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**EUROPEAN PARLIAMENT**

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REPORT

drawn up on behalf of the Committee on Legal Affairs  
and Citizens Rights

on the proposal from the Commission of the European  
Communities to the Council (doc. 2-1540/84 - COM(84) 705  
final) for a Regulation laying down measures to discourage  
the release for free circulation of counterfeit goods

Rapporteur: Mr Amédée E. TURNER

PE 97.424 fin.

Or. En



By Letter of 24 January 1985, the President of the Council of the European Communities requested the European Parliament to deliver an opinion, pursuant to Article 235 of the EEC Treaty, on the proposal from the Commission of the European Communities to the Council for a regulation laying down measures to discourage the release for free circulation of counterfeit goods.

On 11 February 1985, the President of the European Parliament referred this proposal to the Committee on Legal Affairs and Citizens' Rights and the Committee on External Economic Relations as the committees responsible and to the Committee on Economic and Monetary Affairs and Industrial Policy for an opinion.

At its meeting on 28 February 1985, the Committee on Legal Affairs and Citizens' Rights appointed Mr TURNER rapporteur.

By Letter of 4 March 1985, the Committee requested to be appointed the single committee responsible for this proposal. By decision of 7 May 1985, the Bureau maintained its earlier decision to refer the proposal to two committees as committees responsible. By Letter of 12 June 1985, the Committee on Legal Affairs and Citizens' Rights repeated its earlier request.

On 10 June 1985, the proposal was referred to the Committee on the Environment, Public Health and Consumer Protection for an opinion.

The Committee considered the Commission's proposal and the draft report at its meetings of 24 and 25 April 1985, 23 and 24 May 1985 and 19 and 20 June 1985.

At the last meeting, the Committee decided with 16 votes in favour and 1 abstention to recommend to Parliament that it approve the Commission's proposal with the following amendments.

In order to prevent the tabling in plenary sitting of two contradictory reports on the same subject, the Committee on Legal Affairs and Citizens' Rights also decided at this meeting, with 16 votes in favour and 1 abstention, to adopt on a basis of reciprocity the amendments which the Committee on External Economic Relations would adopt on the basis of the draft report (PE 98.536) drawn up by Mrs van ROOY, and to include both sets of amendments in its report.

The Committee adopted the motion for a resolution as a whole with 16 votes in favour with one abstention.

The following took part in the vote: Mrs VAYSSADE, Chairman; Mr TURNER, Rapporteur; Mr BARZANTI, Mrs CRAWLEY (deputizing for Mr ZAGARI), Mr HOON, Mr KILBY (deputizing for Mr PRICE), Mr MAHER (deputizing for Mr DONNEZ), Mrs MARINARO, Mr PORDEA, Mr PROUT, Mr ROGALLA, Mrs VAN ROOY (deputizing for Mrs FONTAINE), Mr ROTHLEY, Mr SCHWALBA-HOTH, Mr TORTORA, Mr ULBURGHS and Mr VETTER.

The opinion of the committee on Economic and Monetary Affairs and Industrial Policy is attached.

The report was tabled on 2 October 1985.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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The Committee on Legal Affairs and Citizens' Rights hereby submits to the European Parliament the following amendments to the Commission's proposal and motion for a resolution together with explanatory statement:

Proposal for a Council regulation (EEC) laying down measures to discourage the release for free circulation of counterfeit goods (Doc. 2-1540/84).

Text proposed by the Commission  
of the European Communities

Text amended by the Committee on  
Legal Affairs and Citizens' Rights

Preamble and recitals 1 and 2 unchanged.

Amendment No. 1:

After second recital add a new recital as follows:

Whereas the laws of the Member States already give proprietors of registered trade marks substantive rights to protect their industrial property in registered trade marks, it is desirable that improved and common procedures should be established to facilitate the exercise of these rights in the case of counterfeit goods entering the Community from third countries;

Remaining recitals and Article 1(1) unchanged

Article 1(2):

2. For the purpose of this Regulation, "counterfeit goods" means any goods bearing without authorization a trade mark registered in accordance with Community law or the law of the Member State in which the goods are entered for free circulation.

Amendment No. 2  
Article 1(2)

2. For the purpose of this Regulation, "counterfeit goods" means any goods bearing without authorization a valid trade mark registered in respect of such goods in accordance with Community law or the law of the Member State in which the goods are entered for free circulation, where the goods are similar to goods to which the proprietor of a registered trade mark has applied that trade mark.

