Recent enacted Regulation (EU) No 608/2013 of 12 June 2013 concerning customs enforcement of intellectual property rights will come into force throughout the European Union on 1 January 2014. It repeals Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and seeks to address some of the problems encountered with the old regulation, namely ‘a need to strengthen the provisions concerning enforcement of intellectual property rights’ whilst at the same time ensuring legal clarity of the provisions themselves. This makes it timely to review the EU customs regime for enforcing intellectual property rights, which extends considerably beyond that as to Border Measures that is mandated under Articles 51 through 60 of TRIPS.

Both the old and the new regulations enable control, through national customs authorities, to be exercised over the import into the EU of goods suspected of infringing an intellectual property right. Whereas the old regulation covered within the expression ‘intellectual property right’ copyright, related rights, trademarks, geographical indications, designs, patents, supplementary protection certificates, and plant variety rights, the new regulation extends coverage also to trade names in so far as they are protected as exclusive property rights under national law, topographies of semiconductor products, utility models and devices which are primarily designed, produced or adapted for the purpose of enabling or facilitating the circumvention of technological protection measures for copyright or related rights. As to trademarks, the new regulation has the effect of extending the protection from signs that are identical to the trademark, or which cannot be distinguished in their essential aspects from a trademark, to signs that would otherwise infringe a trademark, for example, because of confusing similarity. However, the new regulation as with the old, does not apply to parallel imports or to overruns, despite the fact that the import of these into the EU will almost always infringe any applicable intellectual property rights in the EU.

To avail themselves of the system, rights owners (or, under the new regulation, a wide range of other organisations such as collective rights management bodies) must first lodge with national customs authorities an application for customs action which is then examined and granted or rejected (for example because the information provided is incomplete). The appropriate national customs authorities will then suspend the release of, or detain, any goods coming to their attention that are suspected of infringing an intellectual property right covered by a decision granting an application, and notify both the applicant for customs action and the declarant or holder of the goods of this. Customs authorities may also suspend...
the release of, or detain, goods (other than perishable goods) suspected of infringing an intellectual property right even where there is no decision granting an application for customs action notifying, in addition to the declarant, anyone they believe might be entitled to submit an application for customs action, giving time for an application for customs action to be submitted. The applicant for customs action is restricted as to the uses to which the limited amount of information that the customs authorities provide about the nature of the goods suspected of infringing an intellectual property right can be put. One such use is for the initiation of proceedings, which unless both the applicant for customs action and the declarant or holder of the goods has agreed to their destruction, must be done within 10 working days of notification (extendable by another 10 days, but only a non-extendable 3 working days as to perishable goods) if the customs authorities are not to grant the release of the goods or put an end to their detention. However, even where proceedings have been initiated, where these concern only designs, patents, utility models, semiconductor chip topographies or plant varieties, the declarant or holder of the goods can seek their early release or an early end to their detention before the completion of such proceedings by providing a guarantee, unless the applicant for customs action secures a preliminary injunction.

The new regulation also provides for a simplified procedure, available at the option of the applicant for customs action, for the destruction of goods in ‘small consignments’ (being postal or courier consignments of three units or less or having a gross weight of less than 2 kg). However, this procedure only applies to goods suspected of infringing certain types of intellectual property right, namely trademarks and geographical indications (i.e. ‘counterfeit goods’, which expression also covers packaging and the like, even where separate) as well as copyright, related rights and design rights (i.e. ‘pirated goods’, which expression also covers devices which are primarily designed, produced or adapted for the purpose of enabling or facilitating the circumvention of technological protection measures for copyright or related rights in a Member State, and moulds or matrixes which are specifically designed or adapted for the manufacture of goods infringing an intellectual property right in a Member State). This differs from the usual procedure under the new regulation in that no separate notification is necessarily given to the applicant for customs action and that the customs authorities will destroy the goods unless the declarant or holder of the goods challenges their destruction.

