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CUSTOMS DETENTION: A COST-EFFECTIVE METHOD OF ENFORCING INTELLECTUAL PROPERTY IN EUROPE

When it comes to intellectual property rights such as patents, trade marks and copyright, the economic downturn can only mean one thing – cheaper goods flooding the market, many of them infringements of IP rights. Fortunately, Europe offers a powerful enforcement tool for rights holders, in the form of Customs detention. This provides a method of blocking goods at the border without paying a fee, without providing evidence of infringement and without prior judicial process. It is the ideal enforcement tool for the recession.

Detention of goods at the border is commercially troublesome to the alleged infringer and will often be enough to bring them to the negotiating table. This can also be a useful retaliatory tactic for defendants in IP infringement disputes. In addition, the procedure provides a helpful tool in the anti-counterfeiting armoury.

The only type of infringement where Customs detention is unavailable is in respect of parallel imports. In one case, however, the European Court of Justice has indicated that information about parallel imports, which were inadvertently detained by Customs, could be used to bring civil infringement proceedings.

The European Union comprises 27 Member States, of whom 12 have joined since 2004. Three other countries, Norway, Liechtenstein and Iceland, form the 'European Economic Area' (EEA) together with the EU. Particular hotspots for the importation of infringing goods into the EEA are the large sea ports such as Hamburg in Germany, Rotterdam in the Netherlands and Antwerp in Belgium. Customs authorities in these, and other, territories are highly effective at identifying and detaining infringements.

Application Procedure

Regulation (EC) 1383/2003 sets out a procedure for IP rights holders to apply to Customs authorities for detention of infringing imports. (It can also be used in respect of exports.) The EEA is a Customs union – that is, once imported goods are cleared through customs at any one location, they are free to move around the EEA without further hindrance from Customs. This means that the Customs detention procedure can only be effective at the place in the EEA where the goods are presented for Customs clearance – after that it is too late. Rights holders therefore normally request detention in respect of every European country where their rights subsist. They must apply individually to each relevant national Customs authority, with the exception of Community rights (such as the Community Trade Mark), where a single application to any Customs authority suffices.

The applicant should provide Customs with as much information as is available concerning the nature of the incoming goods and how Customs may identify them. Owners of rights in articles that are susceptible to counterfeiting and piracy often work with Customs authorities to educate them about the genuine product and how to spot infringements. In addition, where Customs authorities have sufficient grounds to suspect that goods infringe, they will carry out detentions *'ex officio'*, ie without having received an application from the rights holder. This is only likely in the case of counterfeit and pirated goods, since Customs are unlikely to have reasons to suspect that goods infringe patents without detailed information from rights holders.

When it comes to more complex infringement issues, such as in the field of patent rights, those rights holders whose IP rights are essential to a technical standard will have an advantage. They can provide Customs with a list of licensees and request that products from any suppliers not on the list should be detained, since the essentiality of their rights to the technical standard means that all such products require a licence from them. In other cases, rights holders may conduct investigations to identify particular shipments of infringing goods so that Customs can be given full details of their nature, likely dates of importation, likely port of entry, and so on.

The application contains an undertaking to accept liability for harm caused by wrongful detention, but in practice in most cases either the alleged infringer does not put in an appearance or the parties settle, and so the stage at which such liability might be assessed, if applicable, is not reached.

Procedure Following Detention of Goods

Customs allow inspection of the detained goods by the rights holder, which then has 10 working days (extendable by another 10 working days) in which to commence infringement proceedings in court (or a non-extendable three working days in the case of perishable goods). If they do not do so, the goods will be released. The alleged infringer should also be able to have the goods released on payment of a security bond, unless the case relates to alleged copyright or trade mark infringement or, in other cases, the rights holder has obtained interim injunctive relief. However, in practice the parties often have difficulty agreeing the amount of security, which may need to be in a substantial amount, and Customs are reluctant to get involved in this.

Where the goods were detained by Customs *ex officio*, they will allow the rights holder three working days in which to lodge an application for detention.

In certain countries, including for example the UK, a simplified procedure applies, which means that litigation is unnecessary if the owner of the goods agrees to their destruction.

Defences and Evasive Action

The most obvious evasive action available is for importers to re-route goods so that they clear Customs at an entry point where the relevant IP rights do not subsist. In addition, it may be possible to adopt certain Customs procedures as a result of which infringing goods are less likely to be detained.

Attempts have been made to challenge border detentions on the grounds of non-compliance with the Agreement on Trade-Related Aspects of Intellectual Property Rights ('TRIPS'), since the latter requires prima facie evidence of infringement. However, such challenges have had limited, if any, success, and rights holders have attempted to meet this potential objection by including infringement evidence with detention applications.

Statistics

The numbers of goods detained by Customs authorities shows a broadly upward trend year by year, and rights holders' use of the procedure has also increased significantly every year. The most recently available official statistics from the European Commission Taxation and Customs Union indicate that the majority of detained goods originated, unsurprisingly, from China, although India is increasingly the source of detained medicines. The most active Customs authorities, in terms of volumes of goods detained, were the Netherlands, Germany and Spain, followed by France, Italy and Denmark, with Hungary also relatively active. Most detained articles entered by sea.

The vast majority of goods are detained on the basis of trade mark rights (pertaining in large part to food and drink, cigarettes, medicines and clothing). Other rights, particularly copyright and patents, can typically account for anything from 1% to 15% from year to year, although in 2008 over 40% of detained articles were alleged to infringe patent rights (apparently the result of large numbers of CDs and DVDs being detained on behalf of patent owners as opposed to copyright owners). The products detained on the basis of patent rights have tended, according to the most recent statistics, to comprise also electronic equipment such as MP3 and DVD players, medicines and shoes, among others.

For further information

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