Text proposed by the Commission  
of the European Communities

Article 2(1) and (2) unchanged.

Article 2(3)

The customs authorities or the Commission, according to the circumstances, shall decide on the application and inform the person concerned accordingly. The applicant may be required to provide security in an amount sufficient to indemnify the competent authorities or compensate the importer for any loss or damage resulting from measures adopted by those authorities where goods in relation to which action is taken by customs authorities pursuant to this Regulation are subsequently shown not to be counterfeit. The applicant may also be required to pay a sum to cover the administrative or legal cost resulting from the application.

Article 2(4) unchanged.

Article 3 unchanged.

Article 4(1)

Where a customs office to which an application has been transmitted pursuant to Article 3 establishes that goods entered for free circulation correspond to the description of the counterfeit goods contained in that application, it shall suspend the release thereof, and inform the importer accordingly.

Text amended by the Committee on  
Legal Affairs and Citizens' Rights

Amendment No. 3

Article 2(3)

The customs authorities or the Commission, according to the circumstances, shall decide on the application and inform the person concerned accordingly. The applicant may be required to provide security in an amount sufficient to indemnify the competent authorities or compensate the importer for any loss or damage resulting from measures adopted by those authorities where goods in relation to which action is taken by the customs authorities pursuant to this Regulation are subsequently shown not to be counterfeit. The applicant may also be required to pay a sum to cover the administrative ~~(2 words deleted)~~ costs resulting from the application.

Amendment No. 4

Article 4(1)

Where a customs office to which an application has been transmitted pursuant to Article 3 establishes that goods entered for free circulation correspond to the description of the counterfeit goods contained in that application, it shall suspend thereof, and inform the importer accordingly.

Text proposed by the Commission  
of the European Communities

The customs office shall also inform  
the trademark owner of the measure.

Article 4(2)

Whether the goods are counterfeit shall be determined in accordance with Community law where it is applicable to the case in point, and where it is not, in accordance with the law of the Member State in the territory of which they were entered for free circulation. The criteria applied to establish whether the goods are counterfeit shall be the same as those used to determine whether goods produced in that Member State are counterfeit. Decisions taken by the competent authority shall set out the grounds on which they are based.

Text amended by the Committee on  
Legal Affairs and Citizens' Rights

The customs office shall also immediately inform the applicant (the trademark owner or his representative) of the measure.

The customs services may ask the applicant to confirm whether or not the goods are counterfeit and, if it does, it shall give the applicant an opportunity to examine and, if necessary, analyse samples of the goods.

Amendment No. 5

Article 4(2)

Whether the goods are counterfeit shall be determined in accordance with Community law where it is applicable to the case in point, and where it is not, in accordance with the law of the Member State in the territory of which they were entered for free circulation. The criteria applied to establish whether the goods infringe the rights of the trademark owner shall be the same as those used to determine whether goods produced in that Member State infringe these same rights. Decisions taken by the competent authority shall set out the grounds on which they are based.



Text proposed by the Commission  
of the European Communities

Article 4(3)

Release of the goods shall be suspended until it is conclusively established whether or not they are counterfeit. However, where suspension of the release of goods referred to in paragraph 1 is confirmed by an interim decision of the competent authority and further proceedings which the importer is not entitled to initiate are required before a final decision can be taken, the importer may, by application made in writing and provided all the import formalities have been completed, secure the release of the goods if such further proceedings are not initiated within ten working days from the date on which their release was suspended.

Article 4(4) unchanged.

Article 5(1)

Member States shall adopt the measures necessary to allow the competent authorities to confiscate goods the release of which has been suspended pursuant to Article 4 where it is established that they are counterfeit.

Text amended by the Committee on  
Legal Affairs and Citizens' Rights

Amendment No. 6

Article 4(3)

Release of the goods shall be suspended until it is conclusively established whether or not they are counterfeit. However, a procedure shall be provided under which both the applicant and any relevant authority will have the possibility to initiate proceedings before a competent authority so seek an interim decision as to whether or not the suspension should be confirmed (and, if so desired, whether an order should be granted restraining re-export of the goods).

If within ten working days of the suspension neither the applicant nor the relevant authority initiates such proceedings, the goods shall be released provided all the import formalities have been complied with.

