

## Question Q 147

### The effectiveness of border measures after TRIPS

#### I. Introduction

The *primary purpose* of this Question is to establish to which degree the Members of TRIPS are living up to their obligations under Section 4 of Part III: "Enforcement of Intellectual Property Rights of TRIPS" and to establish to which extent further measures than prescribed by that part of TRIPS are deemed desirable. For that reason the full text of the Articles 51 through 60 has been repeated in the following once more.

The Reporter General has received 25 Reports, namely from the Groups of Argentina, Australia, Belgium, Bulgaria, Canada, Denmark, Egypt, Finland, France, Great Britain, Hungary, Indonesia, Italy, Japan, Mexico, The Netherlands, Portugal, Republic of Korea, Romania, Spain, Sweden, Switzerland, Thailand, Uruguay and the Arab Regional Group (i.e. only dealing with the law of Algeria).

The received reports contain abundant details which together do indeed constitute rich materials of comparative law resulting from the in-depth study which AIPPI also envisaged by posing the present Question.

In the Working Guidelines the Groups were reminded of the issue of the possibly "direct applicability" of certain provisions in TRIPS and they were invited to indicate where their answers to the questions are based on such direct applicability. Many Groups having disregarded this reminder, it may suffice to mention in this Summary Report only the following. The Groups of the countries where under national law a Treaty can only bind the *State* and binds private parties only after having been embodied in domestic legislation, report that such legislation incorporating the TRIPS measures into national law has indeed taken place.

Of the Groups of the countries where under national law provisions of a Treaty can be directly applicable under the condition that the wording of the Treaty provisions is self-evident and *needs no further elaborating into further detail*:

- the Group of Belgium reports that in their view the TRIPS measures discussed in the context of the present Question are "probably" not directly applicable "taking into consideration the conditional character of their wording",
- but the Groups of, for instance, The Netherlands and Spain consider these measures to be directly applicable indeed.

#### II. Customs Unions

The heading of Section 4 of Part III. **Enforcement of Intellectual Property Rights** of TRIPS reads:

## **Special requirements related to border measures**

To this heading a note (i.e. note nr. 12) is added, reading: "Where a Member has dismantled substantially all controls over movement of goods across its border with another Member with which it forms part of a customs union, it shall not be required to apply the provisions of this Section at that border."

1. *So the Groups were asked whether their country or region belongs to such a "customs union" and whether it therefore did indeed dismantle wholly or substantially all controls as mentioned in note 12, and if so, whether it nevertheless does apply the provisions of Section 4 at the involved border(s).*
- 1.1 The Groups of countries which are part of the European Economic Area as defined by Article 3 of the Community Customs Code (EC 2913/92, OJ 19.10.1992, L 302, p.1) report that this Area constitutes a customs union of which the Members do not apply the provisions of Section 4 at their common borders.
- 1.2. The Argentine and Uruguayan Groups report that Argentina and Uruguay belong, together with Brazil and Paraguay, to MERCOSUR which is a customs union, having however not dismantled wholly or substantially all controls at their common borders.
- 1.3. Some Groups, e.g. those of Australia, Hungary, Japan, Rumania and Thailand, report that their country does not belong to any customs union.
- 1.4 The Groups of Canada and Mexico report that their country is a Member of several free trade agreements but none of them constitutes a customs union. The Group of Egypt reports that Egypt has free trade agreements with several Arab countries (Arab League Treaty) and African countries (COMESA: Common Market Eastern and Southern Africa). These agreements deal with preferential tariffs not with abolishment of customs measures.

## **III. Suspension and Release by Customs Authorities**

Under the above heading art. 51 reads:

"Members shall, in conformity with the provisions set out below, adopt procedures<sup>13</sup> to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods<sup>14</sup> may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. Members may enable such an application to be made in respect of goods, which involve other infringements of intellectual property rights, provided that the requirements of this Section are met. Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from the territories.

<sup>13</sup>*It is understood that there shall be no obligation to apply such procedures to imports of goods put on the market in another country by or with the consent of the right holder, or to goods in transit.*

<sup>14</sup>*For the purpose of this Agreement:*

- *counterfeit trademark goods shall mean 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;*
  
- *pirated copyright goods shall mean any goods which are copies made without the consent of the right holder or person duly authorized by him 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."*

III.a. The Groups were invited to answer the questions 2 and 3 hereinafter only as to counterfeit trademark goods and pirated copyright goods as defined in the above cited note 14.

## **Questions**

2. *Which are in your law:*

- (i) *the "competent authorities, administrative or judicial", and*
- (ii) *the adopted "procedures" as meant in the first sentence of article 51?*

2.1 As to the "competent authorities, administrative or judicial", the Groups report that the authorities in their countries are either the courts, or the customs authorities, or a combination of both.

2.2 As to the adopted "procedures" the Groups set out the procedures in their countries, which procedures appear to vary from rather "normal" actions to obtain a court order (as for instance in Argentina) to quite elaborated procedures under which courts and customs authorities each are given different specific tasks in a complicated combination of rules.

2.3 In countries belonging to the European Union the provisions of Section 4 of TRIPS are or purport to be applied at the involved border(s) by reason of the operation of Council Regulation (EC) 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 (O.J. 30.12.1994, L 341, p. 8.) as amended by Council Regulation (EC) 241/1994 of 25 January 1999 (O.J. 2.2.1999, L 27, p. 1.), and as implemented by Commission Regulation (EC) 1367/95 of 16 June 1995 (O.J. 17.6.95, L 133, p.2), which Regulation has in the meantime been amended by Council Regulation (EC) No. 241/1999 of 25 January 1999 (O.J., 25.1.1999, L27, p.1), which entered into force as per 1 July 1999.

