



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 20.01.2003  
COM(2003) 20 final

2003/0003 (ACC)

Proposal for a

**COUNCIL REGULATION**

**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**

(presented by the Commission)

## **EXPLANATORY MEMORANDUM**

### **1. INTRODUCTION**

On 22 December 1994 the Council adopted Regulation (EC) No 3295/94 laying down the conditions for the intervention of the customs authorities and the measures to be taken by the competent authorities with regard to counterfeit or pirated goods. This act implemented provisions of the World Trade Organisation's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) pursuant to Council Decision 94/800/EC of 22 December 1994 concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994). There has since been a steady escalation in such fraud. Over the four-year period 1998-2001 customs administrations saw the number of items infringing an intellectual property right they intercepted at the EU's external frontiers increase ninefold, from 10 million to 100 million items.

Both the nature of the products counterfeited and pirated and the methods used by organised international fraud gangs are evolving constantly. The statistics published by the Commission in its annual report on the action of the Community customs authorities against counterfeiting and pirating bear out this constant change and highlight two broad trends. The first is that counterfeiters are now more interested in quantity than quality. Organised fraudsters are no longer targeting articles with high value added, opting instead to produce a variety of household objects on a commercial scale. The second is the nature of the products concerned. By way of example, in 2001 seizures of counterfeit foodstuffs were up almost 75% on the year before, practically equalling clothes, while pirated or counterfeit CDs were up 15 300 % on 1999.

The increasingly active involvement of organised crime in large-scale international trafficking in counterfeit and pirated goods attests both to the lucrative nature of such activities and to an increasing professionalism.

Against this background, it is particularly important to develop legislation aimed at improving and harmonising customs action in tackling such intellectual property offences more effectively. In the interests of legal clarity, making the rules more accessible to right holders and designing a high-performance legislative instrument to deal more effectively with these kinds of fraud, Regulation (EC) No 3295/94 of 22 December 1994 should be repealed and replaced.

### **2. AIM OF THE PROPOSAL FOR A REGULATION**

**2.1** This Regulation defines the conditions on which the customs authorities can act when goods are suspected of infringing an intellectual property right and the measures that the competent authorities are to take when goods are found to infringe an intellectual property right covered by this Regulation. The main objective of this Regulation is to provide the single market and consumers with more effective protection in a bigger Community.

**2.2** The particularly sensitive trend in these forms of fraud, which are now statistically quantifiable where customs action is concerned, calls for a reform of the law to guarantee consumer safety and protection, respect for holders' intellectual property

rights and the financial interests of the Community in an economic area that is both competitive and open to free competition. Such a reform should serve to promote business innovation and competitiveness and safeguard jobs while protecting national economies.

**2.3** Counterfeiting and pirating are increasingly damaging the economy, financial interests and employment and severely handicap economic operators. The proposed amendments will therefore step up the fight against fraud at the Community's external frontiers throughout the customs territory without unnecessarily impeding international trade. These objectives figure among those set out in Decision No 210/97/EC of the European Parliament and of the Council of 19 December 1996 adopting an action programme for customs in the Community.

**2.4** This Regulation operates according to the same principles as the previous one: where goods are suspected of infringing an intellectual property right, the holder of that right can apply for action to the customs authorities, which will then detain the goods for a certain period. The Regulation also lays down the measures to be taken by the competent authorities when the goods are found to infringe an intellectual property right.

The new draft does not affect the basic principles of the previous Regulation; it simply improves its working and extends its scope to new intellectual property rights.

**2.5** The new Regulation takes account of the demands of professional organisations, the interests of small and medium-sized industries and enterprises (SMI/SMEs) and experience gained from the previous customs rules. Implementation has been made more user-friendly. When consulted, right holders welcomed a number of the proposed improvements. The Regulation proposes a number of measures:

- It extends the scope of the Regulation to new intellectual property rights: plant variety rights, geographical indications and designations of origin.
- It improves the quality of information provided to customs by right holders applying for action. It also harmonises the period of validity and the form of the application for action and encourages the lodging of applications by computer.
- If information provided by customs to the right holder is abused or used for purposes other than those laid down by the Regulation, the right holder's application for action may be suspended for the remainder of its period of validity and, in particularly serious cases, it may not be renewed.
- The fees and securities have been abolished to allow SMI/SMEs cost-free access to the Regulation. The security is now replaced by an undertaking from the right holder.
- The scope of the ex officio (own-initiative) procedure, which allows customs to act without a prior application for action, has been extended. Its use, especially in the interests of SMI/SME right holders, will thereby increase considerably.
- Right holders will receive more detailed and frequent information from customs.

