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Draft New Regulation on Border Measures: De facto Abolition of Customs Action With Regard to Patents?

Thorsten Bausch (Hoffmann Eitle) · Thursday, September 13th, 2012

On 3 July 2012, the European Parliament adopted the Commission's proposal for a new Regulation on "Customs Enforcement of Intellectual Property" (COM(2011)0285) at first reading. The document [P7_TA\(2012\)0272](#), which proposes many amendments, is the provisional position of the EP subject to further negotiations. Between October and November 2012, representatives of the Commission, the Council and the European Parliament will discuss a "four-column paper", presenting the proposal of the Commission, the positions of the Council and the European Parliament and a compromise text. The compromise text must be adopted by the Council's Internal Market and Consumer Protection (IMCO) Committee and by the Committee of Permanent Representatives of the European Union (COREPER). Should the Council adopt the text at first reading, and the European Parliament at second reading, the Regulation can enter into force.

The draft Regulation provides a number of relatively minor amendments, but will be changed as to its structure as compared to the present Regulation EC/1383/2003. The draft Regulation proposes, for instance, the broadening of the scope of the Regulation to utility model rights, new rules on the inversion of the burden of proof with regard to goods in transit and a special simplified procedure for "small consignments" in consideration of the growing trade taking place on the Internet, etc.

However, the proposed amendment with regard to a right to be heard in patent matters (or supplementary protection certificate matters, plant variety right matters etc) as laid down in the new Article 16 (3) of the draft Regulation, will change practice significantly with regard to goods protected by patents. In fact, I would go so far as to say it would de facto abolish border measures with regard to these goods (despite the emphasis made on the importance of the protection of innovations).

This procedural rule is not exercisable and does not fit in the system of the Regulation. It must therefore be deleted. Alternative measures will be proposed below.

The proposed Article 16 (3), which shall apply when customs find goods suspected of infringing a patent, a SPC, utility model rights, or a plant variety right, reads as follows:

"3. Where goods suspected of infringing intellectual property rights are not counterfeit or pirated goods, customs authorities shall communicate their intention to the declarant or, in cases where goods are to be detained, the holder of the goods before suspending the release or detaining the goods. The declarant or the holder of the goods shall be given the opportunity to express his/her

views within three working days of receipt of that communication.”

Under this new rule, the right-holder will not need to be informed that customs have found goods, nor of the statement of the declarant or holder of the goods, or of the subsequent decision of the customs authorities.

The European Parliament has expressed its opposition to this clause (at that time the right to be heard concerned all IP rights) and suggested deleting it (Report, Draft European Legislative Resolution of 2 April 2012, [A7-0046/2012](#), at Amendment 58). The rapporteur writes:

“This additional obligation would create a disproportionate administrative burden for customs authorities, potentially resulting in a reduction of possible seizures. Economic operators who import goods into the EU are very well aware that their consignments may be subject to customs controls, which may entail the suspension of their release. This does not infringe the rights of the importer, since the customs authority only makes use of its legally enshrined rights and obligations.”

However, regrettably, the European Parliament abandoned this position later. It is being said that the European Parliament seems to be of the opinion that (a) the right-holder will be sufficiently heard since customs will study his application form, and therefore the patentee’s position is sufficiently clear; (b) customs should consider only “significant” statements of the declarant or holder of the goods and (c) customs may contact the right-holder before suspending the release or detaining the goods.

These arguments are not convincing and the European Parliament should return to its original disapproval of the right to be heard for the following reasons:

1. Customs cannot be sufficiently informed of the right-holder’s position on the patent-infringing act by the application form. The application form focuses on (1) distinguishing infringing products from original products and (2) so-called “additional information”, such as the suspected manufacturers, traders, typical supply chains of infringing goods etc. Which useful additional information should be provided is described in detail in the Commission’s [“Manual for Lodging of Applications for Customs Action”](#) (2009), page 41 et seq. With regard to IP rights, mainly registration data are required (see, for example, page 66 of the Manual). As can be seen here, customs authorities receive information on the goods to be found, but they do not receive detailed information on the patent infringement, since this does not particularly benefit customs authorities’ work (if, for instance, the patent infringement cannot be seen from the outside of the product, e.g. in case of a protected active ingredient in pharmaceuticals or, if an internal part of a machine is protected, etc.). Of course, applicant has to describe (roughly) why the goods to be found are patent infringing in order to justify the application and to avoid any abuse of customs measures.
2. The right to be heard concerning patent-infringing acts of the declarant or holder therefore does not fit into the system, i.e. in patent cases, custom’s detention of goods is mainly based on information on the goods and additional circumstances.
3. Customs cannot make any use of a (non-infringing) statement as long as the goods are not analyzed or inspected (and due to the complex patent law-related content thereof). The declarant or holder could “invent” a non-infringement statement and customs officials would have little chance of being able to verify its truth. In practice, it will be as a rule impossible to customs authorities to find out, whether a statement of non-infringement is “significant”.