According to the reports of the Groups of countries of the European Union these Regulations meet indeed in essence the obligations accruing from Section 4 of TRIPS.

- 2.4 The Australian Group mentions that the Australian Trademarks Act 1995 provides for seizure of imported goods which are substantially identical with or deceptively similar to a registered trademark. The Australian Group adds: "There may be a statutory lacuna here in that the objector may be concerned about goods, which are of the same description as, but are not registered goods. Such goods may not, therefore, be able to be seized." It should be mentioned here that the same lacuna appears in the definition of "counterfeit trademark goods" in the above cited note 14 which also mentions only "a trademark which is identical to the trademark validly registered in respect of such goods".

Another remark in the Australian report is: "Importantly there are excluded from the operation of the seizure provisions in Australian law copyright material whose importation does not constitute an infringement because of certain specified provisions in the law. This material comprises books, compact discs or sound recordings and accessories, which can be legally imported under those specified provisions. These exceptions have been inserted to reflect the common wealth policy to make books and compact discs more cheaply available in Australia." Does this constitute a breach of the obligations under TRIPS?

The Egyptian Group reports that it has become a practice of the custom authorities to require the opinion of the censorship office with respect to any copyrighted material: the censorship authority will require the importer to establish that he has authority or capacity to import such material.

The Rumanian Group reports that "at this time" a draft of a "Law on some measures to ensure the respect of IPRs within customs operations" is submitted to the Parliament. This draft is harmonized with Council Regulation (EC) 3295/94 mentioned above under 2.3.

The Group of Uruguay reports that their country has approved the TRIPS Agreement by law of 13 December 1994, but, up to now, has not legislated any rules establishing a special administrative or judicial procedure for suspension of release by customs authorities. The Group is not aware of any case law in Uruguay which examined whether the provisions of Section 4 of TRIPS are to be deemed directly applicable or not. It has been recently discussed in Uruguay whether perhaps sufficient measures are available on the grounds that introduction of counterfeit trademark goods or pirated copyright goods might constitute a case of "smuggling".

3(i) *Do the procedures in your country or region apply also to parallel imported goods protected by trademark law and goods protected by copyright law (cfr. the above cited note 13)?*

3(i).1 Many Groups answer this question in the negative, i.a. the Groups of Argentina, Canada, Finland, Mexico, Rumania and Thailand.

Some Groups, such as Hungary and Japan, answer the question in the positive.

- 3(i).2 The reports of some Groups of countries which are Member States of the European Union deal with the EC borderline provisions on parallel imports. Reports of many Groups give information on the differences between the measures pertaining to parallel imported counterfeit trademark goods and pirated copyright goods in their countries. This information constitutes rich sources of comparative law but they are too extensive and detailed to be adequately summarized here (and they do not serve the primary purpose of the present Question, which is to establish to which degree the countries of the reporting Groups have lived up to their obligations under TRIPS, since these obligations do not exist for parallel imported goods; see note 13 cited above).
- 3(i).3 N.B. AIPPI should however be aware of the importance of these materials on the rules of parallel imports (except those dealing with copyright law) for Q156 International Exhaustion of Industrial Property Rights which will be on the programme of the Congress in Melbourne in March 2001.
- 3(ii) *Do the procedures in your country or region apply also to goods protected by trademark law and goods protected by copyright law in transit (cfr. the above cited note 13) and goods which are to be exported (cfr. the last sentence of Article 51); this question is particularly important as formerly customs authorities were only or mainly involved with the importation of goods.*
- 3(ii).1 Some Groups, e.g. those of Australia, Mexico and Rumania, answer this question, both as to transit as well as to export, in the negative.
- 3(ii).2 Some other Groups, such as e.g. Hungary and Thailand, answer the question in the negative as to *transit* but in the positive as to export.

The Group of Japan reports that the procedures do not apply to goods in transit and, in general, also not to goods which are to be exported. However, the Ministry of International Trade and Industry (the "MITI") designates certain goods that will infringe a third party's trademark rights and copyrights in the destination country of the goods, and the exporter will have to acquire a permission to export their goods if it falls under that list of the MITI. Without the agreement of the owner of the right in the destination country the MITI will not give permission to the export. Although the right holder has no legal right to have their rights listed on the MITI list, they may talk with MITI officials to have their rights listed. Under the current list of the MITI, only a few goods are listed. They include "ZIPPO" lighters and "Peter Rabbit" toys.

- 3(ii).3 For countries of the European Economic Area (see above under 1.1) this question, both as to *transit* and as to *export*, is answered in the positive: under the above mentioned Council Regulation (EC) No. 241/1999, which entered into force as per 1 July 1999, the customs authorities are permitted to take the measures against the goods *whatever their customs status*.
- III. b. Other infringements of intellectual property rights, meant in the second sentence of Article 51, are (see part II of TRIPS sections 1 through 7) infringements of:
- copyright and related rights (section 1);
  - trademarks (section 2);
  - geographical indications (section 3);

- industrial designs (section 4);
- patents (section 5);
- lay-out-designs (topographies) of integrated circuits (section 6);
- undisclosed information (section 7).

