

BUSINESS COMMUNITY CONCERNS WITH PROPOSED GUIDELINES ON COUNTERFEIT GOODS IN TRANSIT TO IMPLEMENT THE EU TRADE MARK REFORM



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According to the Report¹ by the OECD and the EU's Intellectual Property Office published on April 18 this year, imports of counterfeit and pirated goods are worth USD 461 billion dollars a year, or around 2.5% of global imports (in Europe this figure increases to 5%), with Italian, French and US brands the hardest hit and many of the proceeds going to organised crime. This points to a larger volume than the 2008 OECD study which estimated that fake goods accounted for up to 1.9% of global imports.

In the face of this unacceptable upwards trend in counterfeiting, the above organisations, representing thousands of companies across all industry sectors, from SMEs to multinationals, welcomed the provisions on counterfeit goods in transit in the EU Trade Mark legislation adopted in December 2015² as a practical and robust step in the right direction to stem the tide of fakes transiting through the EU.

¹ <http://ow.ly/4mYoOc>

² EU Trade Mark Regulation 2015/2424, 16th December 2015, OJ L 341, 24.12.2015 (EUTMR); Trade Mark Directive 2015/2436, 16th December 2015, OJ L 336, 23.12.2015 (TMD)

These provisions on transit, which result from a compromise reached by the EU co-legislators, represent a balance between the need to stop counterfeit goods in transit and the crucial need to ensure smooth international legitimate trade. If implemented properly, the legislation will allow Customs to seize goods in transit when they are counterfeit while 1) being cautious not to introduce any loopholes that could benefit counterfeiters, and 2) still allowing the owner of the suspected goods to prove that the goods are legitimate in the country of final destination.

It is therefore with great concern that we have learned that Guidelines explaining to Customs how these provisions should be implemented, which DG TAXUD will be placing into Inter-Service consultation imminently, reflect neither the spirit nor the text of the legislation, in particular Article 9.4 of the Regulation³, and could, in fact, defeat its purpose.

We understand that these Guidelines would propose that rights holders should include a list of **all** their registered trade marks across **all** non-EU territories in their applications for action (AFA) with European Customs. In addition to placing complex burdens on both rights holders and Customs, which are not foreseen in the law, the ever-changing nature and size of brand owners' portfolios will make it impossible for the list of registered trade marks to be accurate. Further, there are many jurisdictions and situations where trade marks are enforceable without being registered. Consequently, reliance on a list of registered trade marks would be incorrect.

It is clear that, if the declarant or holder of the goods objects to the destruction of the goods, the Regulation⁴ places the burden on the declarant or holder to prove that the proprietor of the mark is not entitled to prohibit the placing of the goods on the market in the country of final destination. This is not an issue to be dealt with by Customs during the Customs detention phase, but only during court proceedings commenced by the right holder.

A point of concern is that DG TAXUD's interpretation of the law does not reflect the understanding and willingness of national Customs, which have already started to detain suspect transit shipments, smoothly and efficiently. Any confusing guidance from DG TAXUD, shifting Customs' attention to the destination of the goods rather than the nature of the goods, will be counter-productive.

In short, the proposed Guidelines would have the effect of reversing the burden of proof – and placing it onto the right holder, something which has been rejected during the legislative process and which would be totally contrary to the law as it now stands. For further details, please refer to the letter from AIM (the European Brands Association) of April 19th 2016, which details the same concerns shared by the undersigned organisations.

We also want to stress that the Guidelines should not interpret the law: the Guidelines should mirror the provisions of the law and not be limited to identical trade marks. They should also apply to a "trade mark which cannot be distinguished in its essential aspects from [the registered EU or national] trade mark", in line with the law, the TRIPS

³ EU Trade Mark Regulation 2015/2424, 16th December 2015, OJ L 341, 24.12.2015 (EUTMR);

⁴ Article 9(4), EUTMR but also 10(4), TMD.

Agreement and the Customs Regulation 608/2013⁵. Customs are already familiar with these definitions and it will ultimately be for the courts to resolve disputes, not for the Customs.

