point (194). The EU stress the importance it gives to customs control even in mere trans-shipment situations aiming at prosecuting those who intentionally alter the transport routs of goods to hide their origin and «in some cases, it has been possible to confirm that the Community was used to make up the origin of certain products (fake medicines originated in Asia and with destination in Africa, which were trans-shipped in the EU)» (195). As it has been noted, TRIPs does not impede the application of border measures to goods in transit. The WCO Model Law expressly contemplates goods in transit and its SECURE Program recommends extending customs authorities control to in-transit goods and to goods in free areas (196). Nevertheless, EU application of customs measures to these situations has been polemic leading, as it has been mentioned, to a WTO complaint (197). To consider the present situation as to the application of the Regulation to goods in transit, the ECJ case law is fundamental. As it will be noted, the core issue in this respect lays on the determination of the existence of infringement.

To analyze the evolution of the ECJ case law, it may be useful to distinguish between internal and external transit. It is clear that internal transit –from one Member State to another- through a State where the IPR is protected cannot be stopped due to the free movement of goods principle (Commission v. France case (198)). Although this principle allows for exceptions necessary to protect IPR, it is not possible to resort to the exception since the specific subject matter of the IPR that needs to be protected is the right-holder exclusive right to use it for the purpose of putting the product in the market for the first time (199) and the mere transportation does not imply putting the product in the transit country. As to the external transit, situations where goods have their origin in a Member State and are destined to a non-Member State, or vice versa, can be distinguished from those where non-Member States are the goods' origin and destination.

In cases of goods transit from a Member-State to a non-Member State through

(194) Confirmed in EU Customs Action Plan 2009-2012, n.10.

(195) Communication on a Customs response to latest trends in Counterfeiting and piracy, n.47, p. 6 «Transshipment is of growing concern because fraudsters break routes to disguise the origin of the goods».

(196) Art.1.2.c WCO Model Law and WCO, *Secure*, n. 31, para.10 and standard 1of section I.

(197) See n. 59.

(198) Case C-23/99, *Commission v. France* (2000) ECR I-7653. Spare parts for cars in transit from Spain to Germany, allegedly infringing design rights in the transit state –France.

(199) For all see Case C-16-/4, *Winthrop v. Centrafarm Negram*, ECR 1974 I-01183 (trademarks)

another Member State where the IPR is protected, in most occasions the Court reached the same conclusion than in internal transit situations. In particular, the Court established that, for the purpose of the trademark community substantive norms (Directive and the Community Trademark Regulation), «importing» requires introduction of the goods to put them on the market; and that «use» of the trademark exists when the essential function of the mark is, or risks to be, affected. On this basis, the mere introduction of the goods into EU customs is not importing, but if the trademark right-holder can prove that the goods are subject to an act which necessarily entails their putting on the EU market, the essential function of the right is adversely affected. Therefore, the right-holder has to prove that the goods have been subject to an act that would direct them into the market since the contention that there is an inherent and permanent risk that, although placed under the external transit procedure or the customs warehousing procedure the goods might be released for free circulation, is not per se conclusive (Rioglass case (200)). The vice-versa case (transit from a non-Member State to a Member State through a Member State where the right is protected) is equally treated in Montex (201).

When goods are in transit from a non-Member State to another non-Member State through a Member State where the IPR is protected (Class (202) and Polo Lauren (203) cases), except in Rolex case (204), the ECJ established that these goods cannot be stopped unless there is a behavior clearly indicating that those goods are to be commercialized in that transit State. The mere abstract risk that the goods may leak out before reaching destination is not sufficient for the right-holder to block goods in transit. Anyhow, and notwithstanding the differences between the cases (205), only in Polo Lauren the ECJ expressly justified the application of bor-

(200) Case C-115/02, *Administration des douanes et droits indirects v. Rioglass SA and Transremar SL* (2003) ECR I-12705; concerned spare parts for cars, going from Spain to Poland that would be infringing design rights in the transit state –France-. Para. 28: «regardless of the final destination of the goods in transit. The fact that the goods are subsequently *placed on the market* in a non-member country and not in another MS does not alter the nature of the transit operation, which, by definition, does not constitute a *placing on the market*».

(201) See n. 116, para.27 states «the proprietor of a trade mark can prohibit the transit through a Member State in which that mark is protected [...] of goods bearing the trade mark and placed under the external transit procedure, whose destination is another Member State where the mark is not so protected [...], only if those goods are subject to the act of a third party while they are placed under the external transit procedure which necessarily entails their being put on the market in that Member State of transit».

(202) Case C-405/03 *Class International v. Colgate Palmolive Co.* (2005) ECR I-8735; para.68, 69 and 71. The case affected genuine toothpaste coming from South Africa, destined another non-Member State that was transhipped in Rotterdam.

(203) Case C-383/98 *Polo Lauren Co. LP v PT Dwidua Langgeng Pratama International Freight Forwarders* (2000) ECR I-25914, para.34. T-shirts coming from Indonesia and destined to Poland, passing throughout Austria.

(204) Case C-60/02 Criminal Proceedings against X (2004) ECR I-651, concerned goods that were in transit from China to the Slovak Republic and would be infringing trade mark rights while passing through Austria. The Court established that the Regulation imposed an obligation on Member States to treat non-authentic goods in transit as goods infringing IPR.

(205) In contrast with *Commission v. France, Rioglass* and the others *Rolex*, n. 201, it

der measures to external transit due the risk of the goods being placed in the internal market (206).

More recently (December 2011), the Court has resolved along these lines in Philips and Nokia joint cases (207). In Philips, shavers originated in China were put under a suspension procedure in Belgium, where copyrights and designs were protected, without indicating their destination. The ECJ was asked whether it is necessary to have evidence that the goods are going to be diverted onto the EU market for courts to decide on the infringement of a IPR. In Nokia mobile phones in transit from China to Columbia, passed through the UK, where the trademark was registered and customs were asked to intervene. The Court was asked whether it is necessary to have evidence that the goods are going to be diverted onto the EU market for courts to decide on the infringement and customs to be able to detain the goods. Responding to this question the Court established that both courts and customs are required to have evidence about the diversion of goods onto the EU market to act within their respective competences.