4. *Are the procedures and the competent authorities for borderline measures to protect each of the above mentioned rights the same as in the situations dealt with in the above Question 2? If not, please indicate the differences.*

5. *What are the answers for each of the above mentioned rights to the above questions 2(i) and 2(ii)?*

4 and 5.1 Some Groups, such as the Groups of Argentina, Australia and Mexico, indicate that under their national law all the enumerated rights are protected in the same kind of procedures and by the same competent authorities, and that the answers to the above questions 2(i) and 2(ii) are for each right the same.

4 and 5.2 Most of the reporting Groups give similar answers but indicate that some of the enumerated rights are not protected by border measures.

The pertinent EC legislation does not provide for border measures protecting geographical indications, topographies of integrated circuits and undisclosed information.

In this connection the Spanish group emphasizes the fact that the geographical indications, to which so much importance is given in the TRIPS, are not included in the rights protected in EC law by border measures. The Spanish Group insists that the need to include geographical indications in the pertinent EC law be taken into consideration, as this would make it easier for competent national Authorities to protect such rights.

It appears from the reports that protection by border measures is furthermore absent:

- in Canada and Japan for geographical indications;
- in Canada and Hungary for industrial designs, patents and topographies of integrated circuits;
- in Canada, Hungary and Japan for undisclosed information;
- in Egypt for patents.

#### **IV. Application**

Under the above heading art. 52 reads:

"Any right holder initiating the procedures under Article 51 above shall be required to provide adequate evidence to satisfy the competent authorities that, under the laws of the country of importation, there is prima facie an infringement of his intellectual property right and to supply a sufficiently detailed description of the goods to make them readily recognizable by the customs authorities. The competent authorities shall inform the applicant within a reasonable period whether

they have accepted the application and, where determined by the competent authorities, the period for which the customs authorities will take action".

6. *The Groups are invited to describe the details, if any, which exist in their country or region, by law or in practice, relating to:*
- (i) *the adequate evidence and the sufficiently detailed description as required in the first sentence;*
  - (ii) *the reasonable period of information and the period in which the authorities will take action as required in the second sentence.*

*This question should be answered in relation to:*

- *counterfeit trademark goods and pirated copyright goods, and*
- *each of the intellectual property rights numbered 1 through 7 hereinbefore.*

- 6.1 Again: most reports describe in magnificent detail the application proceedings in their country or region.

Not under all national or regional laws of the reporting Groups the application needs to include *prima facie evidence* of the existence of the invoked right (in Japan this is only required for patent rights), and often the specific rules, statutory or as applied in practice, do not require the information by the authorities as spelled out in the last sentence of Article 52. However: the statutory machinery, combined with the existing practices, seem in general to have a rather satisfactory effect in many countries (with the exception, however, of Belgium and Sweden, see hereinafter under 17.1). In this context one could pose the question whether the TRIPS agreement requires a *literal* compliance with the wording of all its Articles.

- 6.2 Apparently the application proceedings are in general the same for all protected rights. None of the Groups report otherwise.

## **V. Security or Equivalent Assurance**

Under the above heading art. 53 reads:

- "(1) The competent authorities shall have the authority to require an applicant to provide a security or equivalent assurance sufficient to protect the defendant and the competent authorities and to prevent abuse. Such security or equivalent assurance shall not unreasonably deter recourse to these procedures.
- (2) Where pursuant to an application under this Section the release of goods involving industrial designs, patents, layout-designs or undisclosed information into free circulation has been suspended by customs authorities on the basis of a decision other than by a judicial or other independent authority, and the period provided for in Article 55 has expired without the granting of provisional relief by the duly empowered authority, and provided that all other conditions for importation have been complied with, the owner, importer or consignee of such goods shall be entitled to their release on the posting of a security in an amount sufficient to protect the right holder for any infringement. Payment of such security shall not prejudice any other remedy available to the right holder, it being understood that the security

shall be released if the right holder fails to pursue his right of action within a reasonable period of time".

7. *The Groups are invited to describe the details, which exist in their country or region, by law or in practice, relating to:*
- (i) *the security of equivalent assurance as meant in the first and second sentence of par. (1);*
  - (ii) *the release of goods on the posting of a security as meant in the first sentence of part. (1) [this should read par. (2)];*
  - (iii) *the reasonable period of time as meant in the second sentence of par. (2).*

*This question should be answered in relation to:*

- *counterfeit trademark goods and pirated copyright goods, and*
- *each of the intellectual property rights mentioned hereinbefore under III b.*

- 7(i).1 The first paragraph of Article 53 contains an optional rule. It appears from the received Group reports that some laws do, and other laws do not, provide for the authority as mentioned in that first paragraph. Some laws leave the decision to the Courts.

The Australian Group reports that under their law the authority does not exist for the protection of the defendant, but does exist for the protection of the competent authorities.

Under the EC Regulations mentioned hereinabove the Member States are free in their choice as to application of the optional rule of Article 53, first paragraph.

- 7(i).2 Again: not all of the abundant details given in the Group reports can be set out in the context of this Summary Report.

- 7(ii).1 The same goes for all the detailed answers to point (ii) of this Question 7 which deal with the second paragraph of Article 53. For the border measures in countries or regions where industrial designs, patents, lay-out designs and/or undisclosed information are protected, the entitlement prescribed in paragraph 2 of Article 53 seems indeed to be provided for. For instance: under the EC rules, which provide for border measures protecting industrial designs and patents, this explicit requirement is met indeed.