We welcome the adoption of robust and effective transit provisions in EU Trade Mark Legislation, but the draft Guidelines as proposed could undermine the overall effectiveness of the legislation and defeat the purpose of allowing the EU to show leadership in the fight against counterfeiting.

We therefore urge you to review the proposed Guidelines, taking into account our concerns, to ensure that both the spirit and the wording of the adopted legislation be respected.

We remain at your disposal should you have any need for clarification and would be delighted to meet with you to further explain the reasons of our concern.

Annex: Letter sent by the European Brands Association (AIM) dated April 19

⁵ Articles 9(4), EUTMR, and 10(4), TMD; Trade Related Aspects of Intellectual Property Rights Agreement, Footnote 14

List of signatory associations:

ACG, the Anti-Counterfeiting Group, represents the voice of business in shaping an effective deterrent to counterfeiting in the UK. We help to steer effective policy, promote evidenced-based actions, empower multi-agency partnerships and strengthen international collaboration. ACG's members are under constant attack from the counterfeiting of their genuine products. We have been working since 1980 to raise awareness of this serious organised crime. The trade in fakes has never been more prolific, mainly because of the exponential rise in counterfeiting activities on the internet in recent years. It is now a global epidemic, posing major threats to consumers and national economies, and funding other crimes such as drugs, guns and people smuggling. www.a-cg.org

AIM is the European Brands Association. AIM's membership comprises corporate members and national associations that have a similar but more local constituency. Altogether, AIM represents directly or indirectly some 1,800 companies ranging from SMEs to multinationals, accounting for some €450 billion annual sales and two million jobs in Europe alone. Members are manufacturers of branded consumer products that are united in their purpose to build strong, evocative brands and as such place the consumer at the heart of what they do. AIM's 48 corporate members alone invest €14 billion annually in R&D in Europe.

AIM's mission is to create for brands an environment of fair and vigorous competition, fostering innovation and guaranteeing maximum value to consumers now and for generations to come. www.aim.be

APM, the German Anti-Counterfeiting Association, has been active since 1997 as cross-industrial alliance in the protection of intellectual property.

APM is a joint initiative by the German Association of Chambers of Industry and Commerce (DIHK), the Federation of German Industry (BDI), and the German Brands Association. Well-known companies from different sectors participate in APM for conditions in which innovative activities can develop and count on effective protection. www.apm.net

APRAM – Association of Trademarks and Designs rights Practitioners – is an international Association for French-speaking specialists in industrial and intellectual property, in particular Trademarks and designs. The association, which now has 1000 members, was founded 38 years ago and is open to all French-speaking lawyers practicing, all over the world, in the field of Trademarks and designs. It gathers together in-house intellectual property specialists, Attorneys at law and Trade mark Attorneys. The association plays an active role in, and is at the forefront of, further to consultation or on its own initiative, discussions concerning intellectual property and business law in France, Europe and the world. APRAM is member of the EUIPO's users group and the EUIPO's Observatory, and is observer at the World Intellectual Property Organization (WIPO). <http://www.apram.com>

BASCAP – Counterfeiting and piracy have become a global epidemic, leading to a significant drain on businesses and the global economy, jeopardizing investments in creativity and innovation, undermining recognized brands and creating consumer health and safety risks. In response, the International Chamber of Commerce launched BASCAP to connect and mobilize businesses across industries, sectors and national borders in the fight against counterfeiting and piracy; to amplify the voice and views of business to governments, public and media; and to increase both awareness and understanding of counterfeiting and piracy activities and the associated economic and social harm. www.iccwbo.org/bascap

ECTA, the European Communities Trade Mark Association, was formed in 1980. ECTA numbers approximately 1,500 members, coming from all the Member States of the European Union and with associate members from all over the world. It brings together all those persons practicing professionally in the Member States of the European Community in the field of Trade

Marks, designs and related IP matters. These professionals are lawyers, Trade Mark advisors, Trade Mark attorneys, in-house counsels and others who can be considered specialist practitioners in these areas. www.ecta.eu

