

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(93) 329 final

Brussels, 13 July 1993

Proposal for a

COUNCIL REGULATION (EEC)

laying down measures to prohibit the release for free circulation, export or transit
of counterfeit and pirated goods

(presented by the Commission)

EXPLANATORY MEMORANDUM

I

Council Regulation (EEC) No 3842/86 laying down measures to prohibit the release for free circulation of counterfeit goods, which has been in force since 1 January 1988, provided for protection at Community frontiers against infringements of trademark rights, at the same time endeavouring not to restrict the freedom of legitimate trade. These measures apply only to goods from third countries, and are designed to complement existing mechanisms to safeguard trademark rights in the individual Member States.

The Commission assessed the performance of the system set up by the Regulation in its report to the Council and to Parliament of February 1991 (SEC(91) 262 final), identifying a number of improvements that could be made.

At the time, the reform of the system was still clearly linked to the conclusion of the GATT negotiations (draft TRIPS agreement), but the matter has become considerably more pressing with the completion of the single market, and the Community should now envisage taking unilateral steps along these lines. This is not to say that those sections of the draft TRIPS agreement dealing with border safeguards should not be retained as a useful benchmark.

In the single market, the task of the customs administrations of the Member States in protecting certain intellectual property rights against infringements committed in trade involving the external frontiers of the Community must be carried out efficiently under a system whose main rules are uniformly defined.

The draft proposal for a Regulation is basically designed to:

- remedy certain operational problems with the existing system, in particular by making it easier for trademark owners to ask the customs authorities to intervene;
- extend the protective measures to intellectual property rights not currently covered, namely copyright and associated rights (in line with the draft TRIPS agreement) and - going further still - designs and models which by virtue of their structure and economic impact closely resemble manufacturer's or commercial trademarks.

II

The amendments suggested in the enclosed proposal are as follows:

- application of the instrument to trademark symbols (logos) and packaging materials presented separately, and to tools and moulds intended for the manufacture of a product infringing intellectual property rights (Article 1(2));
- extension of the ban to the export and transit procedures (Article 2);
- specification of the information to be submitted in support of the trademark owner's application (Article 3);
- opportunity for trademark owners to lodge their applications directly with the customs authorities (Article 3);
- opportunity for applicants and importers to inspect goods whose release has been suspended (Article 5);
- opportunity to obtain also the name and address of the manufacturer of goods recognized as infringing intellectual property rights;
- inclusion in the scope of the Regulation of goods sent in small consignments and clarification of the terms in accordance with which imports of goods infringing intellectual property rights e.g. by travellers - are permitted if the goods in question are intended strictly for personal use (Article 9).

III

The business sector was consulted and asked that the protection afforded by the Regulation should be extended to cover other intellectual property rights, including patents, other customs arrangements and imports carried out under conditions other than those contractually agreed between the trademark owner and the other contracting party. In the light of these views, the Commission is proposing that protection should be extended to other intellectual property rights and that the prohibition should apply also to the export and transit procedures. However, it does not feel that it is technically possible at the moment to use this machinery to protect patents as well. The new system will present customs officers with enough new

work and problems as it is. The main priority is to ensure that the instrument is uniformly applied throughout the Member States in respect of other intellectual property rights which are easier to protect, on the understanding that within two years of the proposed Regulation's entry into force the Commission, in the light of experience, will propose any further amendments or additions that may be necessary, in particular as regards the extension of protection to patents.

The Commission will report to Parliament and to the Council on the operation of the proposed system within two years of the Regulation's entry into force.

IV

The Commission considers that this proposal for a Regulation, which is based on Article 113 of the EEC Treaty, should also be forwarded to the European Parliament and to the Economic and Social Committee for their opinion.

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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community and in particular
Article 113 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the opinion of the Economic and Social Committee,

Whereas Council Regulation (EEC) No 3842/86 of 1 December 1986 laying down measures
to prohibit the release for free circulation of counterfeit goods⁽¹⁾ has been in force since
1 January 1988; whereas conclusions should be drawn from experience gained during the
early years of its implementation with a view to improving the operation of the system
instituted thereunder;

⁽¹⁾ OJ No L 357, 18.12.1986, p. 1.