- 7(ii).2 It seems to follow from the report of the Group of Hungary that their national law does not provide for obligatory release of the goods if the owner posts a security under the conditions set out in paragraph 2 of Article 53.

The Rumanian draft "Law on some measures to ensure the respect of IPRs within customs operations" fails to provide for the release on the posting of security as prescribed by paragraph 2 of Article 53.

- 7(iii).1 The reasonable period of time as meant in the second sentence of paragraph 2 of Article 53 seems, according to the received reports, to be maximally 30 days.

## **VI. Notice of Suspension**

Under the above heading Article 54 reads:

"The importer and the applicant shall be promptly notified of the suspension of the release of goods according to Article 52 above."

8. *Are there any special details in your law or practice pertaining to the prompt notification meant in this Article 54?*

8.1 All reporting Groups state that their law provides for this prompt notice.

As a consequence of the different procedures the specific details of the way in which prompt notice is given also differ considerably; "promptly" is either within a fixed period (ranging from 2 (working) to 10 days) or "as soon as practical", "as soon as possible", "immediately", etc.

The Group of Thailand reports that their law is silent on the requirement of prompt notification with regard to industrial designs and patents; however, in practice, after the Court has issued the injunction order, the right owner will request a judgement enforcement officer to serve the injunction order on the importer/exporter of the infringing goods as soon as possible.

For EC law the answer to this question is to be found in Article 6 of the Community Customs Code mentioned hereinabove under 1.1.

Further details are dealt with in the answers to the following question.

## **VII. Duration of suspension**

Under the above heading Article 55 reads:

"If within a period not exceeding ten working days after the applicant has been served notice of the suspension, the customs authorities have not been informed that proceedings leading to a decision on the merits of the case have been initiated by a party other than the defendant, or that the duly empowered authority has taken provisional measures prolonging the suspension of the release of the goods, the goods shall be released, provided that all other conditions for importation or exportation have been complied with; in appropriate cases, this time-limit may be extended by another ten working days. If proceedings leading to a decision on the merits of the case have been initiated, a review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period, whether these measures shall be modified, revoked or confirmed. Notwithstanding the above, where suspension of the release of goods is carried out or continued in accordance with a provisional judicial measure, the provisions of Article 50, paragraph 6 above shall apply".

The text of Article 50, paragraph 6 referred to in the last sentence of this Article 55 reads in essence: provisional measures shall, upon request by the defendant, be revoked or otherwise cease to have effect, if proceedings leading to a decision on the merits of the case are not initiated within a reasonable period, to be determined by the judicial authority ordering the measures where national 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.

9. *The Groups are invited to describe the details, which exist in their country or region, by law or in practice, relating to:*
- (i) *the way in which the applicant has to be served notice of the suspension;*
  - (ii) *the way in which the customs authorities have to be informed as formulated in the first part of Article 55;*
  - (iii) *the nature of the appropriate cases in which the time limit not exceeding ten working days is extended by another ten working days;*
  - (iv) *the way in which a review, including a right to be heard, as meant in this Article 55 is conducted;*
  - (v) *the provisions prescribed in Article 50 paragraph 6.*

*If these details are different for different intellectual property rights: please specify.*

9(i).1 It appears that in the countries or regions of the reporting groups it normally are the customs authorities who have to inform the applicant of the suspension. The way in which this must be done varies greatly in the different countries and regions: personal delivery, information by mail (normal or registered), by fax or even by telephone. In Egypt formal delivery by a Court bailiff is required.

9(ii).1 In most countries or regions of the reporting Groups the customs authorities have to be informed as formulated in the first part of Article 55 by the applicant, generally in writing. In Egypt also this information has to be taken care of by a Court bailiff.

9(iii).1 In general it is left to the discretion of the customs authorities to extend the first limit of 10 working days by another 10 working days if they consider this to be fair and reasonable. The Group of Hungary mentions some illustrative criteria: whether the applicant is a foreigner, whether the applicant wants a further inspection to establish whether the goods are counterfeit or pirated, or whether they are parallel-imported.

9(iv).1 In general the Groups report that the review, including the right to be heard, as meant in this Article 55 corresponds with the normal way in which proceedings leading to a decision on the merits of the case are conducted.

9(v).1 As to the provisions prescribed in Article 50 paragraph 6 the Group of the Netherlands reports:

- the President of the District Court of The Hague has posed a prejudicial question to the Court of Justice of the European Communities asking whether Article 50 paragraph 6 has direct effect under EC law (decision of 25 June 1998, BIE 1998, p. 245; Dior vs. Tuk);
- the Supreme Court of the Netherlands has posed prejudicial questions to that Court regarding the interpretation of the provisions prescribed in Article 50 paragraph 6 in case this Article should have direct effect (decision of 5 March 1999, RvdW 1999, 45 C: "Route 66").

None of the reporting Groups reports that the answers are different for different intellectual property rights.

## **VIII. Indemnification of the Importer and of the Owner of the Goods**

Under the above heading Article 56 reads:

"Relevant authorities shall have the authority to order the applicant to pay the importer, the consignee and the owner of the goods appropriate compensation for any injury caused to them through the wrongful detention of goods or through the detention of goods released pursuant to Article 55 above."

10. *Are there any arrangements, in the law or practice of your country or region, containing details pertaining to the compensation meant in Article 56?*

10.1 In the countries of almost all reporting Groups this liability for compensation is governed by the normal rules of civil liability.

This may imply that compensation only needs to be paid if the applicant did not act in good faith or exercise due caution.