Regarding customs (Nokia), «goods placed under a suspensive customs procedure cannot, merely by the fact of being so placed, infringe intellectual property rights applicable in the European Union» (para.56). However «those rights may be infringed where, during their placement under a suspensive procedure in the customs territory of the European Union, or even before their arrival in that territory, goods coming from non-Member States are the subject of a commercial act directed at European Union consumers, such as a sale, offer for sale or advertising» (para.57). In this regard «detention by customs authorities of goods which they have identified as being imitations or copies cannot, without reducing the effectiveness of Regulation..., be made subject to a requirement for proof that those goods have already been sold, offered for sale or advertised to European Union consumers» (para.59). Nevertheless «a customs authority which has established the presence in warehousing or in transit of goods which are an imitation or a copy of a product protected in the European Union by an intellectual property right can legitimately act when there are indications before it that one or more of the operators involved in the manufacture, consignment or distribution of the goods, while not having yet begun to direct the goods towards European Union consumers, are about to do so or are disguising their commercial intentions» (para.60). As to the indications required, they have to be « material such as to give rise to suspicion. That material may include the fact that the destination of the goods is not declared whereas the suspensive procedure requested requires such a declaration, the lack of precise or reliable information as to the identity or address of the manufacturer or

was understood that the Regulation compelled Member States to prohibit and penalise the transit of counterfeit goods; para.58. «If the national court were to find that the relevant provisions of national law do not prohibit and, thus, not penalise the mere transit of counterfeit goods through the Member State concerned, contrary none the less to the requirements under articles 2 and 11 of Regulation 2395/94, it would be proper to conclude that those articles preclude the national provisions in question».

(206) See *Polo Lauren* case, n. 204, para.34.

(207) See n. 115.

consignor of the goods, a lack of cooperation with the customs authorities or the discovery of documents or correspondence concerning the goods in question suggesting that there is liable to be a diversion of those goods to European Union consumers» (para.61). «such a suspicion must, in all cases, be based on the facts of the case» (para.62). Otherwise other will be a «risk that actions of the Member States' customs authorities would be random and excessive» (para.62). Moreover «the objective of the European Union legislature is restricted to preventing goods infringing intellectual property rights from being 'placed on the market' and to adopting measures for that purpose 'without impeding the freedom of legitimate trade» (para.64).

Regarding Courts (Philips), «the authority competent to take a substantive decision cannot classify as 'counterfeit goods' and 'pirated goods' or, more generally, 'goods infringing an intellectual property right' goods which a customs authority suspects of infringing an intellectual property right applicable in the European Union but in respect of which, after substantive examination, it is not proven that they are intended to be put on sale in the European Union» (para.70). As to the evidence of goods being directed to the EU « such evidence may include the existence of a sale of goods to a customer in the European Union, of an offer for sale or advertising addressed to consumers in the European Union, or of documents or correspondence concerning the goods in question showing that diversion of those goods to European Union consumers is envisaged» (para.71).

Responding to Nokia and Philips case and to India and Brazil concerns on the topic, in February 2012 the Commission published the Guidelines concerning the enforcement by EU customs authorities of intellectual property rights with regard to goods, in particular medicines, in transit through the EU (208).

(208) http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/legislation/guidelines_on_transit_en.pdf. Visited in July 2012. These guidelines stress that: (1) the authorities where the application is presented are competent to decide on the infringement and that the Regulation does not contain any substantive rules (or any interpretation of substantive rules) defining the conditions under which goods in transit infringe intellectual property rights, an issue to be decided in accordance with the relevant EU or national substantive intellectual property laws; (2) customs authorities can act in internal transit understood as the passage across EU territory, with or without warehousing, breaking bulk, or changes in the mode or means of transport, is only a portion of a complete journey beginning and terminating beyond the frontier of the EU); (3) that the mere placement of goods under a suspensive procedure or other customs situations (such as temporary storage, entry into free zones or free warehouses, or those related to their transshipment) cannot amount to an infringement of IPR; (4) that the fact that non-Community goods remain non-Community goods throughout the applicable customs procedure does not in itself preclude measures to protect IPR; (5) that the rights may be infringed when, during their presence within the customs territory without being released to free circulation, or even before their arrival in that territory, goods coming from non-Member States are the subject of a commercial act directed at the EU market (such as a sale, offer for sale or advertising, or where it is apparent from documents or correspondence that their diversion to the EU market is envisaged). Other circumstances can also lead to suspicion of infringement of IPR (such as the existence of indications showing a concrete risk of fraudulent diversion to the EU market); and, finally (6) that indications giving grounds for suspecting that such an infringement exists may include, inter alia, the fact that the destination of the goods is not declared; the lack of

The transit cases reopened the debates on the balance of interests of the protection of public health and the protection of IPR, overlapping and confusing in many occasions the arguments (209). It is possible to see that the EU has explained its customs policy on IPR relying on the need to protect public health and public security (210). It is obvious that the customs policy has to pursue these objectives but, for that end it is not necessary to resort to instruments that, as explained in their recitals, are designed as tools aimed to effectively enforce private rights (IPR). There are specific tools available for those other public purposes (sanitary and phitosanitary controls, as well as those designed to verify technical requirements). This has been expressly acknowledged by the CJEU in Nokia and Philips case (211).

EU approach to goods in transit has been very much criticized by civil society groups as being excessive and acting against the interests of developing countries, particularly in the medicines sector. To confront this public opinion, references to the Doha Declaration on TRIPs and Public Health -recognizing the gravity of public health problems in developing countries and confirming Member States freedom to adopt measures in the public health area and to use the Agreement flexibilities- (212) are used to proclaim the EU compromise with the needs of those countries, with special reference to medicines. The Proposal expressly mentions it (213).

