

European
Cultural
and Creative
Industries
Alliance

Brussels, 19 April 2016

Dear Sir,

The European Cultural and Creative Industries Alliance (ECCIA) – the alliance gathering Circulo Fortuny (Spain), Comité Colbert (France), Fondazione Altagamma (Italy), Meisterkreis (Germany) and Walpole (UK) – fully supports the letter sent by AIM regarding the proposed Guidelines from DG TAXUD on the implementation of the transit provisions of the Trade Mark Package.

These provisions constitute a crucial tool to help the national Customs in the fight against counterfeiting and we are afraid that the Guidelines may create confusion by imposing unnecessary burden on companies and hindering Customs action to protect European economy, customers and jobs.

We therefore thank you for your attention regarding the points raised in AIM letter and remain at your disposal for any further information you may need.

Yours Sincerely,

Guillaume de Seynes
Chairman,
ECCIA

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|-----------------|-------------------------------|----------------------|----------------|-------------------|
| Carlos Falco | Elisabeth Ponsolle des Portes | Armando Branchini | Clemens Pflanz | Michelle Emmerson |
| President, | President & CEO, | Vice-Chairman, | Chairman, | CEO, |
| Circulo Fortuny | Comité Colbert | Fondazione Altagamma | Meisterkreis | Walpole |

Att.: AIM letter



Olivier Bailly
Head of Cabinet of Commissioner Moscovici
European Commission

By e-mail

cc
Maria Elena Scoppio, Adviser, Cabinet of Commissioner Moscovici
Antonis Kastrissianakis, Director of Directorate B, DG TAXUD
Pierre-Jacques Larrieu, Head of Unit B2, DG TAXUD

19th April 2016

Re: Proposed Guidelines from DG TAXUD on the implementation of the transit provisions of the Trade Mark Package

Dear Mr Bailly,

AIM, the European Brands Association, has long been involved in the fight against counterfeiting and piracy at European level, especially via the AIM Anti-Counterfeiting Committee¹ which brings together a broad spectrum of right holders and their representative associations. We have always been, and remain, staunch supporters of customs who are an essential partner in this fight, as detecting infringing items at the EU's border is clearly far more efficient than the multiple investigations needed when a consignment is split and penetrates the internal market.

Important provisions in both the new EU Trade Mark Regulation and Trade Mark Directive² (together the Trade Mark Package) give to customs the power to detain goods in transit via the EU under certain circumstances. DG TAXUD is finalising Guidelines to assist Customs Administrations in the practical implementation of these provisions. Although unfortunately right holders have not seen this text, and neither will we be given the opportunity to officially comment thereupon, presentations given by DG TAXUD as to its proposed content have raised serious concern.

Put simply, the draft Guidelines as currently proposed risk not effecting the laws as adopted, confusing both customs and right holders, reducing customs' ability to carry out their work and placing unwarranted burdens on right holders, to the detriment of all European industry, in particular SMEs. A fuller explanation is in annex, the main points of which are:

- The Trade Mark Package allows customs to detain goods in transit via the EU if they *"bear without authorisation a trade mark which is identical with the EU trade mark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trade mark"*. This right shall lapse if **"during the proceedings to determine whether the EU trade mark has been infringed, initiated in accordance with [the Customs Regulation³] evidence is provided by the declarant or the holder of the goods that the proprietor of the EU trade**

¹ [http://www.aim.be/uploads/member_news_documents/AIM_ACC_Brochure_\(updated_18_April_2016\).pdf](http://www.aim.be/uploads/member_news_documents/AIM_ACC_Brochure_(updated_18_April_2016).pdf)

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

³ [Customs Regulation 608/2013](#)

mark is not entitled to prohibit the placing of the goods on the market in the country of final destination" (emphasis added).

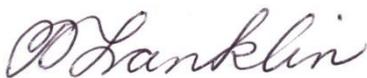
- DG TAXUD intends to suggest in the Guidelines that right holders include a list of all of their registered trade marks in their applications for action with customs. They believe this will assist in customs' risk analysis.
- It will not. On the contrary, it carries huge negative risks, not least because:
 - large companies have many thousands of trade marks in different jurisdictions, with different renewal dates. Marks are added or dropped constantly. By default, any such list will be wrong on any given day and applications for action are only filed annually;
 - there are many trade marks that are not "registered", but are legally enforceable, such as unregistered, court-designated or well-known marks.
 - Thus this will not help but hinder customs in their risk analysis.
- In practice, especially given resource restrictions, customs would be extremely likely not to detain any consignment where a "registered" trade mark is not "listed" in the application for action.
- This is reversing the burden of proof laid down in the law, which specifically states that it is for the holder/declarant to prove that the right holder cannot prevent the placing on the market in the country of destination.
- Further, the law specifies that this evidence is only relevant during the court proceedings to determine whether the rights have been infringed, not at customs level at all. If the right holder takes that case, it bears the liability - not customs.
- There would be a disproportionate negative effect on SMEs, who would simply follow the law, not knowing that assumptions may be incorrectly made that they have no rights outside the EU and thus seizures that would and should have been made will not be made.

