



EUROPEAN PARLIAMENT

2009 - 2014

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*Committee on the Internal Market and Consumer Protection*

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13.12.2011

## **NOTICE TO MEMBERS**

**(IMCO/CM/05/2011)**

**Subject:** Proposal for a regulation of the European Parliament and of the Council concerning customs enforcement of intellectual property rights

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## **PART I - INTRODUCTORY NOTE**

Pursuant to Articles 6 and 7 of Portuguese Law No 43/2006 of 25 August 2006 on the monitoring, evaluation and judgement by the Assembly of the Portuguese Republic of matters relating to the process of European integration, and also to the Methodology for the scrutiny of European proposals, adopted on 20 January 2010, the Committee on European Affairs received the proposal for a regulation of the European Parliament and of the Council concerning customs enforcement of intellectual property rights (COM(2011)285).

Given the subject matter of the aforementioned proposal, it was forwarded to the Committee on Budgets, Finance and Public Administration and to the Committee on Economic Affairs and Public Works. The Sixth Committee (Committee on Economic Affairs and Public Works) examined said proposal and adopted the Report annexed to this Opinion, which forms an integral part hereof. The Fifth Committee (Committee on Budgets, Finance and Public Administration) did not adopt a report.

## **PART II - RECITALS**

The Council of the European Union requested, in its Resolution of 23 September 2008 on a comprehensive European anti-counterfeiting and anti-piracy plan a review of Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights.

This proposal for a regulation considers that the marketing of goods infringing intellectual property rights does considerable damage to right-holders and law-abiding manufacturers and traders and can in some cases endanger consumer health and safety.

The requested revision of the Regulation aims to strengthen enforcement of intellectual property rights and ensure legal clarity in all aspects.

As a result, the general aim is to ensure that customs measures and procedures related to the border enforcement of intellectual property rights are effective and consistent with all relevant legal obligations.

In view of the provisions of this proposal, the following issues should be raised:

### ***a) Legal Basis***

The legal basis of the proposal for a regulation of the European Parliament and of the Council concerning customs enforcement of intellectual property rights (COM(2011)285) is

Article 207(2) of the Treaty on the Functioning of the European Union. This provides that the Union shall have competence to adopt measures for implementing the common commercial policy and the commercial aspects of intellectual property that form part of the common commercial policy.

Article 3(1) of the Treaty on the Functioning of the European Union confers exclusive competence on the European Union with regard to the common commercial policy. The Regulation that it is proposed to revise concerns the commercial aspects of intellectual property rights, in that it deals with measures enabling customs to enforce intellectual property rights at the border on goods that are internationally traded.

Reference is also made to Regulation (EC) No 1383/2003, which applies to intellectual property rights, and, through the Declaration on the TRIPS Agreement and Public Health adopted by the Doha WTO Ministerial Conference on 14 November 2001, to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) (Council Resolution of 16 March 2009 on the EU Customs Action Plan to combat IPR infringements for the years 2009 to 2012 (2009/C 71/01)).

#### ***b) Principle of Subsidiarity***

Pursuant to Article 5(3) of the Treaty on European Union and Protocols 2 and 3<sup>1</sup> annexed to the Treaty, this proposal does not infringe the principle of subsidiarity. The adoption of this proposal is appropriate to protect intellectual property rights and customs action.

#### ***c) Principle of Proportionality***

Pursuant to Article 5(4) of the Treaty on European Union and Protocols 2 and 3<sup>2</sup> annexed to the Treaty, this proposal does not infringe the principle of proportionality, as it does not exceed what is necessary to achieve the objectives of the Treaties.