On the other hand, it has been argued that CJEU's case law is transit-friendly and will have very harmful effects for IP right-holders. The reason is that counterfeiting and piracy involve a specific risk of shipments being declared to be transit

precise or reliable information as to the identity or address of the manufacturer or consignor of the goods, a lack of cooperation with the customs authorities or the discovery of documents or correspondence concerning the goods in question suggesting that there is liable to be a diversion of those goods to the EU market. Such a suspicion must, in all cases, be based on the facts of the case.

(209) For example, as D. GERVAIS, «The International...», n. 27, 1st Ed., 2006 p. 37, puts it, it is important to distinguish the debates about the enforcement of IPR from those about the optimal scope of IPR protection and the exceptions to allow creators and innovators to continue to create and invent

(210) For example, the Commission and Member States Press Release, IP/09/1919, 14 December 2009, reads: «Counterfeiting and piracy weaken our position, putting creators, business, jobs and consumers at risk through an ever expanding range of fake products and services. The result is a damaging impact on society, through greater criminality and a real threat to health and safety».

(211) See 114, para.77 states: «Regulation 1383/2003, deal only with combating the entry into the European Union of goods which infringe intellectual property rights. In the interest of correct management of the risks for the health and safety of consumers, it must be stated that the powers and obligations of the Member States' customs authorities as regards goods posing such risks must be assessed on the basis of other provisions of European Union law...».

(212) Ministerial Declaration on TRIPs and Public Health, Doha (Qatar), WT/MIN(01)/DEC/W/2, 14 November 2001, reads para.4: «We agree that the TRIPs Agreement does not and should not prevent members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPs Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO members' right to protect public health and, in particular, to promote access to medicines for all. In this connection, we reaffirm the right of WTO members to use, to the full, the provisions in the TRIPs Agreement, which provide flexibility for this purpose».

(213) Even the Proposal, n. 80, Recital 17, expressly mentions it.

goods and, at a later stage, end up being sold in the «transit» country. Since this mere abstract risk is not enough for IP right-holders to claim infringement, they are forced to gather as much evidence as possible of local distribution plans. Given the short deadlines to which border measures are subject under the Regulation, this might give rise to considerable problems in practice. In this regard, it has been argued that substantial reform of the IP Law system should be done (214). Particularly, it has been pointed that the review of Community trademark system aims, among other things, to «clarifying the scope of trade mark rights ... as regards goods in various situations throughout the EU customs territory» (215) and that the Max Plank Institute Study on the overall Functioning of the European Trademark System supports that the placing in transit of counterfeit goods (as defined in TRIPs art. 51 footnote 14) should be treated as an infringement under the new community trade mark system as long as the goods do not only infringe the trademark in the territory of transit but also in the country of destination (216).

3) Practical difficulties. A number of practical difficulties have been observed in the application of the Regulation, including the transit cases.

Although the number of applications presented by right-holders has progressively increased (217), they are many times reticent to take action, act slowly or without enthusiasm. This is explained because the relation between efforts and results is not proportionated. The procedure is said to be complicated; the rights infringed may be of relatively small commercial or strategic value, and there may also be fear of adverse publicity in the eyes of consumers (as happened in the *Levis* case, where United Kingdom (UK) consumers realized the higher price they had to pay for the jeans) (218). It is important to remember that when infringements are feared in a number of Member States applications have to be presented in each national customs, unless they concern unitary or internationally registered rights. No need to say that this implies, at the least, time and translation costs. Even in the so-called «community applications», translations may be required by the States whose customs' action has been requested. In addition, in presenting the application, the right-holder agrees to bear all costs incurred in keeping goods under customs con-

(214) M. SCHNEIDER and O. VRINS, «Regulation ...» n. 45, paras.5.269 and 5.272, pp. 166-167.

(215) See n. 80, Explanatory memorandum, p. 9.

(216) *Study on the overall Functioning of the European Trademark System* presented by the Max Plank Institute for Intellectual Property and Competition Law of 15 February 2011 (hereinafter Max Plank Study), para. 2.215, p. 111. It also explains that «(C)onsideration has been given to providing for the right to intervene in the transit country when the production in the country of origin amounted to infringement, regardless of the legal situation in the country of destination. However, as the activity in the country of origin was terminated with the goods physically leaving the country, this Study does not propose to broaden the scope of the right to intervene to those cases as well». http://ec.europa.eu/internal_market/indprop/docs/tm/20110508_allensbach-study_en.pdf. Visited in July 2012. It seems clear that, in what concern the Regulation, its preventive character vanishes in those situations.

(217) The number of applications rose from 12.866 in 2008 to 20.566 in 2011. See *EU customs enforcement* 2011, n. 6, p. 8.

(218) M. SCHNEIDER and O. VRINS, «Regulation ...» n.45, para.729, p. 273. On the *Levis* case see n. 99.

trol. Although this has been expressly acknowledged by the Commission as a concern of the stakeholders, it is maintained in the Proposal for reform of the Regulation (except for small consignments, for which storage and destruction costs would be assumed by customs) (219).

It also brings up difficulties, on the one hand, the fact that counterfeiters' strategy consists on sending large shipments that include lawful together with a non-large amount of counterfeit goods, making it more difficult to identify the infringing goods. On the other hand, the Regulation deadlines for initiating the judicial procedure is short (ten days) which, considering the different national procedures, does not ease the presentation of the demand (220). Other practical difficulties relate to obtaining the documents required for the filing of the application (proof of entitlement, undertaking under art. 6, etc...), which could eventually be resolved with a flexible approach of national customs, deeming the application valid although lodged without all the necessary supporting documentation, subject to submission of the latter as soon as possible (221).

