



# Stopping infringers short

**Nicola Dagg, Catherine Edmonds, Ulrike Stimmel, Eva den Ouden and Lydia Mendola of Allen & Overy compare available measures across Europe**

**A**ccording to the European Commission, a record 178 million articles were detained at EU borders in 2008, compared with a total of 79 million articles in 2007, with the overall number of cases up by 13%.<sup>1</sup> Not only does the importation of infringing goods damage rights holders through loss of sales, it can also do considerable harm to their reputation and, in some cases, endanger the safety of the public.

The ability to prevent infringing goods from entering the EU at its borders is a key weapon in the armoury of IP rights holders, yet the effectiveness of so-called "Border Detention Orders" varies significantly between Member States. Recent changes to UK Customs procedure have attempted to bring the UK into harmony with the rest of Europe, however if the EU is committed to solving the problem of infringing goods, a consistent approach is needed in all countries. This inconsistency appears to be compounded by the current lack of clarity in Europe as to whether goods in transit can be lawfully detained.

## The Customs Regulation

Regulation 1383/2003/EC (the Customs Regulation) and its implementing Regulation (1891/2004/EC) set out the legal basis and the procedures which allow national Customs authorities to prevent goods suspected of infringing intellectual property rights from being

imported into the EU (or exported from it). Under the Customs Regulation, rights holders can apply to a national Customs authority to request the detention of goods that infringe their intellectual property rights.

To make a successful application, the rights holder must provide an accurate and detailed technical description of the goods, information concerning the pattern of the fraud (such as shipment details, details of the carrier and source, if known), contact details for the rights holder, proof that the applicant holds rights in the goods in question and a declaration that the applicant accepts liability to the persons involved in any detention or seizure of goods in case, for example, the goods are subsequently found not to infringe any intellectual property rights. The rights holder must also agree to bear the costs incurred in keeping goods under Customs control.

Once an application is received, the national Customs authority is expected to process it and notify the applicant if their application has been successful within 30 working days. One of the benefits of this procedure is that, once an application has been accepted in a Member State, it can then be extended to other Member States in which the applicant has intellectual property rights, without having to make separate applications in each jurisdiction. If the application is successful and a Border Detention Order is granted, this will usually be valid for a 12-month period, although it is possible to apply for a further 12-month extension.

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Once the Border Detention Order is in place, a Customs authority will put in place a “watching” service, to identify and intercept goods that infringe the intellectual property rights in question. Once the Customs authority has detected suspicious goods, it will detain them and notify the parties involved. Rights holders are then given a period of 10 working days from the receipt of the notice of detention to notify the relevant Customs authority that they have commenced civil proceedings in a national court or, alternatively, that the other party has agreed to the destruction of the goods. Provided that a court action is commenced, the goods will be detained until the outcome of the litigation is known. If the rights holder fails to commence proceedings within the specified period, the detained goods will be released. If civil proceedings have been

This system was held not to comply with the requirements of the Customs Regulation and so, since June 2009, UK Customs no longer automatically seize and destroy goods. Instead, a rights holder who is notified by Customs that suspect goods have been detained will have 10 days (or up to 20 days if an extension is agreed) from this notification in which to initiate Court proceedings, failing which the suspect goods will be released. Goods will only be destroyed if Customs officers are specifically ordered to do so by the Court. This change puts the burden of proof firmly on the rights holder to show that the goods detained are infringing.

In a further blow to rights holders, the UK court recently held that Customs authorities in the UK should not seize goods in transit from one non-EU country to

long as the rights holder can provide sufficient information to enable the Customs officials to detect the infringing goods.

After a detention of goods, a rights holder must commence an infringement action at the civil court. In a normal civil action for infringement in Germany, a first instance judgment can be obtained within nine to 15 months if no expert evidence is needed, and the costs of the procedure are considerably lower than in the UK.

There has been some dispute within the German courts as to whether transit of infringing goods through Germany can amount to an infringement of an IP right in Germany. Following the *Montex/Diesel*<sup>9</sup> decision of the ECJ, which held that a rights holder could not oppose the mere transit of goods through Germany unless it could prove that this would necessarily entail marketing the goods in Germany, the prevailing view is that mere transit of goods alone will not infringe IP rights in Germany.