Whereas the marketing of counterfeit goods and pirated goods causes considerable injury to law-abiding manufacturers and traders and misleads consumers; whereas such goods should as far as possible be prevented from being placed on the market and measures should be adopted to that end to deal effectively with this unlawful activity without impeding the freedom of legitimate trade; whereas this objective is also being pursued through efforts being made along the same lines at international level;

Whereas in so far as counterfeit or pirated goods are imported from third countries it is important to prohibit their release for free circulation in the Community and to introduce an appropriate procedure enabling the customs authorities to act to ensure that such a prohibition can be properly enforced;

Whereas action by the customs authorities to prohibit the release for free circulation of counterfeit or pirated goods should also apply to the export of such goods from the Community and to those which are carried under a transit procedure;

Whereas the Community should take into account the terms of the draft GATT agreement on trade-related intellectual property issues, including trade in counterfeit goods, in particular the measures to be taken at the frontier;

Whereas it must be stipulated that the customs authorities are empowered to take decisions on applications for action to be taken that are submitted to them;

Whereas action by the customs authorities must consist either in suspending the release for free circulation or the export of goods suspected of being counterfeit or pirated or in seizing such goods when they are carried to the Community under transit procedure, for as long as is necessary to enable it to be determined whether the goods are actually counterfeit;

Whereas the objective to be achieved by the introduction of such a procedure does not require the drawing up of Community provisions either as regards the designation of the judicial authority competent to determine whether the goods entered for free circulation or for export or seized during a transit procedure are counterfeit or pirated, or as regards the procedures to be followed for referral to that authority; whereas in the absence of Community rules on the subject the said competent authority should furthermore decide cases submitted to it by reference to the criteria which are used to determine whether goods produced in the Member State concerned infringe intellectual property rights;

Whereas it is necessary to determine the measures to be applied to goods entered for free circulation or for export or carried under a transit procedure where it is established that they are counterfeit or pirated; whereas those measures must not only deprive those responsible for trading in such goods of the economic benefits of the transaction but also constitute an effective deterrent to further transactions of the same kind;

Whereas in order to avoid serious disruption to the clearing of goods contained in travellers' personal luggage, it is necessary to exclude from the scope of this Regulation goods which may be counterfeit or pirated which are imported from third countries within the limits laid down by Community rules in respect of relief from customs duty;

Whereas uniform application of the common rules laid down by this Regulation must be ensured and to that end a Community procedure must be established enabling measures implementing these rules to be adopted within appropriate periods;

Whereas it will be appropriate to consider the possibility of increasing the number of intellectual property rights covered by this Regulation in the light, inter alia, of the experience gained in its implementation;

Whereas Regulation (EEC) No 3842/86 should therefore be repealed,

HAS ADOPTED THIS REGULATION:

CHAPTER I

General

Article 1

1. This Regulation lays down:

- (a) the conditions under which the customs authorities shall take action where goods entered for free circulation or for export are suspected of being counterfeit or pirated or where such goods are carried under a transit procedure, and

- (b) the measures which shall be taken by the competent authorities with regard to those goods where it has been established that they are indeed counterfeit or pirated.

2. For the purposes of this Regulation:

(a) "counterfeit goods" means:

- goods, including the packaging thereof, bearing without authorization a trademark which is identical to the trademark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such trademark, and which thereby infringes the rights of the owner of the trademark in question under Community law or the law of the Member State where the application for action by the customs authorities is made;
- any trademark symbol (logo), whether or not presented separately, in the same circumstances as the goods referred to in the first indent;
- any tool, mould or similar material specifically intended for the manufacture of a counterfeit trademark or of a product bearing such a trademark, provided such tools, moulds or materials infringe Community law or the law of the Member State where the application for action by the customs authorities is made;

- packaging materials bearing the trademarks of counterfeit products, presented separately, in the same circumstances as the goods referred to in the first indent;

- (b) "pirated goods" means goods made without the consent of the holder of the copyright or neighbouring rights, or of the holder of a design right, whether or not registered under national law, or of a person duly authorized by him in the country of production and which are made directly or indirectly from an article, where the making of those goods would have constituted an infringement of the right in question under Community law or the law of the Member State where the application for action by the customs authorities is made;

- (c) "owner or holder of a right" means the owner of a trademark, as referred to in (a), and/or one of the rights referred to in (b), or any other person authorized to use the trademark and/or rights, or their representative;

- (d) "transit" means the external transit procedure referred to in Article 91 of Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code⁽²⁾.

⁽²⁾ OJ No L 302, 19.10.1992, p. 1.

3. This Regulation shall not apply to goods which bear a trademark with the consent of the owner of that trademark or which are protected by a copyright or neighbouring right or a design right and which have been made with the consent of the holder of the right but which are entered for free circulation or for export without the owner's or the holder's consent.

Nor shall it apply to goods referred to in the first subparagraph entered for free circulation or for export which bear a trademark under conditions other than those agreed with the owner of the rights in question.

CHAPTER II

Prohibition of the release for free circulation, export or transit of counterfeit goods and pirated goods

Article 2

The release for free circulation, export or carriage under a transit procedure of goods found to be counterfeit or pirated on completion of the procedure provided for in Article 5 shall be prohibited.