Amendment No. 7

Article 5 (1)

Without prejudice to the remedies to which the proprietor of a registered trade mark, whose trade mark has been found to be infringed is entitled, Member States shall adopt the measures necessary to allow the competent authorities to confiscate goods the release of which

Text proposed by the Commission  
of the European Communities

Confiscated goods shall be disposed of outside the channels of commerce in a manner which minimizes harm to the trade mark owner. The competent authorities, may, however, employ methods other than the disposal of the confiscated goods outside the channels of commerce on condition that they constitute an effective deterrent to trade in counterfeit goods.

Article 5(2)

Measures other than confiscation may, in exceptional cases, be taken by the competent authorities where they effectively deprive those responsible for the importation of the goods of the economic benefits of the transaction and constitute an effective deterrent against engaging in further transactions of the same kind.

Text amended by the Committee on  
Legal Affairs and Citizens' Rights

has been suspended pursuant to Article 4 where it is established that they are counterfeit.

Confiscated goods shall be disposed of outside the channels of commerce in a manner which minimizes harm to the trademark owner. (One sentence deleted),

Amendment No. 8

Article 5(2)

Deleted.

Text proposed by the Commission  
of the European Communities

Text amended by the Committee on  
Legal Affairs and Citizens' Rights

Articles 6 and 7 unchanged.

Article 8(1) and (2) unchanged.

Article 8(3)

Amendment No. 9 (New Paragraph)

Article 8(3)

Within three years of the entry  
into force of this Regulation, the  
Commission shall report to the  
European Parliament and the Council  
on the operation of the system  
instituted thereunder and such  
amendments as need to be made  
thereto.

Article 9 unchanged.

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council for a Regulation laying down measures to discourage the release for free circulation of counterfeit goods

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council,<sup>1</sup>
  - having been consulted by the Council pursuant to Article 235 of the treaty establishing the EEC (Doc. 2-1540/84), and having regard to Article 113 of the same treaty,
  - having regard to the report of the Committee on Legal Affairs and Citizens' Rights and the opinion of the Committee on Economic and Monetary Affairs and Industrial Policy (Doc. A 2-119/85),
  - having regard to the result of the vote on the Commission's proposal,
1. Approves the proposal for a regulation laying down measures to discourage the release for free circulation of counterfeit goods, subject to the amendments which have been adopted;
  2. Requests the Commission to include those amendments in its proposal pursuant to the second paragraph of Article 149 of the EEC treaty;
  3. Instructs its President to forward to the Council and Commission, as Parliament's opinion, the Commission's proposal as voted by Parliament and the accompanying resolution.

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<sup>1</sup> OJ C 20, 22 January 1985, p.7

EXPLANATORY STATEMENT

1. "Counterfeiting" is a jargon expression for the notorious practice of making and/or selling products similar to well known products on the market and marking them with the trade mark or name of the manufacturer of the products copied. This is, naturally, very damaging to the person whose goods and trade mark are copied and to the public who are deceived by the practice; and, in many cases, eg drugs or components of cars, can be dangerous when the quality of the non-genuine goods is inferior. "Counterfeiting" as commonly understood (although this is not a legal definition) comprises copying both the goods and the trade mark of another. The Commission of the European Communities at this stage wishes to deal with this problem (see opening sentence of the explanatory memorandum, COM(84) 705 final, page 1, "International trade in counterfeit goods poses serious problems, both for manufacturers and traders who discover that their products are being fraudulently copied and for consumers") (emphasis added).
2. It is important to stress that the expression "counterfeiting" is not a legal term but the act of counterfeiting comprises one aspect of the laws of industrial property rights.
3. The national laws of industrial property (relating to trade marks and unfair competition) and the proposed Council regulation on the Community trade mark provide all the rights which a manufacturer or a trader needs in order to prevent abuse of his trade mark or reputation by another party which uses his trade mark or name on goods not emanating from him.