Therefore, we have serious concerns that the proposed Guidelines that we understand are imminently to be placed into inter-service consultation may not reflect the wording of the EU Trade Mark legislation that has taken so much time to adopt and which can provide a real added value for consumers and companies only if properly enforced.

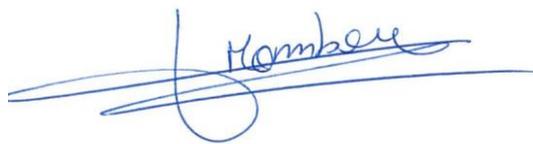
Indeed, we caution the Commission about the fact that the draft of the Guidelines as discussed with DG TAXUD would hinder the ability of customs to tackle counterfeiting.

We would be extremely grateful if you could take these points into consideration for the implementation of the Trade Mark Package through both hard and soft law means. We of course remain at your disposal should you have any need for clarification or further information.

Yours sincerely



Dawn Franklin
Chairman, AIM Trade Mark Committee



Joeri Momers
Chairman, AIM Anti-Counterfeiting Committee

Cc: Cabinet of First V-P Timmermans
Secretariat General
Legal Service
DG TAXUD
DG GROW

DG TRADE
DG AGRI
OLAF
EUIPIO

ANNEX

1. Background

Through a combination of the procedures laid down in the Customs Regulation, the substantive law of the Trade Mark Package and the applicable national law, Europe's customs officers have the ability to detain goods that they suspect infringe intellectual property rights. This is done on the basis of, in particular, risk analysis (e.g. bills of lading, data from other Customs Administrations) experience (e.g. routes of fraud, concealment techniques) and information provided by the relevant right holder, especially via the application for action, through which right holders provide information about (inter alia) their brands, IP rights and contacts.

Right holders do their utmost to provide information that helps customs to focus their limited resources on those shipments most likely to contain counterfeits, so we also provide supplementary information, sometimes one-to-one and increasingly via various databases. It is important to note that customs are not under an obligation to detain any consignments: they have the power to do so. Practically, of course, this means that the best possible information and cooperation must be given by both partners – customs and industry.

It is important to note that no right holder believes that customs can, or could, check all consignments. On the contrary we know that customs can only physically control less than 2% of traffic, and the excellence of their risk analysis techniques is proven as the statistics show that detentions of genuine goods by mistake are extremely rare.

Once customs detain a suspect consignment, their first step is to contact the right holder to verify if the goods are indeed counterfeit. If they are not, they should be immediately released back into the chain of commerce. If the right holder confirms that they are infringing, legal proceedings begin. The liability is then squarely on right holders: indeed, right holders are liable in damages to the holder of the goods should those goods be found not to infringe an IPR⁴.

2. Transit: the law

The Trade Mark Package (Arts. 9(4) EUTMR, 10(4) TMD) allows customs to detain goods that have not been released for free circulation in the EU, including those in transit via the EU, in certain circumstances:

... the proprietor of that EU trade mark shall also be entitled to prevent all third parties from bringing goods, in the course of trade, into the Union without being released for free circulation there, where such goods, including packaging, come from third countries and bear without authorisation a trade mark which is identical with the EU trade mark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trade mark.

*The entitlement of the proprietor of an EU trade mark pursuant to the first subparagraph shall lapse if, **during the proceedings to determine whether the EU trade mark has been infringed**, initiated in accordance with Regulation (EU) No 608/2013 of the European Parliament and of the Council concerning customs enforcement of intellectual property rights, **evidence is provided by the declarant or the holder of the goods that the proprietor of the EU trade mark is not entitled to prohibit the placing of the goods on the market in the country of final destination***

(emphasis added).

The intention behind this Article is clear from the Preamble. Recital 15 of the EUTMR specifies that this is “*in order to strengthen trade mark protection and combat counterfeiting more effectively*” and Recital 16 goes on to confirm that this extends to all customs situations, “*including transit, transshipment, warehousing, free zones, temporary storage,*

⁴ Article 28 Customs Regulation

inward processing or temporary admission, also when such goods are not intended to be placed on the market of the Union". This Recital continues by clarifying that "in performing customs controls, the customs authorities should make use of the powers and procedures laid down in [the Customs Regulation], also at the request of the right holders. In particular, the customs authorities should carry out the relevant controls on the basis of risk analysis criteria".

