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Committee on International Trade

2011/0137(COD)

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OPINION

of the Committee on International Trade

for the Committee on the Internal Market and Consumer Protection

on the proposal for a regulation of the European Parliament and of the Council concerning customs enforcement of intellectual property rights (COM(2011)0285 – C7-0139/2011 – 2011/0137(COD))

Rapporteur (*): Josefa Andrés Barea

(*): Associated committee - Rule 50 of the Rules of Procedure

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SHORT JUSTIFICATION

In a globalised economy, intellectual property has become a major factor of European competitiveness. Protecting knowledge is about protecting Europe's investment in research, innovation and jobs. At the same time, intellectual property right (IPR) infringements and the resulting global trade in counterfeit goods is an ever growing concern, both in terms of the economic consequences for Europe's industry as well as the risks to its consumers' health and safety.

Statistics¹ of customs detentions recorded at EU external borders show a clear increase in the number of shipments suspected of violating IPR. While lack of reliable data hampers assessing the full scale of the problem, statistics on EU customs actions signal a striking upward trend in particular in seizures of small postal or courier packages resulting from on-line purchases. In 2010, almost 69% of the articles detained in postal traffic were medicines.

At EU borders, customs authorities are both in the frontline and in a privileged position to take action against counterfeiting and the illegal entry of goods into the EU, and thereby to ensure the competitiveness of the European trade environment. As customs rules and practices play a vital role for effective action, the Commission proposal to revise the existing border enforcement Regulation 1383/2003, with the aim of enhancing IPR enforcement while streamlining customs procedures, is welcome.

This proposal forms part of the wider knowledge-based strategy outlined in the Europe 2020 Communication as well as the EU Customs Action Plan to combat IPR infringements for 2009-2012.

Your rapporteur's proposals

As customs formalities have direct implications on international trade, it is of utmost importance that enforcement measures do not themselves become a barrier to legitimate trade. Apart from the overall objectives of trade facilitation, the provision of safeguards against abuse as well as increased legal certainty, these measures must be in line with the EU's international commitments.

These are some of the concerns that underlie my proposals as rapporteur for the Committee on International Trade. There are three aspects of particular interest from the external trade point of view that I wish to highlight in this opinion: goods in transit, parallel trade, and international cooperation.

Goods in transit

Transit related issues merit a specific attention. Recital 17 of the new draft Regulation to replace Regulation 1383/2003 refers to a very particular case: imports of generic medicines. This reference is a result of well-known concerns related to instances of detentions of in-

¹ http://ec.europa.eu/taxation_customs/customs/customs_controls/counterfeit_piracy/statistics/

transit medicines, on the basis of alleged patent infringements, and the ensuing disputes in the World Trade Organisation (WTO) against the EU by India and Brazil.

Recital 17 is a welcome reinstatement of the EU's commitment towards facilitating access to medicines in the developing world as well as its obligation, under WTO rules, to guarantee freedom of transit. It thereby introduces further clarity and legal certainty for legitimate stakeholders on the customs treatment of *'in particular'* medicines that are merely transiting the EU and not destined for, nor pose a risk of being diverted onto, the EU internal market.

Under the current proposal, customs officers should, when assessing a risk of an IPR infringement, take account of any *'substantial likelihood of diversion'* of these goods on to the market of the Union. The customs could thus only detain goods coming from non-member States in transit provided there is sufficient evidence that they will be illicitly diverted to the internal market. However, the proposal omits to give any guidance or criteria for interpreting an intention to put goods on sale in the EU. The new Regulation would thus benefit from a further clarification in this regard.

Further, the new regulation should empower customs authorities to detain any suspected counterfeit goods, and even if in transit. Otherwise, illicit goods would continue to enter the EU market as *'goods in transit'*, under false statements on the origin and destination, as has been reported by businesses affected.

Guaranteeing freedom of transit was never intended to apply to illicit trade. Moreover, there should not be limits for controls when there is suspicion that public health could be endangered, irrespective of the final place of shipping of goods. Prevention and precaution should guide customs action. While Recital 2 recognises health and safety risks of IPR infringing goods, the Regulation should specify that EU customs authorities may detain any suspected good, even if in transit, when a concrete risk of diversion onto the EU market exists.