The Commission reports annually on the EU customs enforcement of intellectual property rights. The most recent such Report, for calendar year 2012 (ref.11), shows a slight drop in the number of detentions over the previous year to a little over 90,000, and attributes the still high number of cases to postal or courier traffic probably resulting from Internet sales. The total number of articles detained had however decreased dramatically, by 65%, to nearly 40 million, over 30% of which by number were cigarettes, but nearly 20% of which by value were watches. The main country of provenance was China, which was responsible for 64% by number and 77% by value of goods suspected of infringing intellectual property rights.

**Goods in Transit**

It might seem odd that the new regulation does not expressly address in any of its operative provisions one of the most contentious consequences of the manner in which the old regulation was implemented, namely the customs seizure of goods that were in transit between jurisdictions in neither of which were there any relevant intellectual property rights but which would, had they been placed on the market in an EU Member State, have infringed an intellectual property right there. Instead Recital (11) of the new regulation notes somewhat opaquely that:

(11) Under the ‘Declaration on the TRIPS Agreement and Public Health’ adopted by the Doha WTO Ministerial Conference on 14 November 2001, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS 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. Consequently, in line with the Union’s international commitments and its development cooperation policy, with regard to medicines, the passage of which across the customs territory of the Union, with or without transhipment, 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 territory of the Union, customs authorities should, when assessing a risk of infringement of intellectual
property rights, take account of any substantial likelihood of diversion of such medicines onto the market of the Union.

The Commission in consulting on the revision of the old regulation had recognised that the application of the regulation by the customs authorities should never unduly hinder legitimate trade of goods through the territory of the European Union and that particular account should be taken of the concerns expressed by some WTO members, namely India and Brazil, relating to controls by European customs on medicines in transit through the European Union. In so doing it was alluding to the controversy which erupted in 2008 and 2009 when the Dutch and German customs authorities respectively started seizing pharmaceuticals en route from India to various countries outside the EU, where there were patents on the pharmaceuticals in the Netherlands and Germany but none in India or the proposed destination countries, and resulting in the formal initiation by India and Brazil of consultations within the framework of WTO Dispute Settlement on 12 May 2010 (ref. 13). The EU pharmaceutical industry made it clear that transiting generic medicines, even if they would have infringed a patent in Europe, should not be detained if they were generic medicines in the country of origin and of destination, and consultations between the EU, India and Brazil took place within the framework of WTO Dispute Settlement in July and September 2010 but have gone no further. Late in 2012, the European Commission published Guidelines clarifying the scope for customs control of goods in transit through the territory of the EU and which concluded (footnote omitted):

... in the light of certain cases of customs detentions on the grounds of patent infringement of shipments of medicines originating in a third country, it is understood that the mere fact that medicines are in transit through the EU territory, and there is a patent right applicable to such medicines in the EU territory, does not in itself constitute enough grounds for customs authorities in any Member State to suspect that the medicines at stake infringe patent rights. It is further understood that a situation in which medicines are in transit through EU territory, and there is adequate evidence that satisfies the customs authorities that there is a substantial likelihood of diversion of such medicines onto the EU market, may constitute enough grounds for customs authorities to suspect that the medicines at stake infringe patent rights.

That guidance can be expected to continue to apply under the new regulationX, especially in the light of Recital (11) of it.

However, as also alluded to in the Commission’s 2012 Guidelines, the pharmaceuticals controversy was merely one, albeit high profile, aspect of a controversy that had plagued the old regulation since its introduction, and indeed had first arisen under its predecessor Regulation 3295/94 (ref. 16) in relation to goods in transit, although the previous cases which had gone to the European Court of Justice on the issue had concerned trademarks. In the first such case, Case C-383/98 The Polo/Lauren Company (the subsequent Case C-60/02 Rolex and others is to much the same effect), the Court noted that although goods in transit did not enter the internal EU market through which they pass, such operation was ‘all the more liable to have a direct effect on the internal market as there is a risk that counterfeit goods placed under the external transit procedure may be fraudulently brought on to the [EU] market.’ The Court accordingly confirmed that Regulation 3295/94 had the potential to apply to goods imported from a non-member country, which were, in the course of their transit to another non-member country, temporarily detained in an EU Member State by its customs authorities on the basis of the regulation and at the request of the company which holds rights in respect of those goods which it claims have been infringed. However, it gave no guidance as to the circumstances in which it would apply.

