

CLIENT ALERT

Recent Guidance For The Protection of Intellectual Property Rights at The EU Border

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In December 2011, the Court of Justice of the European Union (CJEU) provided practical guidance regarding the application of the EU legislation for customs action against goods suspected of infringing certain intellectual property rights (IPR) which are not yet cleared for free circulation in the EU¹.

While rejecting recourse to a general possibility of fraudulent diversion, the Court made clear that national customs officials can detain goods suspected of infringing IPR without necessarily having proof that the goods have already been sold or advertised to EU consumers, as long as there are indications that that is about to happen or that an operator is disguising its commercial intentions. In proceedings before national courts, however, there must be proof of a sale, offer for sale or advertising to EU consumers, or documentation showing that diversion to EU consumers is envisaged, in order for the judge to be able to conclude that the goods in question are liable to infringe an IPR applicable in the EU.

Introduction

In cases *Koninklijke Philips Electronics NV (C-446/09) v. Lucheng Meijing Industrial Company Ltd and others* and *Nokia Corporation (C-495/09) v. Her Majesty's Commissioners of Revenue and Customs*², the CJEU clarified the application of rules regarding two different and consecutive stages in the enforcement of IPR in the EU. The first stage is handled by the EU customs authority, which can take precautionary measures at the EU customs border in order to protect IPR and allow the judicial authority, in a subsequent phase, to assess whether there is actually an infringement of IPR.

Conditions for the detention of goods placed under a suspensive customs procedure³ with a view to enforcing IPR

Concerning the first stage, the Court stated that not only the existence of irrefutable evidence of a commercial act already directed to EU consumers but also indications giving rise to the suspicion of such an intention – and consequently to the suspicion of an infringement of IPR in the EU - require the customs authority to detain or suspend the release of goods which have been identified as imitations or copies of a product protected in the EU by IPR.

The Court also provided **examples of indications** giving grounds for suspicion of IPR infringements, namely:

1. the fact that the destination of the goods is not declared whereas the suspensive procedure requires such a declaration;
2. the lack of precise and reliable information concerning the identity or address of the manufacturer or consignor of the goods;
3. a lack of cooperation with the customs authority;
4. the discovery of documents or correspondence suggesting that the goods are likely to be diverted to EU consumers.

Requirements for the classification of goods as "counterfeit" or "pirated" following detention by the customs authority

According to the Court, and unlike the decision to temporarily detain or suspend the release taken by the customs authority, a substantive decision of a judge classifying goods as "counterfeit" or "pirated", or more generally as "goods infringing IPR", cannot be based on a mere suspicion that such goods are intended to be put on sale in the EU or based on the so-called "production fiction", but rather must be based on direct evidence of commercial intent. The evidence required may consist, for example, in the existence of:

1. a sale of goods to a customer in the EU;
2. an offer for sale or advertising addressed to consumers in the EU;
3. any documents or correspondence concerning the goods in question proving that the diversion of those goods to EU consumers is envisaged.

Practical business implications

IPR holders can and should actively cooperate with the customs authority to find evidence allowing the customs authority to detain or suspend the release of goods suspected of infringing IPR (by inspecting the goods, obtaining available information, etc.).

In this regard, even material indications giving rise to the suspicion that the goods will be sold in the EU are sufficient for customs authorities to be required to take action.

In particular, depending on the customs suspensive arrangements in place and the specific circumstances of each particular case, possible uncertainties or inconsistencies in the information reported in the customs documents (regarding for instance the destination, the identity or address of the manufacturer or consignor of the goods, etc.), or an economically unjustified routing of the goods, may be adequate to require the detention or suspension of release of the goods by the customs authorities.

However, in the subsequent stage before the judicial authority, direct evidence must be provided showing that the goods will be sold in the EU, either by means of a sale contract or through advertising addressed to EU consumers, or by any other document or correspondence proving that commercial intent.

As observed by the Court, the inability to maintain detention under Council Regulation (EC) 1383/2003 would not alter the fact that the customs authorities would in any event continue to monitor the goods (under the suspensive procedures) and they could still take actions under other Community Customs Code provisions⁴.

Independently of the Court's decision, there is ongoing a legislative procedure to amend Council Regulation (EC) No 1383/2003. While the initial Commission proposal did not address the proof requirements outlined by the Court, there may now be amendments which do so.

¹ In the framework of intellectual property rights enforcement, Council Regulation (EC) No 1383/2003 and Commission Regulation (EC) No 1891/2004 implementing Council Regulation (EC) 1383/2003 lay down the conditions, procedure and measures to be taken against goods found to have infringed such rights.

² Judgment of 1.12.2011, in Joined Cases C-446/09 and C-495/09, *Koninklijke Philips Electronics NV v. Lucheng Meijing Industrial Company Ltd and others* (not yet reported). The Court's decision is hereinafter referred to as the "CJEU judgment".

³ The suspensive procedures include the following arrangements: external transit, customs warehousing, inward processing in the form of a system of suspension, processing under customs control and temporary importation.

⁴ Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code, O.J. L 302, 1992, p.1, as last amended by Regulation No 1791/2006, O.J. L 363, 2006, p.1. See to that effect paras 74-77 of the CJEU judgment.

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