CHAPTER III

Application for action by the customs authorities

Article 3

1. In each Member State, an owner or holder of a right may lodge an application in writing with the competent authority for the release of counterfeit or pirated goods entered for free circulation or for export in that Member State to be refused by the customs authorities or for the seizure of such goods where they are carried to that Member State under a transit procedure, where he has valid grounds for suspecting that the importation, exportation or carriage under a transit procedure of such counterfeit or pirated goods is contemplated in that Member State.

For the purposes of this Article, "entered for free circulation" and "for export" mean entered on the basis of declarations made in writing or orally or by any other means.

2. The application referred to in paragraph 1 shall contain:
 - a sufficiently detailed description of the goods to enable them to be recognized by the customs authorities, and
 - proof that the applicant is the owner or holder of the right for the goods in question.

The owner or holder of the right must also provide all other pertinent information available to him to enable the competent authority to act on the application in full knowledge of the facts, without, however, this information being a condition of admissibility of the application.

As regards pirated goods, this information shall, wherever possible, contain the following:

- the place where the goods are situated or the intended destination;
 - particulars identifying the consignment or packages;
 - scheduled date of arrival or departure of the goods;
 - the means of transport used;
 - the identity of the importer or exporter.
3. The application must specify the length of the period during which the customs authorities are requested to take action.
 4. The applicant may be charged a fee to cover the administrative costs incurred in dealing with the application. The fee must be commensurate with the costs incurred and must not have the effect of deterring the applicant.
 5. The authority with which an application drawn up pursuant to paragraph 2 has been lodged shall take a decision on the application and shall immediately notify the applicant in writing of that decision.

Where the application is granted, it shall specify the period during which the customs authorities shall take action. That period may, upon application by the owner or holder of the right, be extended by the authority which took the initial decision.

Refusals to grant an application must contain the reasons for the refusal and shall be open to appeal.

6. Member States may require the owner or holder of a right, where his application has been granted, or where the release of a consignment of goods is suspended or the goods are seized whilst under a transit procedure pursuant to Article 5(1), to provide a security:
 - to cover any liability on his part vis-a-vis the importer, exporter or the persons involved in the transit procedure where the procedure initiated pursuant to Article 5(1) is discontinued owing to an act or omission by the owner or holder of the right or where the goods in question are subsequently found not to be counterfeit or pirated;
 - to ensure payment of the costs incurred in accordance with the provisions of this Regulation in keeping the goods under customs control pursuant to Article 5.

The security must not be such as to constitute an undue deterrent to initiating or implementing this procedure.

7. The owner or holder of the right shall be obliged to inform the authority referred to in paragraph 1 should the right cease to be validly registered or should it expire.

8. Member States shall designate the customs department competent to decide on the application referred to in this Article.

Member States may, in addition to the department referred to in the first subparagraph, designate another authority as the authority competent to decide on the application.

Article 4

The decision granting the application by the owner or holder of the right shall be forwarded immediately to the customs offices of the Member State which are liable to be concerned with imports, exports or transit operations involving the counterfeit or pirated goods referred to in the application.

CHAPTER IV

**Conditions governing action by the customs authorities
and by the authority competent to take a substantive decision**

Article 5

1. Where a customs office to which the decision granting an application by the owner or holder of a right has been forwarded pursuant to Article 4 is satisfied, after consulting the applicant where necessary, that goods entered for free circulation or for export or which are under a transit procedure correspond to the description of the counterfeit or pirated goods contained in that decision, it shall suspend release of the goods or seize them.

The customs office shall immediately inform the authority which decided on the application in accordance with Article 4. The customs office, or the competent authority which decided on the application, shall immediately inform the person making the entry and the person who applied for action to be taken. Without prejudice to the protection of confidential information, they shall afford the applicant and the importer, the exporter or the persons involved in the transit procedure the opportunity to inspect the goods the release of which has been suspended or which have been seized.

When examining the goods the customs office may take samples in order to expedite the procedure.

2. The law in force in the Member State in whose territory the goods were entered for free circulation or for export or where they were seized during a transit operation shall apply as regards:
 - (a) the referral to the authority competent to take a substantive decision and inform without delay the customs office specified in paragraph 1 of such referral, unless referral is undertaken by that customs office;
 - (b) reaching the decision to be taken by that authority. In the absence of Community rules in this regard, the criteria to be used in reaching that decision shall be the same as those used to determine whether goods produced in the Member State concerned infringe the rights of the owner or holder. Reasons shall be given for decisions adopted by the competent authority.

Article 6

1. If, within ten working days of notification of suspension of release or of seizure, the customs office referred to in Article 5(1) has not been informed that the matter has been referred to the authority competent to take a substantive decision on the case in accordance with Article 5(2) or that the duly empowered authority has adopted interim measures, the goods shall be released, provided all the import or export formalities have been complied with and the seizure has been lifted.