#### ***d) Content of the proposal***

- This proposal for a regulation has a Chapter I (Subject matter, scope and definitions), which establishes that the applicable law, without prejudice to Article 8 of Regulation (EC) No 864/2007, is the law of the Member State where the goods are found in one of the situations referred to in Article 1(1), for the purpose of determining whether the use of those goods gives rise to suspicion of infringement of an intellectual property right or has infringed an intellectual property right.
- Chapter II (Applications for action by the customs authorities) lays down the rules on the ‘Submission of applications for action’ and the ‘Decisions on applications for action’.
- Chapter III (Provisions governing action by the customs authorities) lays down when the following should occur: ‘Suspension of the release or detention of goods suspected of infringing an intellectual property right’; ‘Initiation of proceedings and anticipated release of goods’, and destruction of ‘Counterfeit and pirated goods’.

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<sup>1</sup>Former Protocol 30.

<sup>2</sup>Idem.

- Chapter IV (Liability, costs and penalties) defines the liability of the customs authorities and of the holder of the decision granting the application, as well as the costs and administrative sanctions.

- Finally, Chapter V (Committee, delegation and final provisions) determines that the Commission shall be assisted by the Customs Code Committee established by Articles 247a and 248a of Council Regulation (EC) No 2913/92. The data protection provisions are laid down in Article 32 of this proposal.

- This proposal will not have an impact on human resources or on the European Union budget and is therefore not accompanied by the financial statement foreseen under Article 28 of the Financial Regulation (Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities).

### **PART III - RAPPORTEUR'S OPINION**

In Portugal intellectual property rights are regulated by the Industrial Property Code, which lays down the rules protecting inventions, creations and distinctive signs in trade, by the Copyright and Related Rights Code, and by a wide range of additional legislation. This legislation must necessarily be taken into account when these private rights are granted and protected in Portugal.

The enforcement of the intellectual property rights referred to in this proposal, through applications for action, will entail the exchange of data on these applications and also the exchange of personal data.

In this sensitive area for any Member State, the national legislation of each state must be fully observed and all appropriate opinions requested from competent bodies, namely, in Portugal, the National Data Protection Commission (Comissão Nacional de Protecção de Dados – CNPD). Only in this way can individuals be protected with regard to the processing of their personal data by Community institutions and bodies.

In addition, this proposal determines that the processing of personal data in the central database of the Commission and the processing of personal data by the competent authorities shall be carried out, respectively, under the supervision of the European Data Protection Supervisor and under the supervision of the public independent authority of the Member State.

## **PART IV - CONCLUSIONS**

- a) The Council Resolution of 25 September 2008 on a comprehensive European anti-counterfeiting and anti-piracy plan requested a review of Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights.
- b) This proposal sets out the conditions and procedures for action by the customs authorities where goods suspected of infringing an intellectual property right are, or should have been, subject to customs supervision within the customs territory of the Union.
- c) This proposal shall not apply to goods that have been released for free circulation under the end-use regime within the meaning of Article 82 of Council Regulation (EEC) No 2913/92.
- d) The liability of the customs authorities shall be governed by the legislation of the Member States, which is why this proposal in no way prejudices the application of the intellectual property legislation of the Member States and the European Union, though the granting by the customs authorities of an application for action should not entitle the holder of the decision to compensation in the event that such goods are not detected by a customs office and are released or no action is taken to detain them.
- e) This proposal shall not apply to goods of a non-commercial nature contained in travellers' personal luggage.

## **PART V - OPINION**

In view of the above recitals, the Committee on European Affairs is of the opinion that:

1. This proposal does not infringe the principle of subsidiarity as the intended objective will be more effectively achieved through a Community action.
2. The liability of the customs authorities shall be governed by the legislation of the Member States, which is why this proposal in no way prejudices the application of the intellectual property legislation of the Member States and the European Union, though the granting by the customs authorities of an application for action should not entitle the holder of the decision to compensation in the event that such goods are not detected by a customs office and are released or no action is taken to detain them.
3. The processing of personal data in the central database of the Commission shall be carried out in accordance with Regulation (EC) No 45/2001 and under the supervision of the European Data Protection Supervisor. Processing of personal data by the competent authorities in the Member States shall be carried out in accordance with Directive 95/46/EC and under the supervision of the public independent authority of the Member State referred to in Article 28 of that Directive.
4. With regard to the issues raised in the recitals, the Committee on European Affairs will monitor the legislative process of this proposal, in particular by exchanging information with the government.