Small consignments

As countering IPR violations in transit remains a challenge for Member States' customs authorities, a welcome novelty is the introduction of a mandatory EU wide application of the simplified procedure to destroy counterfeit goods without the need to formally establish an infringement in court. This can be considered a significant improvement in terms of reducing the burden both on right-holders and customs administrations alike - with expected results in trade facilitation.

This applies in particular to small consignments of suspected goods - resulting from internet sales and entering the EU through the postal service or via a commercial courier company - considering the value of the infringing goods against the burden of cost of storage and judicial procedures.

However, the notion of *'small consignments'* and the related procedural deadline might benefit from further looking into. It is equally important that customs authorities inform right-holders about any significant movements of small counterfeit consignments to help them track the routes and trends of counterfeiting.

Parallel trade

The further extension of the scope of infringements covered by the draft Regulation is welcome. Empowering EU customs authorities to detain parallel imports, placed on the EU market without the right-holder's authorisation, should result in an improved level of IPR enforcement. While customs authorities are in a unique position to control illicit parallel trade, intercepting "grey market goods" and establishing actual infringements is likely to remain problematic.

In fact, the risk of hindering legitimate trade could increase. In order to avoid unfounded confiscations, right-holders should provide the customs with all information necessary to allow customs to seize parallel imports at the border. The expanded scope of the Regulation will need to be matched with adequate resources and training for customs.

International cooperation

Combating IPR infringements at the EU border must be combined with targeted actions at source to prevent the exportation of illicit goods to the EU. This requires cooperation both with third countries and at international level, including within the WTO, the World Customs Organization, and the World Intellectual Property Organization.

Customs cooperation with both source and other consuming countries is already an EU reality by way of specific initiatives such as the EU-China Action Plan on customs cooperation on IPR enforcement. Despite dialogues and efforts on technical cooperation, data exchange, cooperation with industry, as well as some progress in legislation, real impact is missing. In fact, China¹ continues to be the main source of IPR infringing goods to the EU. In 2010, 85% of all IPR infringing articles detained by EU customs came from China (64% increase compared to 2009).

While the 2004 EU Strategy for the Enforcement of Intellectual Property Rights in Third Countries is undergoing revision, and the new FISCUS program is awaited, your rapporteur sees a clear need to step up especially the targeted and customised technical cooperation on IP with the EU's partners, and in particular with priority countries such as China, to ensure the maximum level of IPR protection for both legitimate businesses and consumers.

Further operational cooperation between customs in the EU and with third countries, including exchange of information, as well as cooperation with industry should be stepped up. Moreover, when negotiating IPR provisions in trade agreements, the EU should strive towards identical levels of protection to that within the Union.

AMENDMENTS

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http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/statistics/statistics_2010.pdf

The Committee on International Trade calls on the Committee on Internal Market and Consumer protection, as the committee responsible, to incorporate the following amendments in its report:

Amendment 1

Proposal for a regulation

Recital 2

Text proposed by the Commission

(2) The marketing of goods infringing intellectual property rights does considerable damage to right-holders, law-abiding manufacturers and traders. It is also deceiving 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.

Amendment

(2) The marketing of goods infringing intellectual property rights does considerable damage to right-holders, law-abiding manufacturers and traders. It is also deceiving 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. ***For this reason, consumers need to be well-informed about the risks involved in purchasing those goods.***

Amendment 2

Proposal for a regulation

Recital 11

Text proposed by the Commission

(11) ***Where goods suspected of infringing intellectual property rights are not counterfeit or pirated goods, it*** may be difficult to determine upon mere visual examination by customs authorities whether an intellectual property right might be infringed. It is therefore appropriate to provide that proceedings should be initiated, unless the parties concerned, namely the holder of the goods and the right-holder, agree to abandon the goods

Amendment

(11) ***It*** may be difficult to determine upon mere visual examination by customs authorities whether an intellectual property right might be infringed. It is therefore appropriate to provide that proceedings should be initiated, unless the parties concerned, namely the holder of the goods and the right-holder, agree to abandon the goods for destruction. It should be for the competent authorities dealing with such proceedings to determine whether an

for destruction. It should be for the competent authorities dealing with such proceedings to determine whether an intellectual property right has been infringed and to take appropriate decisions concerning the infringements of intellectual property rights concerned.

intellectual property right has been infringed and to take appropriate decisions concerning the infringements of intellectual property rights concerned.