Regarding transit cases, as it has been mentioned, it is not unusual that the placing of goods under a suspensive procedure does not indicate a known or reliable destination. This fact, together with the secretive nature of IPR infringements poses an initial difficulty to the application of the Regulation (222). Depending on the circumstances, finding indications that would credit the intent of directing the suspected goods to the internal market could prove to be very complicated, if not impossible (223). However, it has been recognized that, in these circumstances, the release of the goods suspected of infringement can be justified (to some extent) because «freedom of international trade constitutes an important policy concern to which the interests of national right-holders must yield because and in so far as domestic commerce is not directly and demonstrably affected». Nevertheless, prevalence of free trade must not be endorsed under all circumstances. For example, there is no reason for guaranteeing free passage of fake goods to the country of destination, where they are equally illegal (224).

It is possible to think on cases where the non-Member State destination of the goods would also risk the infringing of the IPR. EU customs intervention during this transit is not possible since the suspected infringement has to be considered attending to the law of the Member State where they are located under customs control. Although, in principle, it could have been debatable whether the reference to that Member State law is limited to its substantive rules or includes the conflict of laws norms, the CJEU established that the genuine or non-genuine character of the

(219) Art. 27.1 and 24.7 n. 79.

(220) In Spain, for example, regardless of other reasons, this explains that prosecution of counterfeiting usually focuses on criminal rather than civil actions. I. DÍEZ DE RIVERA ELZABURU and J.J. CASELLES FORNÉS, n. 88, paras.30.89 and 30.96 pp.1006-1007.

(221) In Spain, *ibid*, para.30.46, pp. 997-998.

(222) The French, Italian and Polish governments pointed this in *Nokia* case n.114, para.59.

(223) *Max Plank Study* n. 216, para.2.213, p. 111.

(224) *Max Plank Study* n. 216, para.2.214, p. 111-112.

goods in origin or destination countries is of no relevance for customs action (225). Hence, beyond the CJEU reminder of the possibility of cooperation, pursuant to TRIPs Agreement (art. 69), «with the customs authorities of that non-Member State with a view to removing those goods from international trade where appropriate» (226), the only way of action would be the initiation of infringement judicial proceedings.

Member States' courts could eventually adopt decisions prohibiting the exportation of goods to a third country where they would infringe IPR. This outcome cannot be excluded as long as an EU Member State jurisdiction can be established according to Regulation 44/2001 since, as mandated by Rome II Regulation (227), the applicable law would be that of the infringing foreign country (art. 8.1) –that would end up being the importing country- and, beyond establishing the infringement, this law can contemplate ordering the adoption of seizures. Moreover, even if that foreign law does not call for ordering the seizure of goods, where existing, forum (a Member State court) imperative rules imposing them would be applied (228). Beyond these eventual courts' decisions to act at the border, the Proposal would seem to extend the possibility of customs action to these cases by making express reference to Rome II Regulation (229). Customs' intervention would clearly remain having its intended preventive function, which would be internationally reinforced. However, at least two issues have to be considered. First, the application would have to be presented at customs «where the use of the goods is suspected of infringing» an IPR, which can be interpreted as requiring not only the protection of the right in the non-Member State territory, but that the infringement, at the least, does also risk to take place in that customs' territory. Second, despite referring to an infringement in a non-Member country, it is clear that the initiation by the right-holder of a court proceeding will be required (except in small amounts cases). Whether it will be enough that this proceeding is initiated in a non-Member State (where the infringement is alleged) could be a debatable issue since the Proposal does not expressly require it to take place in an EU member State (230). Nevertheless, the short deadline (ten days) would surely have a strong influence in deciding on this issue with a practical orientation.

(225) In *Montex*, n. 201, para.41, the Court held that ... «it is in principle irrelevant [...] whether those goods have been manufactured in the country of origin lawfully or in infringement of the existing trade mark rights of the proprietor in that country».

(226) *Nokia* case, n. 113, para.65.

(227) Regulation (EC) No 864/2007 of the European Parliament and of the Council, of 11 July 2007, on the law applicable to non-contractual obligations (Rome II), *OJ* (2007) L 199/40, 31.7.2007.

(228) J. FAWCETT and P.L. TORREMANS, *Intellectual ...*n. 17, para.15.45, p. 818, on the basis of art. 16 of the Rome II Regulation and considering that both the TRIPs Agreement and the Directive 2004/48 hint at the minimum standard character of this kind of measures, the authors refer to the injunctive relief in IPR infringement cases.

(229) Art. 3, n. 79.

(230) Art. 20.1, n. 79 only states that «the holder of the decision granting the application shall initiate proceedings to determine whether an intellectual property right has been infringed».

IV. Trade policy, including IP aspects, is an EU exclusive competence (231). As it has been mentioned, the EU designed its Strategy for the Enforcement of Intellectual Property Rights in Third Countries» (232). Under this strategy the Commission addresses the enforcement of IPR in third countries and tailors actions to take into account specific challenges and needs of third countries. Based on surveys (including counterfeit goods intercepted at the EU border) the Commission identifies countries and/or regions on which to focus its activities and resources, namely establishing an updated list of «priority countries» for strengthening cooperation, be it through the negotiation of bilateral or multilateral agreements, through the facilitation of technical cooperation and with the political dialogue. In respect of border measures, the strategy is linked to the EU Customs action plan 2009-2012 (233) and to other international initiatives (WTO, WIPO, and WCO).

At the Commission request, a study on the evaluation of this strategy was done in 2010 (234) leading to some conclusions (235) and recommendations (236).

(231) Art. 207 TFUE

(232) See n. 9. Its purposes are: (1) Providing a long-term line of action for the Commission with the goal of achieving a significant reduction of the level of IPR violations in third countries; (2) Describing, prioritising and coordinating the mechanisms available to the Commission services for achieving this goal, (3) informing right-holders and other entities concerned of the means and actions already available and to be implemented, and raise their awareness for the importance of their participation; and, finally (4) enhance cooperation with right-holders and other private entities concerned, by seeking their input on the identification of priorities and establishing public-private partnerships in fields like technical assistance, information to the public, etc.

(233) *Supra* n 10.

