

### WHY CUSTOMS CAN HELP PATENT OWNERS

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**Customs authorities provide an effective weapon against counterfeit goods in Europe. Jasper Helder and Francis van Velsen of Simmons & Simmons in Rotterdam examine their relevance in defending patent rights**

The last decade of the 20th century saw a dramatic increase in imports into the EU of counterfeit goods. This trend is continuing in the first years of the 21st century. One of the main aims of the European Customs authorities is the fight against the import into the EU of products that infringe IP rights. Customs have been authorized to detain goods based on three anti-piracy regulations.

The Customs Regulation provides a preliminary measure. For patent cases this preliminary measure is executed without any assessment of infringement by Customs. After all, unlike many counterfeit cases, patent infringement involves assessing the scope of claims (often for complex technology) instead of a visual comparison (as in trade mark or design cases). This article explores the development of the Customs Regulation and its application in daily practice in patent cases.

#### History of the Regulation

The European Council adopted Anti-Piracy Regulation 3295/94 in anticipation of article 51 of the TRIPs Agreement, rendering a powerful tool for national Customs authorities to stop infringing products from entering the EU. The first Regulation came into force on July 1 1995. Under this Regulation, IP owners, including owners of trade marks, design rights and copyright, could request Customs to detain infringing goods tendered for import, for up to 20 working days. Within this period, the IP owner must start legal action before the national court to obtain a decision in respect of infringement.

In 1999, the Regulation was amended (EU Regulation 241/1999), broadening the scope of IP rights to which it applies, to include patents and plant breeders' rights. For Community trade marks an administrative procedure was adopted, allowing one single request to one national Customs office to be effected throughout all EU Customs authorities.

Based on the Customs authorities' experience of Regulation 3295/94 (as amended by EU Regulation 221/1999), the European Council adopted a new Regulation (EU Regulation 1383/2003) that came into force on July 1 2004. The new Regulation 1383/2003 is roughly the same but implements a few specific changes and improvements.

Given the continuing harmonization of IP rights (Community design rights, plant breeders' rights etc) the scope of EU-wide Customs detentions upon a single request was broadened (it previously covered only Community trade marks). One of the most prominent amendments is the declaration that the applicant for a border detention order must submit under the new Regulation. In this declaration, the applicant accepts liability towards the Customs Authorities and third parties for "wrongful detention". While Customs is a powerful tool to block counterfeit products from entering the EU market, it has been perceived also as a tool that can be abused by IP owners to block market access for competitors. Intellectual property owners have used their rights against products that afterwards turned out clearly not to infringe. Intellectual property owners have also used the Regulation to block genuine products (re)entering the EU through parallel import (for which detention possibilities have been expressly excluded in the Regulation). In this respect, it is to be noted that Customs bodies, under the Regulation, do not assess for themselves whether products are infringing (either materially or formally). This decision is reserved for the national courts, and may take years. In the meantime, however, the products remain detained and the entry of further products into the EU may be delayed and hindered significantly. If the applicant discontinues the detention due to an act or omission (for example not initiating litigation within 10/20 working days) or if the goods are held not to infringe, the applicant must pay for the damages incurred. Further, the applicant must declare that it will bear all costs for keeping goods under Customs control.

Although on the EU level only some 2% of detention requests are based on patent rights being infringed, statistics indicate an increase in the Regulation's popularity amongst patentees.

### **Border detention in patent cases**

The EU operates as a Customs Union, so that goods are free to move across national borders once they have been cleared by Customs. Also, goods can move from one country to another and can be stored in the EU without being Customs cleared, under so-called transit regimes. However, to be traded they must be Customs cleared (and duties/taxes paid) at a certain point of entry. The Regulation provides for detention of products, which are not (yet) Customs cleared.

Each country has its own national Customs authorities, to whom detention requests must be addressed (patent rights, even European patents, are considered national rights, in the absence of a Community patent). In general, one targets the physical first point of entry into the EU when choosing where to request Customs detention. It is to be noted, however, that the transit-regimes can cause the physical point of entry to differ from the point of entry for Customs purposes (point of Customs clearance). The point of Customs clearance is the last point in the supply chain for Customs detention.