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commenced, the owner of the goods can apply for them to be released, if they are prepared to provide appropriate security.

### United Kingdom

The United Kingdom Customs authorities are generally quick to accept applications for Border Detention Orders but, lacking the resources of some of their European counterparts, they can be slower to detect the goods when they arrive, meaning that infringing goods can slip through the net.

There appears to be a greater emphasis in the UK on preventing the importation of obviously counterfeit goods (particularly those that are potentially dangerous to consumers) than in seizing the goods of a legitimate company embroiled in an IP spat with a competitor.

The United Kingdom has recently changed its Customs procedures to bring them into line with the requirements of the Customs Regulation. Previously, UK Customs were able to seize and destroy items on the basis of a witness statement from a rights holder that confirmed the detained goods infringed their intellectual property rights. The exception to this was where the owner of the goods objected, in which case the matter went to a hearing.

another, even if those goods are clearly counterfeit<sup>8</sup>. In that case, the UK court held that a consignment of obviously fake Nokia mobile phones in transit to Colombia were not “counterfeit” within the meaning of the Customs Regulation as they were not intended for sale in the UK.

The judge recognised that the situation was unsatisfactory but felt constrained by the wording of the Customs Regulation. This was a disappointing judgment for brand owners, as it limits their remedies for goods in transit to cases where there is clear evidence the goods are likely to end up on the EU market. This also seems to be at odds with the approach taken in the Netherlands. The Court of Appeal has subsequently referred the issue to the ECJ although, at the time of writing, the precise questions are yet to be formulated.

### Germany

Germany is one of the most efficient jurisdictions for actions under the Customs Regulation and German Customs authorities are generally keen to assist rights holders. In 2008, more than 10,000 interceptions of goods (with a value of more than 480 million Euros) were made in Germany. Even in the case of a technically-complex patent, it is relatively easy to obtain a Border Detention Order as

### Italy

Italy has opted to implement the Simplified Procedure contained in the Customs Regulation, which allows the confiscation and destruction of counterfeit goods under the supervision of the relevant Customs authority with the consent (or non-opposition) of the owner of the goods.

In practice, this procedure consists of an application made by the rights holder aimed first at invoking its IP rights and, secondly, at giving the owner of the goods the opportunity to hand over the counterfeit goods and consequently, after obtaining samples (which confirm the counterfeit nature of the goods), gaining authorisation for (or non-opposition to) their destruction.

To oppose destruction, the owner of the goods has 10 working days to submit an application. If the goods owner fails to submit an opposition on time, the Customs authority may declare the goods abandoned and destroy them.

Where the Simplified Procedure is not used, the rights holder has the usual period of 10 days to notify the relevant Customs authority that a civil or criminal action has been brought before the competent judicial authority. Both Customs and the rights holder can formally notify the relevant judicial authority of any criminal activity, setting in motion a criminal proceeding that can last several years. The rights holder also has a further option to initiate a civil action by requesting an interim injunction prior to a proceeding on the merits.

The Italian courts have followed the

decision of the ECJ in *Montex* in relation to the issue of goods in transit. In particular, they have held that a patentee cannot oppose the mere transit in a European country of goods intended for a third country where the patentee's rights are not protected. In 2007<sup>4</sup>, the IP Specialized Court decision in *Bari* held that the only way for a patentee to oppose the transit to another country of infringing products is to prove, on the basis of significant and concrete evidence, that the goods apparently in mere transit were, on the contrary, intended to be introduced into the market of an EU country.

### The Netherlands

Because of the position of the Netherlands and its international hubs (such as the Rotterdam port and Schiphol Airport on the outer borders of the European Union),

transit of goods which may amount to an infringement of a patent, based on the *production fiction*<sup>5</sup>. This legal fiction enables a rights holder to act against the transit of goods when, under the fiction that the products were produced in the Netherlands, there would be an infringement under Dutch intellectual property law. In practice, this gives rights holders a fairly broad and efficient protection in the Netherlands against infringing goods in transit.

### Strategies for rights owners

There are various tactics a rights holder can take advantage of to maximise the chances of successfully preventing infringing goods from being imported into the EU.