These cases under Regulation 3295/94 were then followed by a series of cases under the trademark Directive and Regulation which, addressing instead the substantive law of trademarks, made it clear that trademark infringement could not be assumed in such cases. Thus in Case C-405/03 Class International, the Court held that the mere physical introduction of goods into the territory of the community is not ‘importing’ within the meaning of the Directive and the Regulation and neither does it entail ‘using [the mark] in the course of trade’ within the meaning of the Directive and the Regulation. In Case C-282/05 Montex v Diesel, also under the trademark Directive, the Court touched on the relationship between the regime under the trademark Directive and that under Regulation 3295/94 in its analysis, but
having noted that none of the provisions of Regulation 3295/94 ‘introduces a new criterion for the purposes of ascertaining the existence of an infringement of trademark law or to determine whether there is a use of the mark liable to be prohibited because it infringes that law’ limited its ruling to the situation under the trademark Directive, and suggested that infringement issues as to goods in transit could only arise in the very special circumstances of those goods being 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 the Member State of transit.

The tension between the procedural regime of Regulation 3295/94 and the substantive law regime of the trademark Directive and Regulation came to a head at much the same time as the controversy over in-transit pharmaceuticals, in joined Cases C-446/09 Koninklijke Philips Electronics NV v Lucheng Meijing Industrial Company Ltd, and C-495/09 Nokia Corporation v Her Majesty’s Commissioners of Revenue and Customs21 and in which the Court of Justice of the EU at last addressed in specific terms the issue of goods in transit under the procedural regime of the old Regulation and its predecessor, holding:

– goods coming from a non-member State which are imitations of goods protected in the European Union by a trademark right or copies of goods protected in the European Union by copyright, a related right or a design cannot be classified as ‘counterfeit goods’ or ‘pirated goods’ within the meaning of those regulations merely on the basis of the fact that they are brought into the customs territory of the European Union under a suspensive procedure;
– those goods may, on the other hand, infringe the right in question and therefore be classified as ‘counterfeit goods’ or ‘pirated goods’ where it is proven that they are intended to be put on sale in the European Union, such proof being provided, inter alia, where it turns that the goods have been sold to a customer in the European Union or offered for sale or advertised to consumers in the European Union, or where it is apparent from documents or correspondence concerning the goods that their diversion to European Union consumers is envisaged;
– in order that the authority competent to take a substantive decision may profitably examine whether such proof and the other elements constituting an infringement of the intellectual property right relied upon exist, the customs authority to which an application for action is made must, as soon as there are indications before it giving grounds for suspecting that such an infringement exists, suspend the release of or detain those goods; and
– those indications may include, inter alia, 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 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.

Although the principles here set out are expressed in terms of ‘counterfeit goods’ and ‘pirated goods’ they can be applied by analogy to other intellectual property rights, as was recognised by the Commission in its 2012 Guidelines, which drew the analogy with patents as had been particularly at issue in the context of in-transit pharmaceuticals. These principles are also no less applicable to the new regulation than to its two earlier predecessors and with which the decision was specifically concerned.

However, in the context of trademarks this decision, having in effect rejected the legal expedients previously adopted in some Member States, such as the ‘manufacturing fiction’ in the Netherlands, to control ostensibly in-transit counterfeit goods, disappointed trademark owners by requiring that they reach a standard of proof which they could not readily meet if they wished to control such goods. The answer to their concern would lie, not in the context of interpretation of the procedural provisions of the new regulation but in that of the substantive law of trademarks, by extending the grounds of infringement. Indeed this is precisely what is now proposed as part of the current revision of European
trademark law,\textsuperscript{22} which would confer the following additional right on the owner of a Community (to be renamed European) trademark (and a corresponding right on owners of national marks):

9(5) The proprietor of a European trademark shall also be entitled to prevent all third parties from bringing goods, in the context of commercial activity, into the customs territory of the Union without being released for free circulation there, where such goods, including packaging, come from third countries and bear without authorization a trademark which is identical to the European trademark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trademark.