4. In the national laws and the proposed Community trade mark regulation, infringement of a trade mark covers the use of the trade mark of another or a mark confusingly similar thereto on goods for which it is registered or goods similar thereto. "Counterfeiting" as described in the Commission's explanatory memorandum and draft Council regulation consists in using the registered trade mark of another on goods which copy that other person's goods. An example would be using a Scotch whisky trade mark on whisky made elsewhere by someone other than the proprietor of the trade mark.
5. Although such counterfeiting is covered by the rights given by existing trade mark law, the remedies provided by the national courts differ in each Member State and often do not provide an effective means of preventing the "counterfeit" goods from entering the market. At this stage, the real damage has been done. It is the intention of the Commission to provide a common procedure for preventing the goods entering the market by stopping them at the external frontiers with the aid of the customs services.
6. As the proposal is only for an additional remedy, ie. the intervention of the customs services, it can only concern goods manufactured outside the Community coming into the territory of the Community, because the customs services could not be used on the internal frontiers. If, in fact, "counterfeiting" is attempted by undertakings within the Community the laws of trade marks provide sufficient remedies to prevent manufacture in Member States. The Committee on Economic and Monetary Affairs and Industrial Policy has proposed that these provisions should be extended to goods manufactured within the Community, but this is inappropriate for the reasons outlined above. However, the Commission in its trade negotiations with third countries should attempt to obtain agreements to deter manufacture of counterfeit goods for importation into the Community.
7. The detailed machinery provides for a trade mark proprietor to apply to the customs service of the Member State in which importation of counterfeit goods is occurring or is expected in order to stop such goods or to allow adjudication of the legal issues. It is a necessary practical limitation (at the present stage) of this machinery that an

undertaking in the Community which fears the entry into the Community of counterfeit goods can only act if he has a registered trade mark in the Member States in which importation occurs or is feared. This limitation will not apply to the proprietor of a Community trade mark when these become available.

8. Amendment no.1 to the preamble is desirable to underline the fact that no attempt is being made to modify the substantive law of trade marks already in existence.
9. Amendment no.2 to Article 1 (2) is necessary to ensure that the definition of "counterfeiting" does not go wider than the ambit of existing laws of trade mark infringement and to give effect to the opening sentence of the Commission's explanatory memorandum referred to in paragraph 1 above.
10. Article 4 (2) refers to the manner in which it shall be decided whether or not goods are counterfeit. This decision need only be made in order to establish whether or not the customs procedures provided should be applied. Final adjudication of this issue depends on a finding of infringement of trade mark in accordance with existing national trade mark laws (and the Community trade mark law when adopted) and on an adjudication as to whether the requirements created by the present draft regulations or the implementation of the customs remedy also exist. The Commission's objective is correct but the proposed wording could well be improved to make it perfectly clear that this is the only intention of Article 4 (2).
11. Article 5 sets out specific remedial steps which can be taken after the existence of counterfeit goods has been established. Clearly there already exist other remedies relating to goods in national law of infringement of trade marks. The latter should not be affected by these new proposals to the disadvantage of the trade mark proprietor

who has successfully asserted his trade mark rights in accordance with national trade mark law (or the proposed Community trade mark law). Amendment no. 7 sets out to achieve this.

12. The present proposal has also been referred to the Committee on External Economic Relations as the committee responsible (and the Committee on Economic and Monetary Affairs and Industrial Policy for an opinion), notwithstanding the relatively unambiguous wording of Rule 94(3) of the Rules of Procedure ("Should two or more committees be competent to deal with a question, one committee shall be named as the committee responsible and the others as committees asked for opinions."). While the two rapporteurs had no difficulty in coordinating their work, they took the view that the sharing of responsibility between committees on proposals for Community legislation is an undesirable practice except in the most extreme circumstances, of which the present proposal is not an example.
  
13. Finally, the Committee agrees with the position taken by the Committee on External Economic Relations that a Community customs code should be established without delay, in which the present regulation should be included (see VAN ROOY report on international trade in counterfeit goods PE 96.288/fin.).



OPINION

(Rules 102 and 47 of the Rules of Procedure)

of the Committee on Economic and Monetary Affairs and Industrial Policy

Draftsman: Mr Jean BESSE

On 13 November 1984, the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mr Besse draftsman of an opinion on the motion for a resolution (Rule 47) on international trade in counterfeit goods (Doc. 2-889/84).

On 27 February 1985, the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mr Besse draftsman of an opinion on the proposal for a Council Regulation laying down measures to discourage the release for free circulation of counterfeit goods (Doc. 2-1540/84).

At its meeting of 26 March 1985 the Committee on Economic and Monetary Affairs and Industrial Policy considered the draft report and adopted its conclusions - unanimously.