As mentioned above, an applicant need only apply for a Border Detention Order in one Member State, following which the

Rights holders should also consider making use of national civil and criminal seizure remedies in those jurisdictions where they are available. High profile seizures at trade shows (a strategy employed by companies such as *Sisvel*) can create low-cost, effective press coverage and send a powerful message to potential infringers.

In some cases, it may not be financially viable to target each and every infringer, given the substantial costs of bringing multiple court proceedings across Europe. Where resources are limited, it may be best to tailor them to specific countries such as the Netherlands, where there is a higher chance that infringing goods will be recognised and detained (although be aware that infringers may change their route of entry to less stringent jurisdictions and monitor accordingly).

In cases involving counterfeit goods, it is often worth investing time and money in tracking down the source of the goods, rather than going after importers alone, particularly as false address details are often recorded on shipments of counterfeit goods. Shutting down the factory where the goods are made will usually give a far more effective result than attempting to intercept every shipment that comes in to the EU.

### Conclusion

There is still inconsistency within Europe in relation to the practical application of the Customs Regulation by national Customs authorities, with some jurisdictions being perceived as "tougher" than others. For the system to work efficiently, greater harmonisation is needed. Different Member States have also expressed differing views on the extent to which the Customs Regulation can provide for the detention of goods in transit from one non-EU Member State to another. It is hoped that the recent references to the ECJ by both the English and Belgian Courts in relation to this issue will provide some welcome clarity in this regard. 

### Notes

1. European Commission press release IP/09/1160 dated 9 July 2009
2. *Nokia Corp v Her Majesty's Commissioners of Revenue & Customs* [2009] EWHC 1903 (Ch)
3. *Montex Holdings Ltd v Diesel SpA* (Case C-281/05 9 November 2006)
4. *Bari*, 15 January 2007
5. The Hague District Court, 18 July 2008 (*Sisvel v Sosecal*) and Dutch Supreme Court, 19 March 2004 (*Philips v Princo*).

**“Dutch Customs are relatively willing to cooperate with rights holders to make sure no counterfeit goods enter the Dutch (or European) market”**

Dutch Customs fulfil an important role in border enforcement. Dutch Customs are relatively willing to cooperate with rights holders to make sure no counterfeit goods enter the Dutch (or European) market. In addition to the filing of an application by rights holders, Dutch customs may also detain certain goods *ex officio*<sup>6</sup>, if they have sufficient grounds for suspecting that goods infringe an intellectual property right. In practice, this means that it is important for rights holders to develop and maintain a good relationship with the Dutch customs authorities and to educate them in order to be successful in the battle against intellectual property right infringers.

Dutch Customs may only detain goods for a maximum of 20 days. However, during this period a rights holder may file a request for seizure of the goods under the Dutch Code of Civil Procedure. Since these measures don't allow the rights holder access to the seized evidence, the rights holder has to initiate separate disclosure proceedings to be able to get access to the seized evidence. After seizure, the rights holder has to initiate infringement proceedings within a reasonable period of time (generally two weeks).

Rights holders may also rely on the Customs Regulation where suspicious goods are in transit through the Netherlands. Unlike the English courts, the Dutch courts have held that a patentee can oppose the

application can be rolled out to other Member States across the European Union. Expanding the scope of your application to all countries where you hold relevant intellectual property rights is a sensible strategy, particularly if the port of entry of the infringing goods is not clear.

Developing a close working relationship with each national Customs authority is crucial to increasing the chances that infringing goods will be recognised and detained. It is always advisable to give each Customs authority as much information as you can about the products, their suspected route of entry and any further information you can provide. It is also important that regular updates are given to each national Customs authority, to better enable them to spot infringing goods.

Raising awareness amongst potential infringers is also key to preventing their unlawful entry into the EU. In particular, developing a reputation for quick and aggressive action and for targeting all infringers, regardless of size, may make other would-be infringers pause for thought. In all cases where a rights holder wishes to take further action, it is imperative to act quickly upon receiving notification that infringing goods have been detained, as the window of opportunity for commencing a court action under the Customs Regulation is very narrow.