EFPIA – the European Federation of Pharmaceutical Industries and Associations – represents the pharmaceutical industry operating in Europe. Through its direct membership of 33 national associations and 41 leading pharmaceutical companies, EFPIA is the voice on the EU scene of 1,900 companies committed to researching, developing and bringing to patients new medicines that will improve health and the quality of life around the world. www.efpia.eu

FESI – the Federation of the European Sporting Goods Industry - represents the interests of approximately 1,800 sporting goods manufacturers through its national and sectoral sporting goods industry federations and its directly affiliated member companies. 70-75% of FESI's membership is made up of Small and Medium Sized Enterprises. In total, the European Sporting Goods Industry employs over 650,000 EU citizens and has an annual turnover of some 66 billion euro.

A recent EUIPO study shows that 26.3 billion euro of revenue is lost annually due to counterfeit clothing, footwear and accessories, including sport clothing and footwear. Moreover, a similar study showed that counterfeit sports equipment, such as footballs, helmets, golf clubs, tennis rackets and skis, cost the industry 500 million euro every year. www.fesi-sport.org

The **GACG** (Global Anti-counterfeiting Group) Network links a wide number of national and regional anti-counterfeiting organisations whose common objective is to exchange and share information, to participate in appropriate joint activities and to co-operate in the resolution of specific IP problems and challenges in their respective national or regional areas. www.gacg.org

INDICAM – Since 1987 INDICAM is the leading association in Italy supporting industry in the fight against counterfeiting and supporting the diffusion of IP values. With a total of 140 members, the Association is currently representing 2.5% of the Italian GDP. INDICAM is founding member of the GACG and private stakeholder of the EU Observatory for IP infringements. In the national advocacy activity, INDICAM is member of the Parliamentary Commission for the analysis of piracy and counterfeiting as well as the National Governmental Anticounterfeiting Committee. The HQ of the association is in Milan. www.indicam.it

INTA, the International Trademark Association, is the global association of trademark owners and professionals dedicated to supporting trademarks and related intellectual property in order to protect consumers and to promote fair and effective commerce. With a membership of more than 6,700 trademark owners and professionals—including almost 1,800 in Europe—INTA is an observer to EUIPO's Management Board and Budget Committee and an EUIPO User Association. <http://www.inta.org>

MARQUES is the European association representing brand owners' interests. **MARQUES'** mission is to be the trusted voice for brand owners. Its currently corporate membership crosses all industry lines and includes IPR owners and legal practitioners representing IPR owners in more than 80 countries.

MARQUES is an accredited organisation before the European Union Intellectual Property Office (EUIPO), appointed observer at the EUIPO's Management Board and Budget Committee, an official non-governmental observer at WIPO and a registered interest representative organisation (ID 97131823590-44) in the Transparency Register set up by the European Parliament and the European Commission. www.marques.org

Medicines for Europe (formerly EGA) represents the generic, biosimilar and value added medicines industries across Europe. Our vision is to provide sustainable access to high quality medicines, based on 5 important pillars: patients, quality, value, sustainability and partnership. Our members employ 160,000 people at over 350 manufacturing and R&D sites in Europe, and invest up to 17% of their turnover in medical innovation. Medicines for Europe member companies across Europe are both increasing access to medicines and driving improved health outcomes. They play a key role in creating sustainable European healthcare systems by continuing to provide high quality, effective generic medicines, whilst also innovating to create new biosimilar medicines and bringing to market value added medicines, which deliver better health outcomes, greater efficiency and/or improved safety in the hospital setting for patients. www.medicinesforeurope.com

TIE (Toy Industries of Europe) is the trade association for the European toy industry. The toy industry is highly international and is one of the most dynamic business sectors in Europe. Over 99% of the sector is composed of small and medium sized enterprises (SMEs), which have less than 50 employees. Last year, the EUIPO reported that counterfeit toys cost the industry €1.4 billion and over 6,000 jobs. Toys also rank 6th among industries with the most seizures of counterfeited products. TIE's members include reputable companies (both multinational as well as operating on the national level) that rely on strong IPR enforcement. www.tietoy.org