The following took part in the vote:

Mr SEAL, chairman;  
Mr BESSE, rapporteur;

Mr BEUMER, Mr BONACCINI, Mrs BRAUN-MOSER (deputizing for Mr ABELIN), Mr CASSIDY, Mr CHRISTODOULOU (deputizing for Mr BISMARCK), Mr CRYER (deputizing for Mrs GREDAL), Mr DE URIES, Mr DUCARME (deputizing for Mr DE GUCHT), Mr FALCONER, Mr FILINIS, Mr GAUTIER, Mr HERMAN, Mr MATTINA, Mr METTEN, Mr MIHR, Mr MÜHLEN (deputizing for Mr ERCINI), Mr PAPOUTSIS (deputizing for Mr WAGNER), Mr PATTERSON, Mr REMACLE (deputizing for Mrs Van HEMELDONCK), Mr ROGALLA, Mrs Van ROOY (deputizing for Mr FRANZ), Mr STARITA, Mr VISSER (deputizing for Ms QUIN) and Mr Von WOGAN.

The trade mark is the sign (label, product-name, logo, picture, packaging) which identifies and distinguishes one product or service from another. Registration gives the owner exclusive rights over his trade mark. Counterfeiting is an offence in that it consists of using another person's trade mark, without his authorization, by identical or almost identical reproduction of the sign which constitutes that trade mark.

Counterfeiting of trade marks has always existed, and the development of techniques and the liberalization of trade over recent years have certainly helped to make this phenomenon more widespread.

## 1. THE ECONOMIC CONSEQUENCES OF TRADE MARK PIRATING

As one of the assets of the manufacturer or the trader, the trade mark is a way of attracting and keeping customers and a market. It also acts as an economic monitor, identifying the origin of products and ensuring the protection of consumers. The counterfeiting of trademarks, particularly now that it is more widespread, has therefore become a problem in both economic and legal terms.

### 1) The extent of the phenomenon

The practice of counterfeiting nowadays affects almost every economic sector and is widespread in most countries.

#### - Economic sectors which are particularly affected

For a long time, counterfeiting was mainly aimed at luxury goods. It is still rife in this sector (watches, perfumes, leather goods, clothes) and is often on an industrial basis. However, counterfeiting has recently spread to much vaster areas: such as components (brakes, gear-boxes, etc.) in the car and aviation industries<sup>1</sup>. The agricultural processing industry and the pharmaceutical industry are affected by counterfeiting (medicinal products, cardiological equipment)<sup>2</sup>. Finally, in the cultural sector, there has been an increase in counterfeit films and recordings over the past few years.

#### - The countries affected

The world economy as a whole is adversely affected by the growing practice of

<sup>1</sup> counterfeit components were found on 600 Sikorski helicopters delivered to NATO.

<sup>2</sup> In Kenya, the coffee harvests were ruined by counterfeit fertilizers; in the USA, 12 people are reported to have died in the last few years after taking counterfeit amphetamines.

counterfeiting. It is common knowledge that counterfeiting is particularly prevalent in several of the newly industrialized countries of South-East Asia (Taiwan, Hong Kong, South Korea) and Japan, but the same applies to Brasil, Mexico and Morocco. It is also true that counterfeiting practices are still rife in all the industrialized countries, in the European Community and the United States. Counterfeiting is extremely prejudicial to economic activity in the industrialized countries which own a considerable number of trade marks. Finally, the circulation of counterfeit goods are a threat to the health and safety of consumers everywhere.

## 2) The economic consequences of trade mark counterfeiting

The growth and development of trade mark counterfeiting is causing a great deal of harm especially to the economy of the European Community.

### a) The cost of investigating and prosecuting counterfeiters

Some large companies employ detectives and lawyers to track down and prosecute counterfeiters. The cost of such investigations, which often have to be carried out abroad, can be very high - from 1 to 5% of the companies' turnover. Small and medium-sized undertakings cannot usually afford such outlay<sup>1</sup>.

### b) Loss of earnings

The sale of counterfeit goods leads to a loss of earnings for companies which are victims of this practice. This loss of earnings is on the same scale as the growth of counterfeiting and is thought to be around 2000 million francs in France, and between 6000 and 7000 million dollars in the United States<sup>2</sup> in 1982.

### c) Loss of reputation

The loss of reputation which follows counterfeiting practices is far more serious for the manufacturer or trader than the immediate loss of earnings.