Palácio de S. Bento, 28 October 2011

**Rapporteur**

**Committee Chair**

**(Honório Novo)**

**(Paulo Mota Pinto)**

## **PART VI - ANNEX**

Report and Opinion of the Committee on Economic Affairs and Public Works

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## 1. Procedure

Pursuant to Article 7(1) of Portuguese Law No 43/2006 of 25 August 2006, the proposal for a regulation of the European Parliament and of the Council concerning customs enforcement of intellectual property rights was forwarded to the Committee on Economic Affairs and Public Works on 24 August 2011 for an opinion to be given, as applicable.

## 2. Framework

1. This proposal for a regulation of the European Parliament and of the Council concerning customs enforcement of intellectual property rights falls within the European Union's objectives of developing a new customs action plan to combat intellectual property right infringements for the years 2009 to 2012.

2. The legislation associated with this proposal for a regulation includes Regulation (EC) No 1383/2003<sup>1</sup>, which applies to intellectual property rights, and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)<sup>2</sup>, concluded within the World Trade Organization.

## 3. Subject matter of the proposal

### 3.1. Reason

The reason for the proposal for a regulation of the European Parliament and of the Council concerning customs enforcement of intellectual property rights is that the authorities have noted a constant increase in the quantity of goods infringing intellectual property rights within the European Union. The aim of the proposal is to ensure that customs measures and procedures related to the border enforcement of IPRs are effective and efficient. The scope of this proposal covers dangerous counterfeit goods, organised crime, globalisation of counterfeiting, and sale of counterfeits over the Internet.

### 3.2. Description of the subject matter

. Prior consultation of interested parties

The Commission launched a public consultation to allow all interested parties to contribute to the revision. It received 89 contributions.

Certain members of the WTO, Members of the European Parliament, NGOs and civil society raised concerns about certain instances of detentions by customs authorities of shipments of medicines in transit through the EU. It was claimed that such measures could hamper legitimate trade in generic medicines. India and Brazil also had concerns in the context of the WTO. These concerns and the instances of detained goods highlighted that customs

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<sup>1</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:196:0007:0014:EN:PDF>.

<sup>2</sup> Council Resolution of 16 March 2009 on the EU Customs Action Plan to combat IPR infringements for the years 2009 to 2012 (2009/C 71/01).

enforcement of the relevant EU intellectual property legislation should be clarified to improve legal certainty.

#### . Prior assessment

The EU Customs Action Plan to combat IPR infringements highlighted various points of the Regulation that needed to be examined:

- certain IPRs are not enforced by customs at EU borders;
- administrative procedures for the enforcement of IPRs are regarded as very costly, both by customs and by right-holders;
- the interpretation of certain aspects of the administrative procedures can result in unfair treatment of the various legitimate interested parties.

#### . Summary of the proposed action

The purpose of this proposal for a regulation is to:

- improve enforcement of intellectual property rights at borders;
- reduce the administrative and financial burdens on customs and right-holders, particularly small and medium-sized enterprises;
- clarify and re-examine any provisions that may cause unfairness in administrative procedures.

### 3.3 Portuguese situation

In Portugal intellectual property law is divided into two main parts: industrial property law and copyright law.

Industrial property law regulates the legal protection of inventions, creations and distinctive signs in trade. Copyright law concerns the legal protection of literary intellectual creations.

The granting and protection of these private rights are regulated by the Industrial Property Code, adopted by Decree-Law No 36/2003 of 5 March 2003. They are also regulated by the Copyright and Related Rights Code.

The Industrial Property Code also regulates:

- semiconductor topographies (which were previously regulated by Law No 16/89 of 30 June 1989);
- supplementary protection certificates for medicinal products and plant protection products (previously regulated by Council Regulation (EC) No 1768/92 of 18 June 1992, by Decree-Law No 106/99 of 31 March 1999, and by Regulation (EC) No 1610/96 of 23 July 1996);
- the legal protection of biotechnological inventions (through the transposition of Directive 98/44/EC of 6 July 1998);
- the legal protection of designs (through the transposition of Directive 98/71/EC of 13 October 1998).