Amendment 3

Proposal for a regulation

Recital 17 a (new)

Text proposed by the Commission

Amendment

(17a) Transit through the customs territory of the Union and possible distribution on the internal market of goods suspected of being imitations of products protected in the Union by a trademark, or copies of products protected in the Union by copyright, related right or design, entail both considerable losses for legitimate Union businesses and health and safety risks for citizens. Customs authorities should therefore be empowered to inspect and detain any goods suspected of infringing an intellectual property right, as a precaution, where it is presumed that those goods will be distributed on the internal market.

Amendment 4

Proposal for a regulation

Recital 17 b (new)

Text proposed by the Commission

Amendment

(17b) Evidence that the intention is to place those goods on sale in the Union should be considered to exist where they have been sold to a client in the Union or offered for sale or advertised for sale to Union consumers, or where documents or

correspondence show that they are to be distributed on the Union's internal market. Where the destination of the goods is not declared, even though such a declaration is required, or in cases where there is a lack of precision or relevant information in order to identify the producer or distributor of the products, a lack of cooperation with the customs authorities or where documents are discovered showing that they are intended for distribution on the internal market, it should be for the declarant or holder of the goods in question to prove that their intention is not to sell those goods in the Union.

Amendment 5

Proposal for a regulation Recital 17 c (new)

Text proposed by the Commission

Amendment

(17c) Countering intellectual property rights infringements at the Union's external borders should be combined with targeted efforts at source. This requires cooperation both with third countries and at international level, where the Commission and Member States should build respect and promote high standards of protection for intellectual property rights. This should consist of endorsing the inclusion and enforcement of intellectual property rights in trade agreements, of technical cooperation, of encouraging discussion in the various international fora, of communication and exchange of information, as well as of further steps in operational cooperation with third countries and the industries concerned.

Justification

Countering intellectual property right infringements should benefit from enhanced bilateral cooperation as well as coordinated international action.

Amendment 6

Proposal for a regulation
Recital 17 d (new)

Text proposed by the Commission

Amendment

(17d) With a view to eliminating international trade in goods infringing intellectual property rights, Article 69 of the TRIPS Agreement provides that WTO Members are to promote the exchange of information between customs authorities on trade in goods infringing intellectual property rights. Such exchange of information should allow trafficking networks to be tracked in order to stop the manufacture and distribution of goods infringing intellectual property rights at an earlier stage of the supply chain. It is therefore necessary to establish the conditions for the exchange of information between customs authorities in the Union and relevant authorities in third countries, including on data protection.

Justification

Due to the international nature of counterfeiting and counterfeiters' expansive networks across borders, it is critical that the customs authorities be able to share and use information, including with third countries, in order to track networks and routes used by counterfeiters.

Amendment 7

Proposal for a regulation
Recital 17 e (new)

Text proposed by the Commission

Amendment

(17e) In line with the Union's goal of strengthening international cooperation

in the fight against counterfeiting, piracy and illicit parallel trade in goods infringing the intellectual property of registered right-holders, the new European Observatory on Counterfeiting and Piracy has a key role to play by providing all customs authorities of Member States with relevant and timely information to conduct appropriate controls of authorised importers and distributors of goods suspected of infringing an intellectual property right in the internal market as well as exporters thereof to foreign markets. This role could be further enhanced by the creation of a database of genuine Union products and services protected by registered trademarks, designs and patents and which could also be made available to foreign customs authorities cooperating with the Union on better intellectual property rights protection and enforcement;

Amendment 8

Proposal for a regulation

Article 1 – paragraph 4 a (new)

Text proposed by the Commission

Amendment

4a. This Regulation shall apply to goods in transit through the customs territory of the Union which are suspected of infringing an intellectual property right.

Justification

For the sake of clarity, the treatment of goods in transit should be explicitly addressed in the new Regulation. Where there is suspicion of infringement of the rights conferred by the EU's and Member States' substantive IP law and a concrete risk of diversion of the goods onto the internal market while in transit, customs may legitimately detain the goods.

Amendment 9

Proposal for a regulation Article 2 – point 7 – point a

Text proposed by the Commission

(a) goods which are subject of an action infringing an intellectual property right under the law of the Union or of that Member State;

Amendment

(a) goods which are *the* subject of an action infringing an intellectual property right under the law of the Union or of that Member State ***or goods for which it cannot be ruled out that they are the subject of such an action, and which at the same time pose a clear threat to the health or safety of consumers;***

Amendment 10

Proposal for a regulation Article 6 – paragraph 3 – subparagraph 2 – point g

Text proposed by the Commission

g) specific and technical data on the authentic goods, including images where appropriate;

Amendment

g) specific and technical data on the authentic goods, including ***marking, such as bar-coding, and*** images where appropriate;

Justification

In order to facilitate the traceability of parallel imports, right-holders and their representatives should provide the customs with all information relevant for the identification of genuine products such as marking and the authorized distributors.