<sup>1</sup> There are some private organizations specializing in tracking down counterfeiters: the Anti-counterfeiting Group in the United States, and the Bureau d'Enquête sur la Contrefaçon (B.E.C.) set up by the International Chamber of Commerce.

<sup>2</sup> The perfume industry in France estimates the losses resulting from counterfeiting at 10% of its annual turnover; the Swiss clock and watch industry at 1000 million Swiss francs per annum.

As soon as quality or luxury goods are counterfeited and sold in large quantities at low prices, they lose their originality. Regular customers may abandon once and for all, if not the manufacturer and the trade mark, at least one of the range of products. An incident or accident caused by a counterfeit component can do untold damage to the reputation and future of a trade mark<sup>1</sup>.

d) The risks for the consumer

Counterfeit goods can expose consumers to serious health and safety risks. The cost of accidents should be counted among the indirect economic consequences of counterfeiting.

e) Loss of jobs

It is difficult to make any certain assessment of the effects of counterfeiting on employment. There is an estimated figure of 20 000 jobs lost in France, 40 to 50 000 in the Federal Republic of Germany, and 130 000 in the United States in 1983. In addition to the actual number of jobs lost, it is also important to take account of the effect that counterfeiting may have in certain circumstances on an undertaking which is already experiencing difficulties, and which may consequently be forced to close down.

Combatting counterfeit goods is not only a legal matter involving the protection of industrial property, but is in a wider sense a matter of international trade policy. Counterfeiting generally operates outside the laws relating to companies and taxation, and takes advantage of the investments and advertising costs borne by the owner of the trade mark. It thus acts as a threat to the economy, to the producers whose trade it is stealing, and to the consumers who are being misled.

11. PROTECTION OF THE EUROPEAN COMMUNITY AGAINST THE COUNTERFEITING OF TRADE MARKS

1) The Commission's proposal for a Council Regulation

The Commission's recent proposal<sup>2</sup> contains two main provisions: the

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<sup>1</sup>The holder of the trade mark often has to guarantee the after-sales service in the event of a problem caused by a faulty counterfeit part.

<sup>2</sup>COM(84) 705 final

suspension of the release of counterfeit goods entered for free circulation, and their possible confiscation. Provided that he can furnish sufficient proof to validate his suspicions, the trade mark owner can therefore apply to the customs authorities to suspend the release of the goods in question for a certain period. Where it is established that the goods in question are counterfeit, they may be confiscated by the competent authorities. This latter provision is essential in order to avoid one of the problems commonly encountered when combatting counterfeit goods - namely, the return of the goods. However, this proposal for a regulation only applies to goods imported from third countries, and not to goods imported from Member States or in transit. This restriction is regrettable in that it lessens the economic and 'political' scope of the regulation.

## 2) National legislation

There seems to be a growing trend in the Community to strengthen national legislation aimed at combatting counterfeit goods. Customs control, lifting the requirement of customs secrecy, and court injunctions against the further production of counterfeit goods are all essential to this. Although the establishment of a whole battery of repressive measures, as in the United States<sup>1</sup>, must be avoided - since such measures might apply only to the middlemen involved in counterfeiting, rather than those who are directly responsible - counterfeiting should not go unpunished, but rather should be investigated and curbed. Tacit acceptance only serves to encourage these practices both in the case of goods from third countries and in intra-Community trade. In the long run, harmonization of such legislation is needed on a Community level. The argument in favour of the free movement of goods is hardly applicable with regard to counterfeit goods.

## 3) Free movement of goods

There is always the danger that combatting counterfeit goods may lead to protectionism. In order to guard against this, the proposal for a regulation provides, for example, that there should be a maximum period for the suspension of the release of goods (10 days), and that the trade mark owner applying for

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<sup>1</sup>In the United States, counterfeiting is punishable by a fine of between 250 000 and 5 million dollars and a 5-year prison sentence.

this should have to pay a security. It is regrettable that, in the Commission's proposal, the payment of a security should only be optional, and that there should be no provision for penalties for undertakings which act dishonestly.

#### 4) Prevention

More checks to determine whether goods are counterfeit, and more penalties against counterfeiting may act as a deterrent but will only have a limited effect. In conjunction with these measures, it is important to take preventive action to tackle the phenomenon at source. Counterfeiting involves a complex network, and is difficult to detect (counterfeiting activities often occur sporadically; they are interrupted and then resumed). Preventive action against counterfeiting therefore requires coordinated action by all the authorities concerned: civil service, customs, national and international courts, and private anti-counterfeiting organizations.