- Right holders may be provided with samples for analysis in order to enable the procedure to continue.
  - The fact that right holders are not obliged to await the outcome of substantive legal proceedings but can have goods infringing certain intellectual property rights destroyed with the agreement of the person holding the goods or the declarant should, under the new procedure, resolve certain storage problems.
  - The article concerning non-commercial traffic in goods within the limits of duty-free allowances is of particular importance to business. Though this type of traffic was outside the scope of the previous rules, the new Regulation should tighten control over small-scale traffic to ensure that it does not conceal a larger-scale operation.
- 2.6** Successfully tackling counterfeiting and piracy requires close cooperation with right holders and a substantial increase in the number of applications for action.
- 2.7** To ensure the best possible use of this Regulation, there should be provision for any amendments and additions necessary to be made in the two years following its entry into force.
- 2.8** The Council is asked to adopt the proposal for a new Community Regulation laying down the conditions for action by the customs authorities when goods are suspected of infringing intellectual property rights and the measures to be taken by the competent authorities when goods are found to have infringed certain intellectual property rights.

### **3. ANALYSIS OF THE MAIN ARTICLES**

#### **Article 1**

This Regulation sets out the conditions on which the customs authorities can act when goods are suspected of infringing an intellectual property right and the measures to be taken by the competent authorities when such goods are found to infringe an intellectual property right.

#### **Article 2(1)**

The 2001 report by the customs administrations on counterfeiting and piracy shows a major increase in the counterfeiting of food products, spirits and drinks (up 75% on the year before, some 4 million items ). Some of these products can be particularly dangerous to consumers. In view of the experience acquired by customs administrations in tackling counterfeiting and piracy, it therefore seems advisable to bring intellectual property rights relating to plant varieties, designations of origin and geographical indications within the scope of this Regulation.

These new types of rights therefore need to be defined for the purposes of this Regulation and included in the chapter "Goods infringing an intellectual property right". That chapter should also include Community designs.

### **Article 3(1)**

This Regulation should not apply to goods bearing a protected designation of origin or a protected geographical indication which, though they are in a situation covered by this Regulation without the right holder's consent, have been manufactured with the right holder's consent.

### **Article 3(2)**

Business representatives have always argued for the deletion of this exclusion clause, which they see as an unacceptable "tolerance" in that it favours "tourist trafficking". This type of trafficking is, however, very difficult to combat by the detention procedure. Annual statistics on customs action against counterfeiting nevertheless show that passengers account for over 45% of the procedures initiated by customs.

Though this clause excludes from the scope of the Regulation goods of a non-commercial nature contained in travellers' personal baggage within the limits of the duty-free allowance (€175), it also sends an inappropriate message to travellers.

This type of traffic should be excluded from the scope of this Regulation only if it does not conceal trafficking on a larger scale.

### **Article 4**

Article 4 lays down the measures to be taken before an application for action is made to the customs authorities.

This Article recasting the conditions in which the customs authorities can intervene without a prior application for action should considerably extend the scope for using the own-initiative procedure. In order to give the customs authorities more scope for action and to give SMI/SMEs access to the facility, the customs services may, when they have sufficient grounds for suspecting that goods infringe an intellectual property right, detain suspect goods for three working days. During that period the right holder may lodge an application for action with the competent department.

This procedure enables customs to notify right holders who may not realise that their intellectual property rights can be infringed, and have therefore never before applied for action, that goods suspected of counterfeiting or pirating their rights have been intercepted.

**Articles 5, 6 and 7 will govern the lodging and processing of applications for customs action:**

### **Article 5**

The application for action, which is crucial to optimising customs action in that it provides particulars and a technical description of the potentially pirated or counterfeited products against which customs administrations are being asked to act, may be lodged with the appointed authorities by computer.

Some particulars will be mandatory for the acceptance and registration of the application. A sufficiently detailed technical description of the goods, detailed particulars of the type of fraud, if known, the name and address of the contact person appointed by the right holder and

the document showing that the applicant holds the right for the goods concerned will all be required when applying for action. Other details likely to help the customs authorities in their search may be sent by way of information.

The customs department responsible for registering applications will have 30 working days in which to notify the applicant in writing of its decision.

The highly specialised nature of certain intellectual property rights, such as plant variety rights, may entitle the competent customs department grounds to demand specific information.