Other applicable laws:

- Order No 1254/2009 of 14 October 2009 regulating the electronic submission of applications for exemption from taxes, fees and other legal charges, provided for in Article 60(6) of the Statute of Tax Benefits, when applying for registration of a merger or division plan over the Internet, and amending Order No 1098/2008 of 30 September 2008 eliminating the registration fee for trade marks, logos, awards, designations of origin and national geographical indications.
- Order No 1020/2009 of 10 September 2009 creating the Patent Internationalisation Aid Line (Linha de Apoio à Internacionalização de Patentes – LAIP).
- Decree-Law No 143/2008 of 25 July 2008 adopting measures to simplify and improve access to industrial property and amending the Industrial Property Code.
- Dispatch No 24743/2008 of 3 October 2008 regulating the formal requirements for applications and documents required to apply for the granting of industrial property rights.
- Order No 1359/2007 of 15 October 2007 creating the website for the online purchase of trade marks and laying down the fees to be paid for the purchase of trade marks online and in person.
- Decree-Law No 318/2007 of 26 September 2007 (extract) adopting a special regime for the immediate purchase and online purchase of trade marks.
- Decree-Law No 36/2003 of 5 March 2003 adopting the Industrial Property Code by using the Legislative Delegation Law No 17/2002 of 15 July 2002.

#### 4. Regulatory context

Regulation (EC) No 1383/2003<sup>1</sup>, which applies to intellectual property rights, and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)<sup>2</sup>, concluded within the World Trade Organization.

#### 5. Observance of the principle of subsidiarity

The general definitions of subsidiarity and proportionality are found in paragraphs 2 and 3 of Article 5 of the Treaty establishing the European Community (TEC). Protocol 30 of the Treaty provides further details on how the two principles should be applied.

1. Subsidiarity is a guiding principle for defining the boundary between Member State and EU responsibilities, that is, who should act? If the Community has exclusive competence in the area concerned, there is no doubt about who should act, and subsidiarity does not apply. If the Community and the Member States share the competence, the principle clearly establishes a presumption in favour of decentralisation. The Community should act only if the objectives cannot be achieved sufficiently by the Member States (necessity test) and if the Community can achieve them better (value-added test or compared effectiveness).

2. The proposal is part of the Action Plan prepared by the Commission and endorsed by the Council, through the working group created under the Customs 2013 Programme. This Action

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<sup>1</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:196:0007:0014:EN:PDF>.

<sup>2</sup> Council Resolution of 16 March 2009 on the EU Customs Action Plan to combat IPR infringements for the years 2009 to 2012 (2009/C 71/01).

Plan covers legislation, operational performance, cooperation with industry, international cooperation and awareness-raising. The proposal is in line with the Union's policy and strategy on the protection of intellectual property rights.

3. Coordinated action by the EU will help to harmonise the law on industrial property rights and will have a positive impact on employment, consumers and society in general.

#### 6. Observance of the principle of proportionality

Proportionality is a guiding principle when defining how the Union should exercise its competences, both exclusive and shared (what should be the form and nature of EU action?). Both Article 5 TEC and the Protocol provide that the action should not go beyond what is necessary to achieve the objectives of the Treaty.

1. Article 207 of the Treaty on the Functioning of the European Union confers competence to adopt measures for implementing the common commercial policy. Therefore, the legal basis for the proposal is Article 207 of the Treaty on the Functioning of the European Union.

2. The Regulation concerns the commercial aspects of intellectual property rights, in that it deals with measures enabling customs to enforce intellectual property rights at the border on goods that are internationally traded. Article 3(1) of the Treaty on the Functioning of the European Union confers exclusive competence on the European Union in the area of common commercial policy.