(234) *Evaluation of the Intellectual Property Rights Enforcement Strategy in Third Countries* (November 2010), http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_147053.pdf

(235) The conclusions are about: addressing relevant needs(C 1), lack of information (C 2), lack of internal cohesion (C 4), the Development Agenda(C 3), awareness-raising (C 5), technical cooperation (C 6), and lack of proactivity (C 7).

(236) The most important and urgent recommendations to address are those on the need for a more consistent and comprehensive EC Strategy with clear objectives and priorities (R1), and on embracing the Development Agenda in the Strategy (R2). Ensuring adequate organisational set-up and resources (R3) is also considered both particularly important and urgent, as it would facilitate implementation of the remaining recommendations. A further recommendation which is particularly important is that for developing ambitious technical cooperation programmes in collaboration with key countries (R7) and ensuring that they are well designed, targeted and customised to local needs (R8); they should also be considered fairly soon. Three further recommendations are indicated as important and for implementation in the relatively short term, given that activities addressing some aspects of them are already ongoing: strengthening consultation with all stakeholders (R4); pursuing legislation improvements only in countries where adequate legislation does not exist (R5); and pursuing further technical bilateral negotiations leading to technical cooperation with key countries (R6). Finally, improving statistics and information sharing (R9) has been indicated as a short term measure, given that it is currently addressed partially in the tender launched by DG Markt in early 2010 relating to the definition of a methodology for collection and analysis of data (although it relates primarily to the internal market). *Evaluation of the Intellectual Property Rights Enforcement Strategy in Third Countries* (November 2010), http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_147053.pdf.

Overall, in what concern particularly border measures, it was concluded that a very substantial gap remains in data and information on the scope of the problem and on the challenges of IPR enforcement, which makes it difficult to influence policies and back them up with statistics and optimise the prioritisation of actions (concl.2). Moreover, it seems clear that what is required in many third countries, and especially in priority countries, is not more legislation (or even 'better' legislation). What is lacking is the technical capacity to implement and enforce the rules, regulations, laws and sanctions. The experience is that technical co-operation projects on IP – with appropriate funding– are most successful as part of bilateral arrangements and that these are even more successful when there is input from the third country involved. This has also been highlighted in the recent evaluations of the EU-China Project on the Protection of Intellectual Property Rights (IPR2) (237) and of the EC-ASEAN Intellectual Property Rights Co-operation Programme (238) (concl. 6 (239)). Interestingly, it was also concluded that the enforcement Strategy and the ACTA negotiation process, were largely based on a hard line approach and did not take much account of the development agenda. In this regard, it is pointed that «(A) growing number of actors in this field are recognising that 'Enforcement is a dirty word' and the EU should consider strongly whether it should follow the WIPO in 'rebranding' its IP enforcement commitments as 'raising respect for IP'» (concl. 2).

The study recommends to pursue substantial bilateral agreements, such as FTAs, EPAs and IP dialogue (at least if negotiation efforts at the multilateral level remain stalemated and with key countries with which those agreements have not been signed yet), whilst developing technical cooperation, including training and awareness-raising (recomm. 6). Technical cooperation should be developed in respect of practical training of officials, law enforcement agents and judges, with an emphasis on promoting awareness of the economic and social impact of IPR infringements, ensuring that the programs are well targeted and customized to local needs (recomm. 7 and 8). In this regard, the already mentioned experience with China and other Asian countries are positively evaluated. Moreover, statistics and information sharing on counterfeiting and piracy as much as on best practices should be improved (recomm. 9).

A new strategy was announced in the Commission's Communication on Trade,

(237) The IPR2 was launched in 2007 by the European Commission and the Government of People's Republic of China, with the objective of improving the effectiveness of IPR enforcement in China http://www.ipr2.org/index.php?option=com_content&view=article&id=44&Itemid=1. Visited in July 2012..

(238) ECAP II Programme in ASEAN countries http://www.ecap-project.org/archive/archive/ecapii_prog.html. ECAP III was launched in October 2009 (with the contribution of the European Patent Office) <http://www.ecap-project.org/>- its webpage under review in July 2012.

(239) It continues saying that «Only as countries reach a certain threshold level of income and domestic IPR ownership becomes more widespread, will the domestic incentive for stepping-up the fight against counterfeiting and piracy grow (cf. China, India among others). For example, in developing countries the correlation coefficient between rates of software piracy and *per capita* GDP in 2006 takes on a value of -0.89106. Such a strong correlation suggests that substantial reductions in piracy levels in third countries will, to a large extent, emanate from sustained economic growth».

Growth and World Affairs (240) and is expected to be released before 2012 ends. The strategy aims at completing the free trade agreements, with chapters devoted to IPR protection, negotiating agenda. It will pay special attention to Internet and to the fair balance between IPR protection and access to innovation, welfare and security for developing countries population, in particular regarding access to medicines. In any case, the EU Regulation on customs intervention regarding IPR is traditionally regarded –at least by developed countries- as «best practice» in the field of border enforcement of IPR (241).

In the following paragraphs, reference will be made to border measures regulation in bilateral agreements and cooperation in the field through concerted measures. In addition, particular attention will be given to the ATCA.

A) EU Strategy on reinforcing the respect for IPR through bilateral agreements is not new. As it has been argued bilateral context seems to be better suited to address specific needs which are not relevant for all WTO Members (242). NGOs and some analysts consider that the EU is attempting to impose exceedingly strict IPR provisions in bilateral negotiations with certain developing countries. The proliferation of bilateral trade agreements including IPR provisions may also lead to a more uneven playing field, as they usually differ from each other, resulting in implementation difficulties despite the application of the most favoured nation principle (243). However, it has been argued that the existence of bilateral trade agreements on IPR between developing and developed countries reduces the risk of substantial IPR problems in these third countries, even when the EU is not a part in them. This reduces the need for the EU to sign comprehensive bilateral agreements in the field and efforts and resources with these countries can be focussed in non-legislative initiatives whilst normative approaches can be left for more problematic countries. Anyhow, bilateral trade agreements not incorporating a comprehensive IPR chapter may nevertheless include a limited number of IPR provisions intended, as appropriate, to address specific deficiencies identified in the country concerned (244).