4. If customs officers receive a statement of non-infringement, how should they proceed? They cannot ask the right-holder to present a court decision on the infringement since this does not fit with the system of the present or the draft Regulation. If customs release the goods without contacting the right-holder, the right-holder's application for customs action has been filed in vain. If customs grant the right-holder a right to respond, they could have detained the goods without hearing the declarant or holder first.

5. Also under the present system, customs authorities may contact the right-holder when they have found goods, which might help to better assess the general likelihood of infringement of that case. However, with regard to the concrete infringing act, the right-holder will generally need to analyze or inspect the goods. It is basically not of help for the right holder to just have a talk with the customs authorities in order to assess the likelihood of a patent infringing act and to eventually render a "counter statement".

6. It seems too high a burden for customs officers to decide on the possible infringement of a right-holder's right (based on the alleged infringer's opinion only). Until now, it is the right-holder's decision and responsibility to decide on the infringement during customs proceedings and he has the burden to explain it to the parties involved and the risk that an objection will be filed with the (general) consequence being that he will have to launch a patent infringement suit. This is a convincing concept since the right-holder has – in contrast to customs authorities – experts at hand to analyze the detained goods.

7. According to the draft Article 16 (3), it is a binding obligation for customs to grant a right to be heard to the declarant or holder of the goods, i.e. in the case of patents, an additional procedural step will be included. It is more than likely that in the future, customs officers will avoid any "complicated rights" such as patents, SPCs, utility models, plant variety acts, etc. since with these they will first have to discuss with the declarant or holder the procedural situation, then wait for a statement and finally, they will often be unable to deal with the content of the statement. It can therefore be stated that said rights will not be investigated anymore by customs (the European Parliament was also of the opinion in its first statement that proceedings will become too complicated for customs authorities). Should this be the aim of the Regulation, it would be better and more honest to simply delete these rights from the Regulation.

8. This new right to be heard is contrary to the European Parliament's intention to establish customs proceedings which are "quick and efficient" since only under such conditions can customs authorities effectively protect IP rights ([statement of the rapporteur](#)).

9. There will be two types of declarant or holder: those who are instructed to present a certain "statement of non-infringement" if caught and those who are overburdened with this request. Both types of declarants or holders should essentially not be involved in patent infringement disputes in this way.

A more realistic approach seems to be to further improve communication between right-holders and customs authorities, i.e. to enable the right-holder to understand the needs of customs authorities and vice versa. Further, customs authorities should receive the right to reject an application for customs actions should the right-holder's information be too vague. Finally, customs authorities should receive the right to stay customs action as long as patent infringement proceedings are pending with regard to the goods at issue, possibly also in another Member State in order to be relieved from burdensome proceedings in highly disputed cases (as long as patentee

does not obtain a provisional injunction ordering cease and desist).

In sum, patents, SPCs, utility model rights etc. should remain a subject to customs action with efficient procedural rules, since the economic value at stake can be very high (as regards pharmaceutical patents, see for example Kröger/Bausch, GRUR 1997, 321). In the least, the deterrent effect of border measures (also for transport companies which were once involved) should not be given up. It is therefore not desirable to complicate customs proceedings or to overburden customs officers and persons involved in customs proceedings, as the effect will be that customs officers will avoid these “complicated rights”. Quite the opposite must take place: customs proceedings must be simplified with regard to patent rights, for instance by improving the communication and information between the right-holder and the customs officers. Also a new right to stay the application for customs action during pending patent litigation should be considered.

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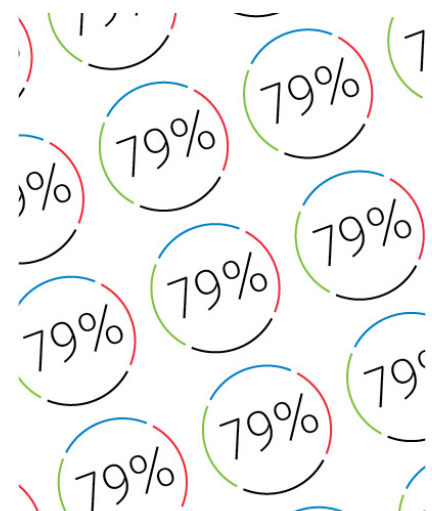
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