Recital 17 explains that the limitation as detailed in the Article is "in order to reconcile the need to ensure the effective enforcement of trade mark rights with the necessity to avoid hampering the free flow of trade in legitimate goods". It is clear in explaining how this should work in practice: "the entitlement of the proprietor of the EU trade mark should lapse where, **during the subsequent proceedings initiated before the European Union trade mark court ('EU trade mark court') competent to take a substantive decision on whether the EU trade mark has been infringed, the declarant or the holder of the goods is able to prove that the proprietor of the EU trade mark is not entitled to prohibit the placing of the goods on the market in the country of final destination**" (emphasis added).

The goal of the transit provision is thus clear: to allow customs to be able to stop counterfeit goods in transit via the EU in certain circumstances and it is for the declarant/holder to prove in court that the right holder cannot stop the placing of the goods in question on the market in the country of destination.

DG TAXUD's intended Guidelines could, we fear, result in a de facto reversal of the very goal that the Commission and co-legislator had in including this provision.

3. Transit: the practice

Based on both the law and usual practice, right holders assume that the transit provisions will be effected as follows: customs, acting on all the risk analysis expertise that they already employ, stop a suspect consignment. They ask the right holder to confirm it does indeed include counterfeits. The right holder confirms that and commences legal proceedings.

Customs inform the declarant/holder: akin to the small consignments procedure of the Customs Regulation, it is then for the declarant/holder to react. If they do not do so, normal proceedings under the Customs Regulation apply. If they dispute the right holder's claim, again normal proceedings apply, only in these cases the burden of proof is on the declarant/holder to show in court that the right holder cannot prevent those goods from being placed on the market in the (purported) country of destination.

4. DG TAXUD's proposed Guidelines

DG TAXUD's thinking seems to be rather different, and the practical effect of their proposed Guidelines would not, we believe, put the provisions of the law into effect.

DG TAXUD wishes to suggest that, in order to help customs with risk analysis, right holders should be encouraged to include in their applications for action a full list of where their trade marks are registered globally. Practically, this won't help at all for a number of reasons:

- Firstly, large companies have many thousands of registered trade marks. Those registrations each have different renewal dates, and new registrations may always be added. By default the list on any given day will be wrong as applications for action are not updated every day. Customs would thus either have the extra work (not foreseen in the law) of calling the right holder before every seizure or - more realistically - will simply not stop goods if the (purported) destination is not on the list. Some will also know that such a list cannot be exhaustive, so rather than risk any liability they simply will not stop transit consignments. Thus such a suggestion will actually limit their risk analysis capability.

- Secondly, the reference to “registered”, while described to us as a short-hand, is wrong as it does not cover the myriad of cases where a right holder may not have a registered trade mark in the (purported) destination country, but it is nevertheless “*entitled to prohibit the placing of the goods on the market in the country of final destination*”. This includes:
 1. Unregistered marks, e.g.
 - a. Common law rights in a trade mark gained through use in the market without a trade mark registration being mandatory, e.g. the USA;
 - b. A well-known trade mark that is recognised in the country of destination without a registration being required;
 - c. A trade mark designated by a court.
 2. A pending trade mark application that is enforceable.
 3. While not being the owner of the trade mark registered in the country of destination, the right holder is the sole licensee with the legal right to prohibit the sale of goods under that trade mark.
 4. There is a court decision confirming that the right holder can prohibit the placing of the goods in the final destination under that trade mark.
- Thirdly, rather than helping customs, this is reversing the burden of proof laid down in the law. Placing yet another burden on right holders was not the goal here. The law does not provide that right holders need to include any such list in their applications for action and as explained above, doing so would actually be impossible unless customs want to move to a real-time living version of the application for action, as well as being hugely resource-intensive. While most of this information is in (e.g.) TMView, the EDB and WCO-IPM, these databases are still not exhaustive. Asking us to add it here would not benefit anyone. Simply put, a right holder need only confirm its legal position in the country of destination after the declarant/holder claims that the right holder cannot prevent the goods being placed on the market in that country.
- Fourthly, and following from the last sentence, it is for the declarant/holder to produce the evidence that the right holder cannot prevent this placing on the market during the subsequent court proceedings, not at the point of detention. So these Guidelines would add an additional step in the customs procedure – thus an additional burden on customs – that is not foreseen in the law.
- Finally, the effect of this interpretation as proposed by DG TAXUD on both customs and right holders would not only be an increased workload, a reversal of the burden of proof and reduced seizure ability, there would also be a disproportionately negative effect on SMEs: with fewer registrations in their trade mark portfolio and with fewer resources to regularly update their applications for action, assumptions may be incorrectly made that they have no rights outside the EU and thus seizures that would and should have been made will not be made. SMEs may also be less aware that under the law, the burden of proof should rest with the declarant/holder.

5. Conclusion

Right holders remain committed to working with customs in the fight against counterfeiting. As such, we are extremely concerned that these Guidelines would not help customs, would not help right holders and, above all, would not correctly apply the law.