The EU has signed a large number of international treaties agreements with African, American, Asian and European States (free trade, partnership and coopera-

(240) Communication from the Commission to the European parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, «Trade, Growth and World Affairs: Trade Policy as a core component of EU's strategy», COM (2010) 612 final, pp. 11,14-15.

(241) M. SCHNEIDER and O. VRINS, «Regulation ...» n. 45, para.5.01, p. 107.

(242) *Ibid.* para.4.112, p. 103.

(243) Art. 5 of the TRIPs Agreement does not contain specific exceptions for regional economic integration signed after its entry into force. For the ones preceding it, such as the EU, the principle does not apply as long as they do not constitute an arbitrary or unjustifiable discrimination and are notified. D. GERVAIS, *The TRIPS...*, n. 21, pp. 188-189.

(244) B. LORY and Z. HECKO, «EU Law and Policies on Intellectual Property Rights Enforcement», in O. VRINS and M. SCHNEIDER (Eds) *Enforcement of Intellectual Property Rights Through Border Measures; Law and Practice in the EU*. Oxford, New York, 2012, paras.4.119 to 4.121, pp. 104-105.

tion agreements) (245) where, beyond the protection of IPR –particularly geographical indications-, IPR enforcement provisions are present to «complement and further specify» the rights and obligations between parties under TRIPs. In EU bilateral agreements, in addition to compromises on cooperation between customs authorities, it is usual to find that customs situations and the IPR to which the border measures will be applied are more than those required in TRIPs, aiming to progressively approach the EU autonomous normative system. However, there are differences among them. As to IPR, they can be limited to counterfeit and piracy without including a definition (246), or refer to them with a definition that somehow exceeds the one provided in TRIPs Agreement (247). It is also possible to find their scope extended –or, at the least, leaving the gate open for application (248)- to geographical indications. As to the customs situations, exports and suspensive procedures are included (249), but it is not that common to find transit within the customs intervention's scope (250). Ex officio procedures can become a must (251) and importers can be equated to the consignees of the goods in rights and duties (252).

In addition, the EU has signed a number of different International Customs Co-operation and Mutual Administrative Assistance Agreements (CCMAA) (253). These agreements provide for an effective communication and cooperation mechanism between the contracting States. The system allows them to assist one another to ensure the proper application of customs legislation and to prevent, investigate and combat any breaches. Although all of them facilitate the exchange of information or experiences between customs authorities, they do not always expressly refer to IPR or incorporate IPR to the agendas of their Joint Committees meetings. Canada (254), Hong-Kong (255), India – despite EU expressed interest (256) –

(245) <http://ec.europa.eu/world/agreements/default.home.do>. Visited in July 2012.

(246) Art. 273 of the UE-Central America Association Agreement, signed 29 June 2012. http://trade.ec.europa.eu/doclib/docs/2011/march/tradoc_147664.pdf. Visited in July 2012.

(247) Art. 249.1, footnote 75, Trade Agreement between the EU and its Member States, on the one hand, and Colombia and Peru, on the other hand (hereinafter EU- Colombia/Peru Agreement), signed 26 June 2012, includes any trademark symbols (logo, label, sticker, brochure, instructions for use or guarantee document), even if presented separately; as well as packaging materials bearing the trademarks of counterfeit goods. http://trade.ec.europa.eu/doclib/docs/2011/march/tradoc_147704.pdf. Visited in July 2012.

(248) Art. 249.1 EU-Colombia/Peru Agreement

(249) Arts 273.2 and 3 of EU-Central America, and 249 EU-Colombia/Peru Agreement.

(250) Art. 249.1 EU-Colombia/Peru Agreement.

(251) Arts. 273.4 EU-Central America, n. 247, and 249.2 EU-Colombia/Peru Agreement.

(252) Art. 249.3 EU-Colombia/Peru Agreement.

(253) http://ec.europa.eu/taxation_customs/common/international_affairs/third_countries/index_en.htm Visited in July 2012.

(254) http://ec.europa.eu/taxation_customs/customs/policy_issues/international_customs_agreements/canada/index_en.htm. Visited in July 2012.

(255) http://ec.europa.eu/taxation_customs/customs/policy_issues/international_customs_agreements/hong_kong/index_en.htm. Visited in July 2012.

(256) http://ec.europa.eu/taxation_customs/customs/policy_issues/international_customs_agreements/india/index_en.htm. Visited in July 2012.

CCMAA do not refer to IPR. The CCMAA that have incorporated IPR are those signed with China (257), Korea (258), Japan and the US.

The EU and China agreed on Action Plan on IPR customs enforcement, signed in Brussels on 30 January 2009 and extended until December 2012. It entails (1) exchange and analysis of information on seizures, trends and general risks; (2) creation of a network of ports and airports to target high-risk consignments; (3) better cooperation with other law enforcement authorities; and (4) the establishment of joint partnerships between business communities in China and the EU. In 2010 the Strategic Framework for Cooperation – Enhancing EU-China Customs Cooperation to Promote Legitimate Trade was also signed. The aim of this Framework is to increase coherence in the different fields of cooperation and to bring them under a single management structure. It also determines clear priorities and objectives for the period up until end of 2012. The bilateral relations between the EU and the US committed to implementing an Action Strategy for the Enforcement of IPR at their 2006 Summit (259). With Japan, the EU, underline that cooperation between the two authorities is indispensable for the fight against infringement of IPR and committed to enhance their measures through effective information exchange (260).

Other IPR cooperation initiatives comprise Operation «Sirocco»; initiated by the European Antifraud Office (OLAF) and the Commission's Directorate for Taxation and Customs Union. It was a joint project carried out in June 2010 by the EU and 11 partner countries from the Union for the Mediterranean (261).