To this end, it is essential to set up a trade mark data bank which would both facilitate the task of establishing the priority of a trade mark<sup>1</sup> and provide the necessary information for cross-checks and selective controls at frontiers. The Community should encourage and assist in the setting up of such European data banks which are currently being formed; it must have an effective instrument of its own in this sphere.

### III. PROTECTION OF THE INTERNATIONAL COMMUNITY AGAINST THE COUNTERFEITING OF TRADE MARKS

The world-wide scale of counterfeiting means that there should be an international programme of action.

#### 1) The GATT draft code

Owing to the slow progress of GATT's work on drawing up a code, begun in 1979, the Community was forced to go ahead and provide itself with a special, albeit partial protection.

The Commission must therefore work within GATT to ensure that the draft code is introduced. The adoption of the Community Regulation will help advance this work and have a positive influence on the contents of the code<sup>2</sup>.

<sup>1</sup> Unintentional counterfeiting may occur through ignorance of the fact that a registered trade mark already exists, and the trade mark owner may exploit this situation.

<sup>2</sup> In fact, the burden of proof for the applicant is greater in the GATT draft code than in the Commission's proposal for a regulation.

Several of the developing countries do not agree that GATT is the appropriate body to discuss the problems of counterfeit goods but it should again appear on the agenda of the next GATT negotiations.

## 2) Trade negotiations

Counterfeiting in several countries can only thrive with a passive or active connivance of the national authorities. Countries affected by counterfeiting should therefore put pressure on the authorities of those countries where large counterfeiting centres are based to introduce and enforce the necessary measures. The Community, for its part, should in future back up its trade agreements such as the Multifibre Arrangement or the granting of generalized preferences, with safeguard clauses relating to counterfeit goods. The same applied to trade negotiations with South-East Asian, South American or African countries.

## 3) Close coordination between the national and international authorities concerned

The way in which regulations are applied is just as important as the provisions they contain. This calls for close cooperation between the courts, administrative, customs, national and international authorities concerned<sup>1</sup>. It also means that specialized staff should be trained and their number increased.

In conclusion, the Committee on Economic and Monetary Affairs and Industrial Policy:

1. Stresses the illicit nature of the production and marketing of counterfeit goods which are often the work of complex and highly organized international networks, acting at the expense of trade mark owners, reaping the benefits of the latter's investments, and disregarding the laws relating to employment and taxation;
2. Notes that the development of trade mark pirating, particularly since this is now affecting many industrial products as well as merely luxury goods,

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<sup>1</sup>The Customs Cooperation Council should play a decisive part in this.

is detrimental to the economy, in particular the EEC economy, in terms of loss of earnings, loss of market, loss of jobs, and the costs incurred, and constitutes serious hazards to the health and safety of consumers;

3. Approves therefore the Commission's proposal which has proved to be necessary and which contains valuable provisions to assist in combatting counterfeiting;
4. Requests therefore that national legislation in this sector should be consolidated and harmonized as soon as possible so that, without hindering the free movement of goods, the production and marketing of counterfeit goods within the Community should be stamped out by means of rapid and suitable procedures;
5. Regrets that the Commission's proposal does not contain provisions relating to the prevention of counterfeiting, without which any efforts to combat this practice will be fruitless; to this end requests the Commission to work with the competent authorities of the Member States to set up a Community trade mark data bank, which is the instrument needed for close supervision of counterfeiting at all times, thus enabling selective controls to be carried out to good effect at frontiers, and generally assisting in the task of providing proof of counterfeiting for all the parties concerned;
6. Further requests the Commission, as part of its trade policy, to introduce safeguard clauses relating to counterfeiting in the trade agreements that it negotiates and concludes (Multifibre Arrangement, granting of generalized preferences, trade agreements with South-East Asian countries in particular); appropriate economic sanctions could act as a deterrent on those states which tolerate counterfeiting activities;
7. Urges that the work begun in 1979 on the adoption of a GATT code on this subject should be pursued, and requests the Commission to play an active role in it so that a world law in the interest of all countries can be introduced and enforced with the cooperation of all the national and international authorities concerned;
8. Hopes, finally, that the Commission will draw up new proposals with a view to stepping up the fight against counterfeit films, recordings and copy-rights which threaten the cultural and scientific patrimony of the Community.