The Spanish Group remarks that it is often very difficult to establish the amount of damages suffered, and that proceedings about damages are normally very lengthy.

10.2 In the countries of the European Communities Article 9 paragraph 3 of the above mentioned Council Regulation (EC) No. 3295/94 applies. It reads that the civil liability of the holder of the right shall be governed by the law of the Member State.

10.3 In Japan the liability for compensation is governed by the Customs Tariff Law (CTL) and the Cabinet Order for Enforcement of CTL (COE).

The Group of Thailand reports that with regard to trademark and copyright, the Customs Department will require the applicant to give written assurance that he will be responsible for damage caused by the suspension of the release into free circulation of the goods, and that with regard to industrial designs and patents the Intellectual Property and International Trade Court (IP&IT Court) will require the right owner to deposit security with the Court to cover damage caused by the enforcement of the injunction order in the event that the goods ceased are found not to have infringed the right of the owner.

## **XI. Right of Inspection and Information**

Under the above heading Article 57 reads:

"Without prejudice to the protection of confidential information, Members shall provide the competent authorities the authority to give the right holder sufficient opportunity to have any product detained by the customs authorities inspected in order to substantiate his claims. The competent authorities shall also have authority to give the importer an equivalent opportunity to have any such product inspected. Where a positive determination has been made on the merits of a case, Members may provide the competent authorities the authority 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."

11. *The Groups are invited to describe the details, which exist in their country or region, by law or in practice, relating to:*
- (i) the sufficient opportunity for the right holder for an inspection as meant in the first sentence of Article 57;*
  - (ii) same for the importer mentioned in the second sentence;*
  - (iii) the information meant in the last sentence.*

*If these details are different for different intellectual property rights: please specify.*

12. *The Groups are invited to indicate whether under their law the competent authorities may provide the information meant in the last sentence of Article 57.*

- 11(i)1 Most reporting groups report that in their countries or regions satisfactory laws or practices exist which comply with the requirement of Article 57 as to the right of inspection by the applicant.

Under Article 57 authorizing such right to the importer, and authorizing the information mentioned in the last sentence, are optional. The majority of the Groups report that their laws provide for such authorizations as well. The details, especially as to the authorities which can give these authorizations, differ greatly but it seems to serve no purpose of these Summary Proceedings to spell them out here. Most Groups have, again, given very complete answers which constitute an abundant source of practical information and comparative law.

The Australian Group reports that under their Copyright Act the Customs Authorities may permit the applicant (as well as the importer) to inspect seized copies. And the Copyright Act also provides for taking samples by the applicant (as well as the importer) under certain conditions.

However, there is no similar procedure under the Trademarks Act. Apparently Australian law does not comply with the requirement in the first sentence of Article 57 as to counterfeit trademark goods, meaning that Australia on this point does not live up to its obligation under the TRIPS Agreement.

The Group of Egypt reports that the applicant may not personally inspect the goods: "The inspection goes through a court bailiff and the court". It seems that on this point Egypt does not live up to its obligations under the TRIPS Agreement.

## **X. Ex Officio Action**

Under the above heading Article 58 reads:

"Where Members require competent authorities to act upon their own initiative and to suspend the release of goods in respect of which they have acquired prima facie evidence that an intellectual property is being infringed:

- (a) the competent authority may at any time seek from the right holder any information that may assist them to exercise these powers;
- (b) the importer and the right holder shall be promptly notified of the suspension. Where the importer has lodged an appeal against the suspension with the competent

authorities, the suspension shall be subject to the conditions, mutatis mutandis, set out at Article 55 above;

- (c) Members shall only exempt both public authorities and officials from liability to appropriate remedial measures where actions are taken or intended in good faith."

13. *Are the authorities in your country or region required to take Ex Officio Action as meant in this Article? If so, please describe the details, which exist by law or in practice, relating to:*

- (i) *the seeking of information meant under (a);*
- (ii) *the notification and the suspension meant under (b);*
- (iii) *the exemption of liability meant under (c).*

*If these details are different for different intellectual property rights: please specify.*

13.1 According to the reporting Groups the laws of the following countries or regions do not require the authorities to take Ex Officio Action: Argentina, Australia, Canada, Egypt (where from a legal point of view there is no prohibition on taking Ex Officio Actions, but in practice official complaints must be submitted in order to prompt such action), Mexico, Rumania and Thailand.

Ex Officio Actions are possible under EC law, and other Hungarian, Japanese and Swiss law.

See for EC law: the above mentioned Council Regulation (EC) No. 32595/94, Article A 4, as amended by Article A 1, paragraph 6 of Council Regulation (EC) No. 241/1999.

In these rules pertaining to Ex Officio Actions all requirements of Article 58 are complied with.

The exemption of liability meant under (c) is not expressly mentioned in these laws, but as correctly stated by the Hungarian Group, this point is taken care of by the national laws on liability of public authorities and officials as prevailing in the Member States. The Japanese Group mentions expressly the "Japanese State Compensation Law" dealing with this matter.

The EC law is explicitly applicable to all intellectual property rights which under EC law are protected by border measures. Also in Hungary, Japan and Switzerland these rules are applicable to all intellectual property rights which under their laws are protected by border measures.

## **XI. Remedies**

Under the above heading Article 59 reads:

"Without prejudice to other rights of action open to the right holder and subject to the right of the defendant to seek review by a judicial authority, competent authorities shall have the authority to order the destruction or disposal of infringing goods in accordance with the principles set out in Article 46 above. In regard to counterfeit trademark goods, the

authorities shall not allow the re-exportation of the infringing goods in an unaltered state or subject them to a different custom procedure, other than in exceptional circumstances".