#### 7. Rapporteur's opinion

Goods associated with innovation, quality and creativity are making a significant and increasing contribution to GDP in the developed economies. Experience, innovation, quality and creativity are essential factors in the success of knowledge economies, such as those in Europe.

Counterfeiting poses an extremely serious threat to the sustainable development of these economies, endangering both businesses and jobs. The protection of industrial property is a mark of developed economies. The need for legislation regulating intellectual property rights is therefore clearly evident.

Portugal, as a full member of the EU, has the duty to support and the right to benefit from all solutions aimed at European cohesion. It must make use of all possible advantages, to their full extent, which can encourage economic growth, particularly with regard to trade relations with other countries.

In the current globalised economy, goods and services are increasingly transnational products. As a result, it is clear that any fight against counterfeiting must involve the customs authorities.

This Regulation aims to set out the conditions and procedures for action by the customs authorities where goods suspected of infringing an intellectual property right are, or should have been, subject to customs supervision within the customs territory of the Union.

#### 8. Conclusions

The following conclusions have been reached on proposal COM(2011) 285:

- The Council of the European Union requested, in its Resolution of 25 September 2008 on a comprehensive European anti-counterfeiting and anti-piracy plan, a review of

Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights.

- The marketing of goods infringing intellectual property rights does considerable damage to right-holders and law-abiding manufacturers and traders. It also deceives consumers, and could in some cases endanger their health and safety. Such goods should, in so far as is possible, be kept off the market and measures should be adopted to deal with this unlawful activity without impeding legitimate trade.
- The customs authorities should be able to control goods, which are or should have been subject to customs supervision in the customs territory of the Union, with a view to enforcing intellectual property rights. Enforcing intellectual property rights at the border, wherever the goods are, or should have been, under 'customs supervision' as defined by Council Regulation (EEC) No 2913/92 establishing the Community Customs Code, makes good use of resources.
- This Regulation contains procedural rules for customs authorities. Accordingly, this Regulation does not introduce any new criterion for ascertaining the existence of an infringement of the intellectual property law applicable.
- This Regulation should not affect the provisions on the competence of courts, in particular those of Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.
- Regulation (EC) No 1383/2003 allowed Member States to provide for a procedure allowing the destruction of certain goods without there being any obligation to initiate proceedings to establish whether an intellectual property right has been infringed. Therefore, such procedures should be made compulsory for those visible infringements that are easy to identify upon mere visual examination by the customs authorities and should be applied at the right-holder's request, where the declarant or holder of the goods does not object to destruction.
- Under the 'Declaration on the TRIPS Agreement and Public Health' adopted by the Doha WTO Ministerial Conference on 14 November 2001, the TRIPS Agreement can and should be interpreted and implemented in a manner supportive of WTO Members' right to protect public health and, in particular, to promote access to medicines for all. In particular with regard to medicines, the passage of which across this territory of the European Union, with or without transshipment, warehousing, breaking bulk, or changes in the mode or means of transport, is only a portion of a complete journey beginning and terminating beyond the territory of the Union, customs authorities should, when assessing a risk of infringement of intellectual property rights, take account of any substantial likelihood of diversion of these goods onto the market of the Union.
- The liability of the customs authorities shall be governed by the legislation of the Member States, though the granting by the customs authorities of an application for action should not entitle the holder of the decision to compensation in the event that such goods are not detected by a customs office and are released or no action is taken to detain them.
- Customs enforcement of intellectual property rights will entail the exchange of data on decisions relating to applications for action. Such processing of data also covers personal data and should be carried out in accordance with Union law, as set out, in particular, in Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of

personal data and on the free movement of such data and Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by Community institutions and bodies and on the free movement of such data.

## 9. Opinion

Given these conclusions and as there are no objections, the Committee on Economic Affairs and Public Works will forward this report to the Committee on European Affairs for evaluation pursuant to Portuguese Law No 43/2006 of 25 August 2006.

Palácio de S. Bento, 16 September 2011

**Rapporteur**

**João Paulo Viegas**

**Committee Chair**

**Luís Campos Ferreira**