2. In the case of goods suspected of infringing design rights, the owner, the importer or the consignee of the goods shall be able to have the goods in question released or their seizure lifted, against provision of a security, provided that:

- the customs office referred to in Article 5(1) has been informed, within the time limit referred to in paragraph 1 of this Article, that the matter has been referred to the authority competent to take a substantive decision referred to in paragraph 1 of this Article;
- on expiry of the time limit, the authority empowered for this purpose has not imposed interim measures; and
- all the import or export formalities have been completed.

The security must be sufficient to protect the interests of the owner or holder of the right. Payment of the security shall be without prejudice to the other actions open to the owner or holder of the right. The security shall be released if that person does not exercise his right to institute legal proceedings within twenty working days of the date when he is notified of the suspension of release or the seizure.

3. The conditions governing storage of the goods during the period of suspension of release or seizure shall be determined by each Member State.

CHAPTER V

Provisions applicable to goods found to be counterfeit or pirated goods

Article 7

1. Without prejudice to the other rights of action open to the owner of a trademark which has been found to be counterfeited or the holder of a copyright or neighbouring right or a design right which has been found to be pirated, Member States shall adopt the measures necessary to allow the competent authorities:
 - (a) as a general rule, and in accordance with the relevant provisions of national law, to destroy goods found to be counterfeit or pirated, or dispose of them outside the channels of commerce in such a way as to preclude injury to the owner or holder of the right, without compensation of any sort;

(b) to take, in respect of such goods, any other measures having the effect of effectively depriving those responsible for importation, exportation or transit of the economic benefits of the transaction.

The following, inter alia, shall not be regarded as having such effect:

- re-exporting the counterfeit or pirated goods in the unaltered state;
- other than in exceptional cases, simply removing the trademarks which have been affixed to the counterfeit goods without authorization;
- entering the goods for a different customs procedure.

Moreover, each Member State shall impose penalties to discourage further transactions of the same kind. Such penalties must be effective, commensurate with their purpose and have adequate deterrent effect.

2. The counterfeit or pirated goods may be handed over to the Public Exchequer. In that case, the provisions of point (a) of paragraph 1 shall apply.
3. Without prejudice to the protection of confidential information, the customs office concerned or the competent authority shall inform the owner or holder of the right, upon request, of the names and addresses of the consignor, of the importer or exporter, of the manufacturer and of the consignee of the goods found to be counterfeit or pirated and of the quantity of the goods in question.

CHAPTER VI

Final provisions

Article 8

1. Save as otherwise provided by the law of the Member State concerned, the acceptance of an application drawn up in accordance with Article 3(2) shall not entitle the owner or holder of a right to compensation where counterfeit or pirated goods are not detected by a customs office and their release is not therefore suspended or no measure is taken interrupting the transit operation as provided for Article 5(1).
2. Save as otherwise provided by the law of the Member State concerned, exercise by a customs office or by another duly empowered authority of the powers conferred on them in regard to combating counterfeit or pirated goods shall not render them liable to the importer or exporter or any other person holding rights with respect to the goods entered for free circulation or for export or carried under a transit procedure, in the event of his suffering loss or damage as a result of their action.
3. The civil liability of the owner or holder of a right shall be governed by the law of the Member State in which the goods in question were entered for free circulation or for export or seized during a transit procedure.

Article 9

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.

Article 10

The provisions required for applying this Regulation shall be adopted in accordance with the procedure laid down in Article 11.

Article 11

1. The Commission shall be assisted by the committee set up by Article 247 of Regulation (EEC) No 2913/92.
2. The representative of the Commission shall submit to the committee a draft of the measures to be taken. The committee shall deliver its opinion on the draft within a time limit which the chairman may lay down according to the urgency of the matter, if necessary by taking a vote.

The opinion shall be recorded in the minutes; in addition, each Member State shall have the right to ask to have its position recorded in the minutes.

The Commission shall take the utmost account of the opinion delivered by the committee. It shall inform the committee of the manner in which its opinion has been taken into account.

3. The committee may examine any matter concerning the prohibition of release for free circulation, export or transit of counterfeit or pirated goods raised by the chairman, on his own initiative or at the request of a Member State.

Article 12

Member States shall communicate all relevant information on the application of this Regulation to the Commission.

The Commission shall communicate this information to the other Member States.

The details of the information procedure shall be drawn up in the framework of the implementing provisions in accordance with Article 11(2) and (3).

Article 13

Within two years following the entry into force of this Regulation, the Commission shall, on the basis of the information referred to in Article 12, report to the European Parliament and the Council on the operation of the system instituted thereunder and shall propose such amendments and additions as need to be made thereto. An initial evaluation shall be carried out at the end of the first year.

Article 14

Regulation (EEC) No 3842/86 is repealed.

Article 15

This Regulation shall enter into force on 1 July 1994.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council

The President

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DOCUMENTS

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