Article 46 referred to in this Article 59 reads:

#### "Other Remedies

In order to create an effective deterrent to infringement, the judicial authorities shall have the authority to order that goods that they have found to be infringing be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the right holder, or, unless this would be contrary to existing constitutional requirements, destroyed. The judicial authorities shall also have the authority to order that materials and implements the predominant use of which has been in the creation of the infringing goods be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements. In considering such requests, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account. In regard to counterfeit trademark goods, the simple removal of trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce".

14. *The Groups are invited to describe details, which exist in their country or region, by law or in practice, relating to:*
- (i) the destruction (or is destruction prohibited under your Constitution?) and disposal of infringing goods;*
  - (ii) border measure against "materials and implements" as mentioned in Article 46;*
  - (iii) exceptional circumstances (cases) as meant in the last sentences of Articles 59 and 46.*

*If these details are different for different intellectual property rights: please specify.*

14(i)1 None of the Groups report that destruction of infringing products would be contrary to existing constitutional requirements (the Group of Australia mentions only that infringing goods can be forfeited to the Australian Government and that thereupon they must be "disposed of" under certain rules; this is the only reporting Group which does not mention "destruction" as a possibility existing under its national law).

The conditions for destruction, as well as for disposal "outside the channels of commerce", are in national or regional laws not the same as to infringement of different industrial property rights which are protected by border measures, and the different national and regional laws show considerable differences in this respect.

Some laws provide for alternatives to destruction. The Italian Group mentions "donation to a welfare institution", the Rumanian Group mentions "delivery of goods for consumption to humanitarian organisations, sporting associations or educational institutions". The Swiss Group mentions delivery of infringing goods to the poor or to welfare institutions.

14(ii)1 The mass of information in the reports dealing with border measures against "materials and implements" as mentioned in Article 46 is not always sufficiently specific as to establish whether the requirements of Article 46 are fully met.

14(iii)1 Many Groups report that under their laws no experience exists with what constitutes "exceptional circumstances" as meant in the last sentences of Articles 59 and 46. The French Group states that no exceptional circumstance does ever justify the release of goods with infringing trademarks into the channels of commerce.

The Hungarian Group mentions as "exceptional cases" situations in which the counterfeit products definitely lose their infringing and counterfeit character by the removal of the trademarks or in which a settlement has been reached between the parties.

## **XII. De Minimis Imports**

Under the above heading Article 60 reads:

"Members may exclude from the application of the above provisions small quantities of goods of a non-commercial nature contained in travellers' personal luggage or sent in small consignments".

15. *Does the law or actual practice in your country or region indeed exclude De Minimis Imports as meant in Article 60? Please give details, if any.*

*If the question should be answered differently for different intellectual property rights: please specify.*

15.1 The Groups of Argentina, Australia and Mexico answer this question in the negative.

The Groups of Hungary, Rumania and Switzerland answer this question in the positive.

Under EC law the answer is also in the positive. Article 9 of Council Regulation (EC) No. 3295/94 reads: "This Regulation shall not apply to goods of a non-commercial nature contained in travellers' personal luggage within the limits laid down in respect of relief from customs duty". The Japanese Group reports that only sales and such acts which are conducted "as business" or "commercially" may constitute acts of infringement under Japanese law. From this viewpoint most of the De Minimis Imports cannot constitute acts of infringement. However, the customs have made efforts to hinder De Minimis Imports by requesting importers to abandon such import voluntarily.

None of the Groups answer the question differently for different intellectual property rights.

## Final general questions

The next two final questions are to establish the opinion of the Groups on the flaws which are still existing in the border measures of TRIPS respectively in the law and practice of the countries or regions of the Groups.

16. *Do you consider the border measures as formulated in TRIPS sufficient? If not, which measures should in your opinion be added in TRIPS?*

16.1 The Group of Argentina favours the incorporation of more detailed regulations such as the ones provided for in Council Regulation (EC) No. 3295/94 (later amended); the Belgian Group expresses a similar desire.

The Group of Australia favours the replacement of the involvement of courts by a much cheaper administrative procedure, with appeal to a Superior Court when the goods are of a high value.

The Hungarian Group would like a further unification in TRIPS, e.g. of the rules regarding border measures in relation to parallel imports, and the rules regarding goods of which the import infringes designs, patents, etc.

According to the Italian Group it does not seem appropriate for the time being to extend TRIPS to rights other than trademarks and copyright.

The Groups of Japan expresses no specific opinion.

Mexico considers it too early to give an opinion since the TRIPS provisions will become obligatory in Mexico only as per 1 January 2000.

The Groups of the Netherlands, Spain, Rumania and Thailand consider the rules to be sufficient for the time being.

The Group of Sweden is also content but points to the flaw (also noted by the Australian Group) in the definition of "counterfeit trademark products" (see note 14 under Article 51 hereinbefore) which leads to exclusion of protection of non-registered trademarks.

The Swiss Group, in order to prevent that a country becomes a rotating disc for pirated products, wants protection against transit of products which infringe those rights which generally claim to enjoy an international protection (such as trademarks and geographical indications).