Amendment 11

Proposal for a regulation Article 6 – paragraph 3 – subparagraph 2 – point i

Text proposed by the Commission

i) any information relevant to the customs authorities' analysis and assessment of the risk of infringement of the intellectual property right(s) concerned;

Amendment

i) any information relevant to the customs authorities' analysis and assessment of the risk of infringement of the intellectual property right(s) concerned, ***such as the***

authorised distributors;

Justification

In order to facilitate the traceability of parallel imports, right-holders and their representatives should provide the customs with all information relevant for the identification of genuine products such as marking and the authorized distributors.

Amendment 12

**Proposal for a regulation
Article 10 – paragraph 3**

Text proposed by the Commission

3. Where an intellectual property right ceases to have effect or where the applicant ceases for other reasons to be the person entitled to submit an application, no action shall be taken by the customs authorities. The decision granting the application shall be revoked or amended accordingly by the customs authorities that granted the decision.

Amendment

3. Where an intellectual property right ceases to have effect or where the applicant ceases for other reasons to be the person entitled to submit an application, ***the applicant shall notify the customs authorities thereof and*** no ***further*** action shall be taken by the customs authorities. The decision granting the application shall be revoked or amended accordingly by the customs authorities that granted the decision.

Amendment 13

**Proposal for a regulation
Article 11 – paragraph 5 – subparagraph 2**

Text proposed by the Commission

Where an intellectual property right ceases to have effect or where the applicant ceases for other reasons to be the person entitled to submit an application, no action shall be taken by the customs authorities. The decision granting the extension shall be revoked or amended accordingly by the customs authorities that granted the decision.

Amendment

Where an intellectual property right ceases to have effect or where the applicant ceases for other reasons to be the person entitled to submit an application, ***the applicant shall notify the customs authorities thereof and*** no ***further*** action shall be taken by the customs authorities. The decision granting the extension shall be revoked or amended accordingly by the customs authorities that granted the decision.

Amendment 14

Proposal for a regulation Article 19 a (new)

Text proposed by the Commission

Amendment

Article 19a

Sharing of information and data between customs authorities

Subject to appropriate data protection safeguards, the Commission may decide that information and data collected under Article 18(3) is to be shared between customs authorities in the Union and relevant authorities in third countries and establish the conditions of such sharing.

Justification

Cooperation with third countries is essential for countering the proliferation of trade in IPR infringing goods. In order for this cooperation to be effective, EU customs authorities should be able to share information and data on IPR violations with their counterparts in third countries, under confidentiality, and provided stringent data protection safeguards are in place.

PROCEDURE

Title	Customs enforcement of intellectual property rights
References	COM(2011)0285 – C7-0139/2011 – 2011/0137(COD)
Committee responsible Date announced in plenary	IMCO 7.6.2011
Committee(s) asked for opinion(s) Date announced in plenary	INTA 7.6.2011
Associated committee(s) - date announced in plenary	17.11.2011
Discussed in committee	11.10.2011 20.12.2011
Date adopted	26.1.2012
Result of final vote	+: 23 -: 4 0: 1
Members present for the final vote	William (The Earl of) Dartmouth, Laima Liucija Andrikienė, María Auxiliadora Correa Zamora, Harlem Désir, Christofer Fjellner, Carmen Fraga Estévez, Yannick Jadot, Metin Kazak, Bernd Lange, Emilio Menéndez del Valle, Vital Moreira, Paul Murphy, Cristiana Muscardini, Franck Proust, Godelieve Quisthoudt-Rowohl, Niccolò Rinaldi, Helmut Scholz, Peter Šťastný, Gianluca Susta, Keith Taylor, Jan Zahradil, Paweł Zalewski
Substitute(s) present for the final vote	Josefa Andrés Barea, George Sabin Cutaş, Mário David, Albert Deß, Jutta Haug, Syed Kamall, Silvana Koch-Mehrin, Jean Roatta, Inese Vaidere