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## New Regulation on Customs Action as of 1 January 2014: In a Nutshell, Important Changes in View of Patent Rights

Thorsten Bausch (Hoffmann Eitle) · Friday, December 20th, 2013

On 1 January 2014 the New [Regulation \(EU\) No 608/2013](#) concerning customs enforcement of intellectual property rights will enter into force. Patent practitioners should note that national utility models and future unitary patents are also covered by this new Regulation. The “simplified proceedings” which have allowed customs to destroy goods without a prior court decision have now been stipulated as “basic proceedings” in this Regulation and are to be applied with regard to all IP rights including patents and utility models. Should there be an objection, court proceedings will basically have to be filed to prevent the release of the goods. One pitfall that this new Regulation provides is that customs will no longer be allowed to send samples for analysis to right-holders should goods be suspected of infringing a patent, utility model, plant variety right, etc. The right-holder may, however, “inspect” the goods at the customs office and he will receive photographs. With regard to pharmaceuticals in transit, the Regulation provides customs officers with specific instructions. The mandatory entry of data from each application and related information into the European databank “COPIS” will make the work of customs authorities throughout Europe more effective. A brief overview of the new Regulation is given below:

### (1) New Application Proceedings

As of 1 January 2014, applicants will have to use the new form sheets for applications according to Article 6 with regard to Union and national IP rights and also a new form sheet for the extension of applications (these sheets have been published in the [new Implementing Regulation \(EU\) 1352/2013](#)). Pending applications can no longer be extended as of 2014 without a new application being filed. Customs authorities will enter the data of new applications into the COPIS databank. This will give customs officers a much better access to data. As before, a Union application will not automatically be valid in all Member States, but only in “designated Member States”. The central customs authority which handles the Union application will provide the application data via COPIS to customs authorities of the designated Member States and a respective contact person will be asked to provide a translation. As before, no official fees will have to be paid.

### (2) Sanctions in Case of Non-observance of a Right-holder’s Obligations

The new Regulation is stricter with regard to non-observance by a right-holder of its duties. If the right-holder does not deliver required information with regard to the application requested by customs authorities within 10 working days, the authorities may reject the application. Customs authorities will also be able to suspend the application until its expiry if a right-holder does not

inform customs authorities that the relevant IP right has lapsed, does not modify information on how to find the goods, does not return the sample, does not pay costs or provide translations or does not initiate proceedings to determine whether an IP right is infringed. If names and addresses are used for other purposes than permitted in the Regulation, customs authorities may revoke the application. However, it remains to be seen whether customs authorities will make use of their new “disciplinary rights” against right-holders. Attorneys will now have to work very carefully to comply by all of these provisions.

### **(3) Customs Take Action**

#### **(a) Suspicion of Patent Infringement**

As before, customs can take action if they “suspect” goods of infringing an IP right. With regard to patents, German customs authorities expect to receive a “conclusive explanation of the patent infringement” along with the application for customs action. If the application is granted, statements by the alleged infringer that the patent is not infringed or is invalid will not be taken into consideration when deciding on the suspicion. Rather, goods will be detained only according to the information on how to identify the infringing products. This principle will also apply to SPCs or cases related to utility-model rights. The alleged infringer may object and ask for an early release of the goods against a posting of security (see below).

#### **(b) Goods in Transit**

With regard to goods in transit, customs authorities may suspend the release of goods if there is a likelihood that the goods could be diverted onto the market of the Union. According to the ECJ decision in [Philips v. Lucheng/Nokia v. HMCRC C-446/09 and C-495/09](#), customs will therefore have to ascertain (a) whether the goods are to be sold to a customer in the European Union or offered for sale or advertised to consumers in the European Union, or, where it is apparent from documents or correspondence concerning the goods, whether their diversion to European Union consumers is envisaged; (b) more importantly in daily practice whether the destination of the goods is not declared, whereas the suspensive procedure requested requires such a declaration, the lack of precise or reliable information as to the identity or address of the manufacturer or consignor of the goods, a lack of cooperation with the customs authorities or the discovery of documents or correspondence concerning the goods in question suggesting that there is liable to be a diversion of the goods to European Union consumers.

Due to past WTO complaints of India and Brazil, customs authorities must be careful with regard to pharmaceuticals in transit. They may only suspend the release if there is a “substantial likelihood of diversion of such medicines onto the market of the Union” (Preamble 11). However, this can be probably assumed if the Philips/Nokia criteria as given above are fulfilled.

