European Communities Trade Mark Association

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ECTA POSITION PAPER
EXCHANGE OF CUSTOMS-RELATED DATA WITH THIRD COUNTRIES

I. EXECUTIVE SUMMARY

ECTA is very much in favour of a legislative initiative aimed at setting out a global framework governing exchanges of customs-related information with third countries. The reasons for this position will be explained in this paper. We have limited ourselves to assessing whether such a framework would enhance the protection of intellectual property rights (IPR), while not unnecessarily impeding legitimate trade.

II. INTRODUCTION

In their Council Conclusions of 19 December 2016,[1] the Member States of the European Union (EU), conscious of the importance of enhancing the exchange of customs-related information with third countries, invited the European Commission to consider submitting, by the end of 2017, proposals for a global policy framework and, where necessary, Union legislation 'on enhancing the exchange of information between the Customs Authorities of the EU Member States and those of third countries in the area of common commercial policy'.

Following-up on this invitation, the Commission's Directorate General for Taxation and Customs Union (DG TAXUD) has launched a public consultation that seeks to gather views from stakeholders on the need for EU action aimed at introducing an effective tool to allow for the systematic exchange of customs-related information with third countries and, in case such a need exists, on how this tool could be designed and its scope.[2]

The Commission has also published an Inception Impact Assessment on this issue, with a view to evaluating the expected consequences of a possible EU policy framework that would allow the systematic exchange of customs-related information with third countries.[3]

III. COMMENTS

The Inception Impact Assessment rightly notes that the exchange of customs-related information with third countries plays an important role in the area of the Customs Union and common commercial policy. It ensures the correct application of customs legislation and aims to improve risk management to better target customs controls; therefore, it is also likely to accelerate legitimate trade and enhance the security and safety of citizens by preventing and detecting illicit trade.

[1] I/A Note - 15310/16 + ADD 1 + ADD1COR1; Document: 14220/6/16 REV 6.
[2] https://ec.europa.eu/taxation_customs/consultations-get-involved/customs-consultations/public-consultation-exchange-customs-related-information-third-countries_en.
[3] 'Exchange of Customs Related Information with Third Countries', https://ec.europa.eu/taxation_customs/sites/taxation/files/exchange_of_customs_information_with_third_countries_inceptive_impact_assessment.pdf.

The Commission's 2014 EU Strategy and Action Plan for customs risk management[4] already focused, to some extent, on tapping the potential of international customs cooperation. In addition, a major chapter of the Customs Action Plan to combat IPR infringements for the years 2013 to 2017, adopted by the Council on 10 December 2012,[5] has aimed to better tackle the trade of goods infringing IPR throughout the international supply chain, by strengthening cooperation with key source, transit and destination countries (the reinforcement of customs cooperation on IPR with third countries, in particular China and Hong Kong; the sharing of information with third countries; etc.).

However, such policy initiatives are not binding. As the Inception Impact Assessment has rightly pointed out, at present, there is no global framework in place allowing for the general and systematic exchange of customs-related information with third countries. The provisions of Council Regulation (EC) No 515/97 of 13 March 1997[6] only govern cross-border cooperation between the Member States' customs administrations.

The Inception Impact Assessment correctly points out that, under Article 3(1)(e) of the TFEU, exchanges of customs information fall within the exclusive competence of the Union under Article 207 of the TFEU on the common trade policy. Consequently, only the Union is empowered to regulate this issue based on "uniform principles". It is thus up to the Commission to come up with policy or legislative proposals in this field.

ECTA fully agrees with the Inception Impact Assessment's provisional finding that cross-border exchanges of customs-related information exchanges could, among other things, 'strengthen controls to stop Intellectual Property rights infringing goods', while also speeding up legitimate trade by improving risk management and thus preventing unnecessary controls.