In light of the above, an applicant must have patent protection in either the country of the physical point of entry into the EU or the Customs point of entry, but preferably both. It is also necessary to identify the infringing products, where they come from, when and where the goods are likely to arrive in the EU, and their further distribution. The applicant must further provide proof of patent ownership. The application must detail the infringing goods, and their shipping details. Technical infringement details are not required. Normally, the national Customs authorities will grant the request within a few weeks and issue a detention order for the specified products.

Customs authorities may also *ex officio* inspect and detain goods for piracy and counterfeiting up to their Customs clearance. However, due to the technical nature of the goods and the complicated concept of infringement in patent cases, the Customs authorities are unlikely to look out for suspected patent infringements *ex officio*.

When Customs authorities detect goods subject to a detention order, they will detain them and inform the applicant that they have done so. Upon request, they will provide the applicant with the name and address of the consignee and, if known, the shipper of the goods, and their destination. Customs authorities also arrange for the applicant to inspect the goods. Previously, the Regulation did not allow detailed technical analyses for proving infringement. Now, applicants are allowed to take and use samples for examination.

From the start of detention, the applicant has 10 working days (extendable by a further 10 days), to start litigation on infringement. The applicant must inform the Customs authorities of this litigation for the detention to remain in effect. The national law of the country of detention applies to the procedure for the litigation.

However, even if the applicant has commenced legal proceedings, and has notified the Customs authorities accordingly, the owner of the goods may obtain release of the goods by paying an amount to the Customs authorities by way of a security. This is not possible if precautionary measures have been authorized by the national court within 10/20 working days. In daily practice, such precautionary measures are only possible in the Netherlands through prejudgment seizure. To obtain this seizure, one must file an application to the local court that can decide *ex parte* that the infringing goods are seized for the period of the main infringement litigation.

The security must be sufficient to protect the interests of the patent owner. The Regulation provides no further guidance. The amount of security is likely to depend on potential damages payable to the patent owner, if the goods infringe the patent. There are very few precedents concerning the amount of security available.

Goods allegedly infringing a patent will be detained by the Customs authorities until the outcome of infringement litigation, and then disposed of as directed by the court.

### **A powerful tool**

Customs detention provides a powerful and cost efficient tool for patentees to block infringing goods from the EU market. The success depends to a large extent on the amount of information available in respect of the routing and whereabouts of the goods. Customs detention does not provide an absolute guarantee for continued detention, because of the possibility of release against security. There is a liability risk involved, should the court rule in favour of the alleged infringer. However, in many cases this stage will not be reached, since the parties are likely to resolve the detention issue outside the courts.

**PROFILE: JASPER HELDER**



Jasper specializes in Customs, international trade and logistics. He has worked in the Rotterdam office of Simmons and Simmons since 1992. Together with the firm's IP lawyers, Jasper has advised on the strategic use of border detention in various EU jurisdictions. Clients and products covered range from consumer electronics to computers. Besides advising on IP aspects of international trade, Jasper has represented clients in matters ranging from Customs valuation to Customs classification before national Customs authorities in a number of EU jurisdictions and before Netherlands Customs, tax and administrative courts as well as before the European Court of Justice. Simmons's Rotterdam Customs practice was referred to as a "leading Customs practice" by the European Legal 500 (2004).

**PROFILE: FRANCIS VAN VELSEN**



Francis specializes in contentious and non-contentious intellectual property with a particular focus on patent litigation. He was admitted to the Dutch Bar in 1996 and worked for another corporate law firm and a major Dutch firm of patent attorneys, before joining the Rotterdam office of Simmons & Simmons in 2003. Francis has acted in several patent infringement actions before the Dutch patent court and appellate court (in The Hague), in a variety of industries, including machine tools, chemicals, electronic devices and life science. In recent years, Francis has been involved in advising ID-Lelystad, the largest animal health research institute in the Netherlands, a large multinational in orthopaedic implants and devices, and several start-ups in life science. He is a member of Simmons & Simmons' pharmaceutical and biotechnology group.

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