Basically the right-holder cannot be involved before customs authorities suspect that goods infringe an IP right according to above criteria, i.e. the right holder will not receive any notice from customs authorities.

A new directive is being drafted on trademarks and therefore new rulings are being discussed with regard to a trademark right holder’s rights in the transit country (see Preamble 22, Article 10 No. 5 of the [Compromise Proposal](#) for this new directive). There is a similar discussion with regard to a Union Trademark. It remains to be seen which ruling will be chosen and whether this legislation will have an impact on patent and utility-model matters.

### **(c) Samples**

With regard to patent, utility-model, SPC and plant-variety cases, if customs take action, the right-holder will receive photographs of the goods, but not any samples. Most of the time, the photographs should be sufficient to assess whether the goods are patent-infringing. The right-holder may, however, “inspect” samples at the customs authority’s office. It is not quite clear whether the right-holder may analyse (and destroy) the goods when inspecting them. It might be of some help to interpret the new rule to consider the case law regarding the right to inspection under the Enforcement Directive or even, if necessary, to request inspection under the Enforcement Directive.

### **(d) Basic Proceedings**

The “simplified proceedings” which were introduced with the previous Regulation on customs action and which allow destruction of goods suspected of infringing IP rights without a court decision have been well received in practice. For instance, in Germany, these proceedings are applied in most of the customs cases. Only 58 civil court proceedings were filed in 2012 (0.24% of all customs cases in that year). This effective procedure has now become the “basic procedure” under the new Regulation and will be applicable as a rule with regard to all IP rights. Only if there is an objection against the destruction of goods will the right-holder need to file a main action. However, if the right-holder decides not to file main proceedings within the prescribed time limits of 10 or 20 working days stipulated for the examination of the goods, it will not be liable for damages, but might risk the suspension of its application.

### **(e) Early Release of Goods**

As before, with regard to design, patent, utility-model, topography of semiconductor products or plant-variety rights, if proceedings to determine the infringement of said IP rights have been initiated or are pending, the declarant or holder of the goods may request customs authorities to release the goods against payment of a security. The amount of the security must be “sufficient to protect the interests of the holder of the decision”. It is interesting to note that so far not many countries have applied these proceedings due to uncertainty with regard to the calculation of the amount of security. German customs authorities stated that “early release proceedings” would particularly simplify their handling of patent cases. In practice, they apply the calculation method “license analogy” and, if requested, include the reimbursement of attorney’s costs. German customs authorities have prepared internal guidelines and have the right to stipulate the amount of security within a few days after they have received from the declarant or holder of the goods a proposal for an amount of security and subsequently a counterproposal from the right-holder on how much it finds should be paid.

### **(f) New Proceedings on Small Consignments**

With Regulation EU/608/2013 a new procedure with regard to “small consignments” will be introduced. These proceedings will be applicable to trademark, design and copyright cases only, but should be mentioned here briefly. A small consignment means a postal or express courier consignment which contains three units or less or has a gross weight of less than two kilograms. With regard to those consignments, if requested by the applicant, customs authorities may suspend the release of the goods and destroy them (if no objection is raised by the persons involved in the customs proceedings) without informing the right-holder. The right-holder, however, will have to

bear the costs (which in Germany will come to 15 Euro per case). The right-holder will not receive the names or addresses of the consignor and consignee or of any other persons involved. These proceedings are to help customs authorities to reduce their work load, but it remains to be seen whether there will be a demand for this by right-holders.

Anja Petersen-Padberg

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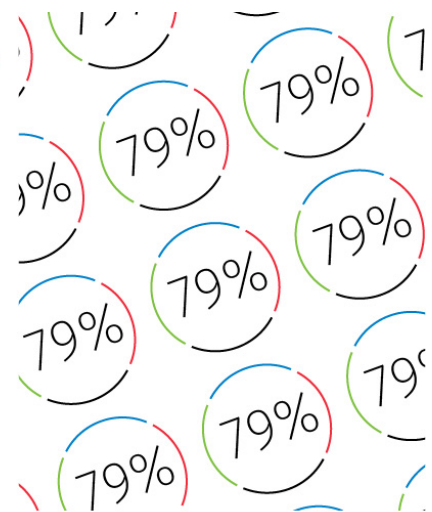
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This entry was posted on Friday, December 20th, 2013 at 4:07 pm and is filed under [Enforcement, European Union](#)

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