17. *Apart from the measures which in your opinion are still to be added in TRIPS: which difficulties and/or insufficiencies do particularly exist in your opinion in the law and practice of your own country or region, and what are your proposals for improvement?*

17.1 The Australian Group formulates anomalies in Australian trademark law as a consequence of the flaw in the definition of "counterfeit trademark goods" in note 14 under Article 51 which does not mention non-registered trademarks.

Apart from the impossible protection of non-registered trademarks accruing from that flaw, it also seems to have the consequence that it may not be possible to seize goods that are not of the same description as registered goods under the "famous mark" provisions.

The Group also deplores the insufficient ex officio powers of the customs authorities, the lack of information rendered by applicants to the customs, and the cost aspects mentioned hereinabove under 16. The Group propagates introduction in Australia of border restriction in relation to goods which infringe patents, designs and circuit layouts.

The Belgian Group notes that the custom authorities in Belgium refuse to give the names and addresses of the importer or his addressee. The similar refusal by the Swedish customs is now the object of a preliminary question to the Court of Justice of the European Communities (case C 223/98, OJ 15 August 1998, no. C 258/28).

The Hungarian Group believes that the relevant regulations defined by the Hungarian law are fairly sufficient.

The Italian Group notes that in the law and practice of their country the main difficulties arise from the excessive length of the judicial proceedings and the educational insufficiency of the customs officials. As regards the EC law, the extension of the rights to be protected by border measures pursuant to the Council Regulation of 25 January 1999 may entail some problems in assessing their violation, particularly because of co-operation difficulties between the National authorities.

The Japanese Group complains of the present hesitancy of the customs authorities to help if the infringement is not totally clear. The Group prefers the customs to take a more positive position to enforce its power even in a "delicate" case. Also the Japanese Group complains of the lack of disclosure of information by the customs.

Mexico does not express any opinion for the same reasons as mentioned hereinabove under 16.

The Netherlands Group notes that the system of the EC Regulations does not require the customs authorities or the applicant to notify the owner, importer or consignee of the subject goods of the actions taken by the customs authorities and/or the allegedly infringed rights. The remedy will be to add such a provision to the EC Regulations or to the Dutch rules.

The EC Regulations are directly applicable in the Netherlands and as such part of Dutch law. However, the EC Regulations open the possibility to Member States to issue further implementing rules. In the Netherlands this has only taken the form of a Ministerial Decree. In view of the protection of third parties' interests and to enhance accessibility it would be desirable that the implementation be effected through Dutch statutory law.

The Spanish Group expresses two desires which it considers very important:

- (i) to request, both urgently and energetically, that all those countries which must now adopt the conditions of protection established in the TRIPS agreement, take the necessary measures to effectively fulfil the conditions of protection contained in said International Agreement. Above all, this is important in those countries belonging to a Customs Union, such as the Member States of the European Union, where there is the obvious tendency, at least in Spain, to only apply the ruling handed down within said Customs Union, overlooking the direct application of International Treaties;
- (ii) to insist, in the light of the foregoing and in connection with the protection of "geographical indications", that in the rules concerning Intellectual Property, these same countries include said modality of Industrial Property which today, in the European Union, is not regulated in the various pertinent Community Regulations.

The Rumanian Group awaits the legislation of the now pending draft before discussing the present subject matter.

The Swedish Group has the same complaints as the Belgian Group about the lack of information obtainable from the customs and gives some details of the causes of the situation about which they complain.

The Swiss Group deplores that for instance foreign plastic watches or foreign food (particularly chocolate) bearing the apparently false geographical indications "Swiss made" can go through Switzerland by way of transit, which increases the impression of the foreign receivers that these products which have been transported through Switzerland and bear a Swiss indication of origin have indeed their source in Switzerland.

The Group of Thailand mentions that it is in the process of passing new laws on protection of geographical indications, layout-designs (topographies) of integrated circuits and undisclosed information (trade secret). Their proposals for improvement include:

- (i) addition of all types of copyright and neighbouring rights, patent right, geographical indications, layout-designs (topographies) of integrated circuits and undisclosed information (trade secret) into the procedures for border measures supervised by the Customs Department;
- (ii) imposing on the applicant to deposit security to cover damage which may be caused by the suspension order;
- (iii) empowering the Customs Department to charge annual fees to the applicants and requiring the Customs Department to make reasonable surveillance on goods exported and imported and to issue an order of suspension at the Customs Department's own initiative.

## **Conclusion**

- I. The above materials enable AIPPI to formulate a resolution in which it is observed that:

### **Customs Unions**

1. Not all countries ["countries" meaning here, and hereinafter, countries or regions of the Reporting Groups] belonging to a "customs unions" have substantially dismantled all controls over the movement of goods across their common borders.

### **Article 51**

2. To comply with Article 51 the countries have adopted procedures for the suspension by the customs authorities of the release into free circulation of counterfeit trademark goods and pirated copyright goods, either in the form of normal court actions or of actions before the customs authorities or of combined actions before both the courts and the customs authorities.
3. In some countries these procedures do apply also to parallel imported goods, in other countries they do not. Further general study of international exhaustion of industrial property rights by AIPPI in a separate context is ongoing.
4. Some, but not all, countries apply their procedures also to goods in transit and/or to goods which are to be exported.
5. In a few countries the same protection and the same procedures apply to copyright and related rights, trademarks, geographical indications, industrial designs, patents, lay-out designs (topographies) of integrated circuits, and undisclosed information, but in most countries they apply only to a limited number of these rights.

### **Article 52**

6. Not all countries require the holder of rights to provide evidence that there is *prima facie* infringement of his right, neither do all countries require the competent authorities to inform the applicant within a reasonable period whether they have accepted the application.