B) In June 2008, the ATCA negotiations began with the participation of the EU, US, Australia, Mexico, Morocco, New Zealand, Korea and Singapore. These States count with a strong IPR protection and, being likeminded, no major changes could be expected on their national legislations as a result of the eventual entry into force of the Agreement. As it has been said, this is an agreement negotiated by the

(257)http://ec.europa.eu/taxation_customs/customs/policy_issues/international_custom_s_agreements/china/index_en.htm. Visited in July 2012.

(258)http://ec.europa.eu/taxation_customs/customs/policy_issues/international_custom_s_agreements/korea/index_en.htm. Visited in July 2012.

(259) Joint operation INFRASTRUCTURE, targeting counterfeit integrated circuits and computer networking equipment implemented the «joint IPR border enforcement action» portion of the strategy as agreed. These products were selected for the joint operation because they present safety and security risks in addition to IPR infringement risk. Operation INFRASTRUCTURE resulted in the seizure of over 360,000 counterfeit integrated circuits bearing over 40 different trademarks. It was the first Intellectual property Rights (IPR) enforcement operation undertaken by the EU and the US' Customs and Border Protection. http://ec.europa.eu/taxation_customs/resources/documents/common/whats_new/ec_us_joint_operation_ee.pdf. Visited in July 2012.

(260)http://ec.europa.eu/taxation_customs/customs/policy_issues/international_custom_s_agreements/japan/index_en.htm. Visited in July 2012. In the last (fifth) Joint Cooperation Committee (June 2012) parties reflected on the well-functioning cooperation with regards to the border enforcement of IPR and it was agreed to continue it and work together in international fora –and possibly contemplate enhancing their strategic cooperation- to enhance the protection of EU and Japanese citizens from counterfeit goods.

(261) IP/10/1275

members of a «club» having as «real targets» the non-members (262).

The Agreement, which is TRIPs compatible (art.1), has three chapters dealing with IPR enforcement measures after a first chapter on initial provisions and two final chapters on institutional and final issues. The IPR enforcement chapters are aimed to the reinforcement of the international legal framework incorporating, beyond the sections already present in TRIPs –including border measures-, piracy of optical discs and Internet distribution. The last one is one of the most polemic issues in the fight against counterfeit and piracy. Traditional customs border measures are impossible to apply in the web and other technical tools contemplated in international norms are neither useful in this regard (263). Moreover, respect for privacy and freedom of information fundamental rights in the web are important and sensitive issues in the forefront of the heated debates.

On border measures' compromises, beyond the «may» provisions, there are a number of differences between TRIPs and ATCA that reveals its TRIPs-plus character (264) and are summarized below.

Border measures provisions

	TRIPs	ACTA
Material scope	Counterfeit & piracy (as defined) (art. 51) Imports (art. 51)	All IPR (art. 13) MS can exclude patents & protection of undisclosed info. Imports & exports & (art.16.1) Small consignments of commercial character (art. 14.1)
Ex officio intervention	Optional (art. 58)	Compulsory (art. 16.1.a)
Initial suspension deadline	10 working days after the applicant has been served notice (art. 55)	No reference.
Defendant's safeguards	Review of the suspension at his request once judicial procedures have been initiated including a right	No reference

(262) D. GERVAIS, «The International...», n. 26, para. 3.87, p. 72.

(263) WIPO Treaties (arts. 11 –technological measures- and 14 of the Copyright Treaty, and 18 –technological measures- of the Interpretation and Execution of Phonograms) do not count with rules addressing this subject.

(264) Analyzing in particular goods in transit on the basis of the officially released October 2010 ACTA text, see H. GROSSE RUSE-KHAN, «A Trade Agreement Creating Barriers to International Trade? ACTA Border Measures and Goods in Transit», *Max Planck Institute for Intellectual Property, Competition and Tax Law Research Paper Series, No 10-10*. <http://ssrn.com/abstract=1706567>. Visited in July 2012. See also the *Opinion of European Academics on Anti-Counterfeiting Trade Agreement*, <http://www.statewatch.org/news/2011/jul/acta-academics-opinion.pdf>. Visited in July 2012.

	to be heard (art. 55) Release of goods if no communication on the initiation of procedure on the merits in 10 days by posting a security (art.55) Compensation for damages (art. 56)	A Party «may only in exceptional circumstances... permit the defendant to obtain possession of suspected goods by posting a bond or other security» (art. 18) Will have to be made TRIPs compatible No reference
Damages' assessment	Nothing (art. 45)	Civil enforcement of, at least, copyright, related rights and counterfeits (art. 9): Pre-established statutory damages; &/or Presumptions
Cooperation & coordination	Contact points & exchange of information on trade in infringing goods. In particular, «promote the exchange of information and cooperation between customs authorities with regard to trade in counterfeit trademark goods and pirated copyright goods» (art. 69)	<ul style="list-style-type: none"> • management of risk at the border (art. 29, «may»), • Transparency (art. 30, «shall») • Public awareness (art. 32, «Shall promote») • International cooperation (art.33, «shall promote») • Information sharing (art. 34, «shall») • Capacity building and technical assistance (art. 35, «shall endeavour»)

The EU twenty seven Member States unanimously authorised the signature of ACTA the 16 December 2011. On 26 January 2012, the EU and 22 Member States signed the Agreement. As it has been noted, the civil society major concerns about ATCA are particularly about freedom of expression and information, privacy and data protection in the Internet; not so much about border measures. Provided the social debates opened in this regard, in May 2012 the Commission asked the ECJ to clarify whether ACTA is incompatible with the EU's fundamental rights and freedoms (265). Whilst the Commission is convinced that ACTA is fully in line with the

(265) See <http://trade.ec.europa.eu/doclib/press/index.cfm?id=799&serie=513&langId=en>. Visited in July 2012.