Information-sharing is absolutely critical for the purpose of enhancing the international enforcement of IPR. In the absence of such information exchanges it is more difficult to act against goods transiting through the EU customs territory, *en route* to a third country where their marketing would infringe IPR. Except for counterfeit trade mark goods, which have been dealt with in 2015 by the EU trade mark package,[7] IPR holders are left with no remedies whatsoever in such circumstances, not least because in many cases they will not be provided with *any* information from customs about consignments that are merely in transit – customs will only contact them when they have the intention of detaining or suspending the release of goods under Regulation 608/2013:[8] except when the new provisions of the

[4] COM(2014) 527 final.
[5] Council Resolution on the EU Customs Action Plan to combat IPR infringements for the years 2013 to 2017 [2013] OJ C80/1.
[6] Council Regulation (EC) No 515/97 of 13 March 1997 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs and agricultural matters [1997] OJ L82/1.
[7] *See* Article 10(4) of Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks [2015] OJ L336/1, and Article 9(4) of Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark (codification) [2017] OJ L154/1.
[8] Regulation (EU) No 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights and repealing Council Regulation (EC) No 1383/2003 [2013] OJ L181/15.

trade mark package apply, unless there is a risk of diversion of the goods into the EU market in the sense of the *Nokia-Philips* judgment[9], the customs authorities are not allowed, in principle, to contact the trade mark proprietor once they have spotted potentially infringing products that are in transit to a destination outside the EU.

In order to try to solve (or rather *circumvent*) this problem, Article 1(2) of Regulation 608/2013 imposes a general obligation on the Member States' customs authorities 'to cooperate with third countries on the enforcement of intellectual property rights'.

In line with Article 69 of the TRIPS Agreement,[10] Regulation 608/2013 allows customs in the Member States to share information concerning suspected goods that they have come across with their colleagues in the destination country, to encourage seizure on arrival.[11] Under Article 22(1) of Regulation 608/2013, '[f]or the purpose of contributing to eliminating international trade in goods infringing intellectual property rights', the Commission and the customs authorities of the Member States *'may'* share certain data and information available to them with the relevant authorities in third countries, subject, however, to complying with the provisions applying on data protection in the Union. Article 22(2) reads as follows:

> The data and information referred to in paragraph 1 shall be exchanged to swiftly enable effective enforcement against shipments of goods infringing an intellectual property right. Such data and information may relate to seizures, trends and general risk information, including on goods which are in transit through the territory of the Union and which have originated in or are destined for the territory of third countries concerned.

The provision continues by stating that such data and information may include, where appropriate: the nature and quantity of the goods, the suspected infringed IPR, the origin, provenance and destination of the goods, information on the movements and means of transport (the vessel's name or the registration of the means of transport, the reference numbers of the freight bill or other transport documents, the weight of the load, a description and/or coding of goods, the reservation number, the seal number, the place of first loading, the place of final unloading, the places of transhipment, the expected date of arrival at the place of final unloading, etc.), and information on the movements of the containers – such as the number of containers, the container numbers, the date of movement, the type of movement (loaded, unloaded, transhipped, entered, left, etc.), the voyage number, place, freight bill or other transport documents.

The paramount importance of exchanges of customs-related information with third countries has already been emphasized by the Court of Justice of the European Union (CJEU) with respect to goods in transit: in its judgment in the *Nokia-Philips*

[9] CJEU, Joined Cases C-446/09 *Koninklijke Philips Electronics NV v. Lucheng Meijing Industrial Company Ltd et al.* and C-495/09 *Nokia Corporation v. Her Majesty's Commissioners of Revenue and Customs*, ECLI: EU:C:2011:796, judgment of 1 December 2011.

[10] 'Members agree to cooperate with each other with a view to eliminating international trade in goods infringing intellectual property rights. For this purpose, they shall establish and notify contact points in their administrations and be ready to exchange information on trade in infringing goods. They shall, in particular, promote the exchange of information and cooperation between customs authorities with regard to trade in counterfeit trade mark goods and pirated copyright goods'.

[11] Regulation 608/2013, recital 21 and Article 22.

cases cited above, the Court held that actions by the Member States' customs authorities against goods that are merely in transit through the Union, but in respect of which there are suspicions of infringement of an IPR in the presumed non-member State of destination, are not justified because 'the customs authorities of the Member States where those goods are in external transit are permitted to cooperate, pursuant to Article 69 of the TRIPS Agreement, with the customs authorities of that non-member State with a view to removing those goods from international trade where appropriate'.[12]

The CJEU's ruling in the *Nokia-Philips* case has been heavily criticized in both case-law and legal doctrine, as it has deprived rights holders of the possibility to effectively act against goods transiting through the EU, unless they can prove that those goods are actually destined for the EU market; rights holders are hardly in a position to adduce such evidence, since they are not in the possession of the transport or customs documents relating to the goods. Regarding counterfeit trade mark goods, the shortcomings of the *Nokia-Philips* judgment have been solved to a large extent through the adoption of the trade mark package. However, this judgment remains relevant for all IPR-infringing goods other than counterfeit goods: rights holders are left with no effective possibility of enforcing their rights in such cases. The problem is even more acute when one considers that the assumption made by the Court in *Nokia-Philips*, according to which the Member States' customs authorities could easily cooperate with their colleagues in third countries with a view to removing IPR-infringing goods from international trade where appropriate, is just deceptive: unfortunately, in the absence of a global policy framework for that purpose, information exchanges between Member States and non-member States remain very scarce in practice. .