### **Article 53**

7. The laws of some countries compel the applicant to provide security or an equivalent insurance to protect the defendant and the competent authorities and to prevent abuse. The laws in other countries do not.
8. The countries which provide for suspension by customs of goods infringing industrial designs, patents, layout designs or undisclosed information,

provide indeed for the entitlement required under Article 53, paragraph (2) first sentence.

9. No country allows more than 30 days as the maximum period in which the right holder should pursue his right (Article 53, paragraph (2) last sentence).

#### **Article 54**

10. Under the laws of the countries of all Reporting Groups the importer and the applicant are promptly notified of the suspension of the release of goods.

#### **Article 55**

11. Under the laws of the countries it normally are the customs authorities who have to inform the applicant of the suspension. The way in which this must be done varies greatly in the different countries.
12. Under the laws of most countries the customs authorities have to be informed as formulated in the first part of Article 55 by the applicant, generally in writing.
13. In general it is left to the discretion of the customs authorities to extend the first limit of 10 working days by another 10 working days if they consider this to be fair and reasonable.
14. Generally the review, including the right to be heard, as meant in this Article 55 corresponds with the normal way in which proceedings leading to a decision on the merits of the case are conducted.

#### **Article 56**

15. In the countries of almost all Reporting Groups the liability for compensation by the applicant is governed by the normal rules of civil liability.

#### **Article 57**

16. In most countries satisfactory laws or practices exist as to the right of inspection by the applicant as well as by the importer.
17. The same goes for the information of the applicant of the names and addresses of the consignor, the importer and the consignee and of the quantity of the goods in question.

#### **Article 58**

18. Some countries do, others do not, require the authorities to take Ex Officio Action.
19. The laws of the countries providing for Ex Officio Action have satisfactory rules on the possibility of the competent authorities to seek from the right

holder any information that may assist them to exercise their powers, and prompt notification of the importer and the right holder of the suspension.

20. The countries do not expressly provide for exemption of both public authorities and officials from liability to appropriate remedial measures only in cases where actions are taken or intended in good faith, but this point is generally taken care of by the national laws on liability of public authorities and officials as prevailing in the Member States.

#### **Article 59 juncto Article 46**

21. In none of the countries the destruction of infringing products is contrary to existing constitutional requirements.
22. Various provisions exist in countries as concerns border measures against "materials and implements" as defined in Article 46.
23. In the countries of many groups no experience exists with what constitutes "exceptional circumstances" as defined in the last sentences of Articles 59 and 46.

#### **Article 60**

24. Law and actual practice in the countries differ as concerns the exclusion, or not, of De Minimis imports as meant in Article 60.

II. Also the received materials enable AIPPI to *observe furthermore* in its Resolution that not all countries do live up to their obligations under TRIPS and mention as examples:

- the exclusion from the operation of the seizure provisions of books, compact discs or sound recordings and accessories in Australian law mentioned hereinabove under 2.4;
- the lack of provisions required under Article 52, that the right holder provides adequate evidence of prima facie infringement and of provisions requiring information by competent authorities to the applicant (it is in this context that one could pose the question whether the TRIPS agreement requires a literal compliance with the wording of all its Articles, even if a satisfactory effect is obtained; see hereinabove under 6.1);
- the lack of a provision for obligatory release in Hungarian law and in the Rumanian draft law as required under Article 53 paragraph 2 (see hereinbefore under 7(ii).2);
- the (partial) lack of the provisions required under Article 57, first sentence, authorising the competent authorities the right holder and the importer to have detained products inspected, in Egyptian law and, only as to counterfeit trademark goods, in Australian law (see hereinabove under 10.2);

- some of the matters of their national laws about which the Groups express complaints in their answers to question 16 hereinabove (not all of them pertain to actual non-compliance with obligations under TRIPS).

AIPPI should in its Resolution call upon countries which do not comply with their obligations under TRIPS to do so as soon as possible as yet.

- III. AIPPI should in its Resolution also call upon countries to have their custom authorities sufficiently educated where lack of such education hampers the full implementation of the TRIPS provisions (as complained about by i.a. the Groups of Belgium, Sweden and Japan).
- IV. In addition, the Groups of Australia and Sweden have pointed out a flaw in the TRIPS provisions, namely the limited definition of "counterfeit trademark goods" (see note 14 to Article 51 hereinabove under III), which bars from protection the non-registered trademarks, including famous trademarks.

AIPPI may recommend in its Resolution a broadening of that definition in TRIPS in this respect.

- V. AIPPI should contemplate to make further recommendations in its Resolution to have the TRIPS provisions changed as suggested by some Groups, e.g.:
  - should the regulation in the TRIPS be more detailed, such as e.g. the detailed requirements in Council Regulation (EC) No. 3295/94, as suggested by the Groups of Argentina and Belgium?
  - should the involvement of courts under the TRIPS provisions be replaced by a much cheaper administrative procedure as suggested by the Australian Group?
  - should the TRIPS provisions provide for protection against *transit* of trademarks and geographical indications as favoured by the Swiss Group?

- VI. AIPPI should also contemplate to recommend in its Resolution that the TRIPS provisions will be fully, and not anymore only optionally, applicable to copyright and related rights, trademarks, geographical indications, industrial designs, patents, layout designs (topographies) of integrated circuits and undisclosed information, or at least to some of these rights, in particular geographical indications, patents and topographies of integrated circuits.