EU's standards and does not interfere in citizen's fundamental rights, this is not the Opinion of the EU Data Protection Supervisor, who manifests a clear concern for the contemplated measures being «highly intrusive to the private sphere of individuals and, if not implemented properly, may therefore interfere with their rights and freedoms to, inter alia, privacy, data protection and the confidentiality of their communications» (266). On this area, CJEU has already pronounced itself confirming that monitoring the internet is prohibited and that general filtering systems that are installed in order to prevent copyright infringements are disproportionate (267). Despite the Commission (268) states that this is view shared by ACTA (269), it is necessary to wait for the CJEU Opinion on the ACTA itself.

In the meantime, on 4 July 2012, the European Parliament voted against ACTA, thus bringing the ratification procedure within the EU to an end. Nevertheless, the Commission has declared that it will await the CJEU ruling to take further steps on «discussing ways to enhance the protection of IPRs on a global scale» (270). Anyhow, the Commission External Policy Directorate has acknowledged that «the lack of proper institutions and the fact that its standards are generally lower than those achieved by the US and the EU in their bilateral and regional free trade agreements suggest that the strategic benefit of ATCA will be limited» and that a «fair assessment would suggest that the EU was very successful in its defence of existing EU policy but achieved little in terms of its offensive interests in getting major infringing countries to change their laws» (271). Along this line, despite observing certain incompatibilities with EU law, European Academics Opinion on ACTA states that it «is relevant as a signal of the trajectory that advocates of stricter en-

(266) Para. 69 of the Opinion of the European Data Protection Supervisor on the proposal for a Council Decision on the Conclusion of the Anti-Counterfeiting Trade Agreement between the EU and its Member States, Australia, Canada, Japan, the Republic of Korea, the United Mexican States, the Kingdom of Morocco, New Zealand, the Republic of Singapore, the Swiss Confederation and the United States of America, done in Brussels, 24 April 2012, http://www.edps.europa.eu/EDPSWEB/webdav/site/mySite/shared/Documents/Consultation/Opinions/2012/12-04-24_ACTA_EN.pdf. Visited in July 2007. A summary can be found in *OJ* (2012) C-215/17, 24 July.

(267) Case C-370/2010, *Belgische Vereniging van Auteurs, Componisten en Uitgevers CVBA (SABAM) v. Netlog*. 16 February 2012, paras.38 and 47.

(268) The Commission had already presented a Proposal for a Council Decision on the conclusion of the Anti-Counterfeiting Trade Agreement between the European Union and its Member States, Australia, Canada, Japan, the Republic of Korea, the United Mexican States, the Kingdom of Morocco, New Zealand, the Republic of Singapore, the Swiss Confederation and the United States of America, COM(2011) 380 final, 24.06.2011.

(269) EU introduced the concept of proportionality between the seriousness of the infringement, the interest of third parties (including the fundamental rights of individuals who are affected by such measures) and the applicable measures, remedies and penalties (Article 6.3 of ACTA). See <http://ec.europa.eu/trade/tackling-unfair-trade/acta/questions-and-answers/> Visited in July 2012.

(270) See <http://ec.europa.eu/trade/tackling-unfair-trade/acta/questions-and-answers/>. Statement by EU Trade Commissioner Karel De Gucht on European Plenary Vote on ACTA, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=818>; Visited in July 2012.

(271) DG External Policies report n. 3 p. 72.

forcement might seek to achieve in other bilateral agreements» (272).

V. In implementing their tasks, customs can clearly serve the enforcement of IPR. Anyhow, their mission in this regard is basically preventive. Customs do not decide on the infringement of IPR, a power generally attributed to courts. Customs intervention is, therefore, aimed at reacting when goods being transborderly moved are suspicious of infringing IPR so that, when the infringement is established, they can be destroyed or somehow removed from the commercial chain. Customs action, be it initiated *ex parte* or *ex officio*, is essentially temporary. TRIPs Agreement imposes obligations on its Member States on the implementation of national legal systems that allow for customs intervention. The EU, that has always maintained an active position in the protection of IPR, counted with these rules even before TRIPs required them and, over the years, progressively reinforces their operation so that they exceed what the Agreement requires (TRIPs-plus legislation). Defined on the basis of the IPR, the kind of goods and the customs situations in which these goods can be found, it is the last aspect of the EU Regulation scope which has provoked more polemics, together with the so-called imposition or export of its higher standards of protection on third non-developed countries.

Anyhow, in the fight against IPR's infringement through border measures two essential elements have to be taken into account. Firstly, the determination of the existence of an infringement is directly related to the object of IPR and the reason for their protection, that cannot be confused with guaranteeing other public interests, as public health or security. Secondly, and directly related, the existence of limits to the IPR enforcement mechanisms that, in what concerns here, derive from the international trade restrictive effects of the undisputed IPR territorial character. From these two elements it has to be concluded that the zeal in IPR protection should not exceed what constitutes IPR's object because, if that was the case, the restriction of international trade would not find justification. Therefore, any solution has to pursue the delicate, and many times difficult, balance between the differing public interests in presence. Notwithstanding ideological and political debates, from a juridical perspective it is possible to observe that the fight against counterfeit and piracy is an open front in a declared war for the defense of IPR, in which the EU has an advanced position. Regarding border enforcement measures, EU borders are in a fortified situation, however, there are still leaks on its walls. Overall, learning from the experience, the Proposal for the Regulation reform will lead to clarify and reinforce EU border measures system. The «export» of this system to other countries -particularly elements of its scope- is more effectively done through bilateral than through multilateral initiatives. There are still battles to fight in the international border measures area. As it is recommended, may be the point of depar-

(272) See n. 268, pp. 2-4. As to border measures, what they observe is more an ambiguity than an incompatibility. It has to do with the wide IPR scope of ACTA border measures regarding trademarks, which would not fit with the Regulation definition of counterfeit. As has been shown, the Proposal intends to widen the coverage of trademark infringing goods.

ture is abandoning this aggressive language in favour of a more lenient speech about the defense of legitimately acquired rights over immaterial intellectual goods.