Article 22 of Regulation 608/2013 was manifestly adopted as a result of the Court's ruling in the *Nokia-Philips* cases.

This new provision is a welcome development as a matter of principle. Unfortunately, however, Article 22 does not specify how the cross-border cooperation and information-sharing it contemplates should be organized; Regulation 608/2013 requires that the elements of the necessary practical arrangements concerning these data exchanges are laid down in implementing acts to be adopted by the Commission.[13]

No implementing acts have been adopted under Article 22 of Regulation 608/2013 so far. On account of the request addressed by the Member States to the Commission in the Council Conclusions of 19 December 2016, it was apparently deemed unsuitable to move on with the adoption of implementing acts aimed at strengthening information-sharing with non-EU countries in the area of intellectual property enforcement only.

It follows from the above considerations that Union legislation on enhancing the exchange of information between the customs authorities of the EU Member States and those of third countries in the area of intellectual property – the commercial aspects of which fall within the area of common commercial policy, according to

[12] CJEU, Joined Cases C-446/09 *Koninklijke Philips Electronics NV v. Lucheng Meijing Industrial Company Ltd et al.* and C-495/09 *Nokia Corporation v. Her Majesty's Commissioners of Revenue and Customs*, *supra* n. 9, at para. 65.
[13] Regulation 608/2013, Art. 22(3).

Article 207(1) TFEU – is not only *appropriate*, but also *required* by Article 22 of Regulation 608/2013 and Article 69 of the TRIPS Agreement. Since links between intellectual property crime and other forms of criminality such as drug-trafficking, human trafficking, facilitation of illegal migration, weapons trafficking, excise fraud, money laundering and corruption, have been clearly established, it would be sensible to regulate information-sharing globally, i.e. in the area of the Customs Union and common commercial policy as a whole.[14,15]

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[14] *See,* e.g., Europol & EUIPO, *2015 Situation Report on Counterfeiting in the European Union* (April 2015), https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/publications/2015+Situation+Report+on+Counterfeiting+in+the+EU.pdf; *2017 Situation Report on Counterfeiting and Piracy in the European Union* (June 2017), https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/reports/Situation%20Report%20EUIPO-Europol_en.pdf; Europol, SOCTA 2017: *EU Serious and organised crime threat assessment*, available at https://www.europol.europa.eu/socta/2017/.

[15] For a more thorough analysis see Olivier Vrins monograph on "Regulation (EU) No 608/2013", to be published by Kluwer in the International Encyclopaedia of Laws later this year [projected publication date: October 2017].

ECTA, which was formed in 1980, is an organisation concerned primarily with trade marks and designs. ECTA has approximately 1,500 members, coming from all the Member States of the EU, with associate Members from more than 50 other countries throughout the world. ECTA brings together those practicing in the field of IP, in particular, trade marks, designs, geographical indications, copyright and related matters. These professionals are lawyers, trade mark and patent attorneys, in-house lawyers concerned with IP matters, and other specialists in these fields. ECTA does not have any direct or indirect links to, and is not funded by, any section of the tobacco industry.

The extensive work carried out by the Association, following the above guidelines, combined with the high degree of professionalism and recognised technical capabilities of its members, has established ECTA at the highest level and has allowed the Association to achieve the status of a recognised expert spokesman on all questions related to the protection and use of trade marks, designs and domain names in and throughout the European Union, and for example, in the following areas:

- Harmonization of the national laws of the EU member countries;
- European Union Trade Mark Regulation and Directive;
- Community Design Regulation and Directive;
- Organisation and practice of the EUIPO.

In addition to having close links with the European Commission and the European Union Intellectual Property Office (EUIPO), ECTA is recognised by WIPO as a non-Government Organisation (NGO).

ECTA does also take into consideration all questions arising from the new framework affecting trade marks, including the globalization of markets, the explosion of the Internet and the changes in the world economy.