This would have the effect of resolving the ‘in-transit’ issue in favour of trademark owners, but of leaving it resolved, as to other intellectual property rights, in effect as against the rights owners as a result of the decision in joined cases C-446/09 Koninklijke Philips Electronics NV and C-495/09 Nokia Corporation. This is why the new regulation can remain silent on so vexed an issue, apart from the little nudge against applying its procedural regime to in-transit pharmaceuticals provided by Recital (11).

References
2 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 2.08.2003, p. 7.
4 One of the most obvious differences is that Articles 51 through 60 of TRIPS only mandate the availability of border measures as against counterfeit trademark goods and pirated copyright goods, both of which expressions are defined in footnotes to Article 51, whereas the EU measures apply to a much wider range of intellectual property rights, including patents and designs, and the new Regulation extends their scope in that respect even further.
5 This technology-specific intellectual property right, mandated by Article 35 to 38 of TRIPS, would appear now, in the light of developments in technology, to be obsolete, and has never, to the author's knowledge, been the subject of any litigation anywhere in the EU. Indeed the author is only aware of one action in respect of it anywhere in the world – Brooktree Corporation v Advanced Micro Devices 705 F Supp 491; 10 USPQ 2d (BNA) 1374 (USDC Southern District of California 1988). These days patent protection remains the most important form of protection for integrated circuits.
6 Utility models are similar to patents, but have generally a shorter duration, may be for a more limited range of technologies, may require a lower threshold of inventive step, and are not examined, in that their validity is not addressed unless and until an attempt is made to enforce them. The law relating to utility models is not harmonised in the EU, and thus for example the UK does not have a utility model system, but in the UK the national patent system provides the possibility of securing, relatively inexpensively and quickly, an examined national patent.
7 Parallel imports unless expressly authorised by the rights owner will under EU law infringe national intellectual property rights where these have been harmonised as a result of an EU Directive and unitary rights having effect throughout the EU. Where national intellectual property rights have not been harmonised as a result of an EU Directive the approach to international exhaustion is matter for national law, and some of these provide for international exhaustion, or at least an implied licence in respect of parallel imports. The Commission had originally proposed that the New Regulation should apply also to parallel imports, but this was rejected in the course of its legislative passage - see the Explanatory Memorandum accompanying the Proposal for a Regulation of the European Parliament and of the Council concerning customs enforcement of intellectual property rights CCOM (2011) 285 final 2011/0137 (COD) 24.5.2011.
8 In the case of national intellectual property rights, and in respect of which national applications for customs action are submitted, this will be only the national customs authorities of the EU Member State in which the right subsists. In the case of unitary rights having effect throughout the EU, namely at present community trademarks, geographical indications, community designs and community plant variety rights, not only the customs authorities of the Member State in which the Union application for customs action is submitted but also those of other EU Member States in respect of which such action is requested.
9 Council Regulation (EC) No 1383/2003 did not expressly provide for a mechanism for the declarant or holder of the goods to agree to their destruction.
10 Article 26 of Regulation (EU) No 608/2013. Council Regulation (EC) No 1383/2003, by Article 11, also provided for a simplified procedure, but it was optional for EU Member States, although it did have potentially wider application than Article 26 in that it was not limited to ‘small consignments’, and has been widely used, as it applied to more than three quarters of the detentions in 2012.


17 Case C-383/98 The Polo/Lauren Company LP and PT Dwidua Langgeng Pratama International Freight Forwarders (ECJ 6 April 2000).

18 Case C-60/02 Rolex and others (ECJ 7 January 2004).

19 Case C-405/03 Class International BV v Colgate Palmolive Co and Ors (ECJ 18 October 2005).

20 Case C-282/05 Montex v Diesel (ECJ 9 November 2006).

21 Joined cases C 446/09 and C 495/09, Koninklijke Philips Electronics NV (C 446/09) v Lucheng Meijing Industrial Company Ltd, Far East Sourcing Ltd, Röhlig Hong Kong Ltd, Röhlig Belgium NV, and Nokia Corporation (C 495/09) v Her Majesty’s Commissioners of Revenue and Customs (CJEU 1 December 2011).