### **Article 6**

The guarantee necessary under Regulation (EC) No 3295/94, which in some Member States required the right holder to deposit a sum of money, is abolished. Instead right holders applying for action will provide a written undertaking covering their liability and guaranteeing payment of all costs arising from keeping the goods under customs control.

### **Article 8**

This Article sets out the principles governing the acceptance of the application for action. The application form will be harmonised and its period of validity fixed at no more than one year. Applications will be renewable annually.

### **Article 9**

This Article sets out the conditions for customs action and provides for customs to suspend the release of suspected counterfeit or pirated goods or to detain them.

It allows the right holder to be sent additional vital information, including the actual or supposed nature of the suspect goods and the actual or supposed quantity of goods seized. Such information may be sent in all cases and without any prior obligation. At the same time, and pursuant to national legal provisions for establishing whether an intellectual property right has been infringed, right holders may be sent such information as the origin or provenance of suspect products.

To facilitate analysis of suspect products, a representative sample of the goods may now be provided on certain conditions. It must be restored before the release of the goods or the end of the detention procedure.

### **Article 11**

To facilitate access to customs rules for SMI/SME right holders and to deprive those concerned effectively of the economic gains of trade in counterfeit and pirated goods, a simplified procedure has been introduced whereby goods can be destroyed at the right holder's request and under his responsibility where the customs authorities receive, within ten working days, written permission from the declarant or holder of the goods to destroy the goods.

This simplified procedure should resolve the problems of storage and the associated costs. Whereas, in the past, legal proceedings to obtain a substantive decision from the competent authorities were all too often abandoned because neither the consignor nor the consignee were on Community territory, it will now be possible to destroy goods infringing certain

intellectual property rights in transit or transhipped on the Community customs territory. This procedure is not an alternative to that laid down in Article 13 of this Regulation, but it does allow fraudulent goods to be taken off the market in certain circumstances. Should the declarant or holder of the goods object, the procedure laid down in Article 13 will apply.

#### **Article 12**

Though right holders now receive a considerable amount of new information, they cannot use it for purposes other than those laid down in Articles 8 and 10 of the Regulation. In the event of abuse, right holders could incur civil liability and see their application for action suspended for the remainder of its period of validity or, in particularly serious cases, not have it renewed.

#### **Article 13**

In order to secure and uphold the rights of all parties under the Regulation, the customs authorities will release goods if they are not notified within ten working days that proceedings have been initiated to establish whether an intellectual property right has been infringed.

The perishable nature of certain products covered by intellectual property rights within the scope of this Regulation, for instance plant variety rights or geographical indications, requires detention or suspension of release to be limited to three working days.

Certain goods covered by specific intellectual property rights may be released on the lodging of a security and subject to certain conditions.

#### **Article 14**

Article 14 takes over the wording of Article 7(2) of Regulation (EC) No 3295/94.

#### **Article 15**

Storage conditions during detention or suspension of release are determined by each Member State.

#### **Article 16**

In order to give the customs authorities more scope for action, it is important that they be able to use the provisions of the Regulation when goods are leaving the Community customs territory.

#### **Article 17**

Goods found to infringe an intellectual property right are normally to be destroyed, but they may also be forfeited to the Exchequer.

#### **Article 18**

This Article sets out the liability of the customs authorities and the right holder.

#### **Article 19**

This Article provides for the competent authorities to apply effective, proportionate and dissuasive penalties.

### **Article 23**

The Commission will report annually to Parliament and the Council on the application of this Regulation.



Proposal for a

**COUNCIL REGULATION**

**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 COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 133 thereof,

Having regard to the proposal from the Commission,<sup>1</sup>

Having regard to the opinion of the European Parliament,<sup>2</sup>

Having regard to the opinion of the European Economic and Social Committee,<sup>3</sup>

Whereas:

- (1) To improve the working of the system introduced by Council Regulation (EC) No 3295/94 of 22 December 1994 laying down measures concerning the entry into the Community and the export and re-export from the Community of goods infringing certain intellectual property rights,<sup>4</sup> as last amended by Regulation (EC) No 241/1999,<sup>5</sup> conclusions should be drawn from experience of its application. In the interests of clarity, the Regulation should be replaced.
- (2) The marketing of counterfeit and pirated goods, and indeed all goods infringing intellectual property rights, does considerable damage to law-abiding manufacturers and traders and to right holders as well as deceiving, and in some cases endangering the health and safety of, consumers. Such goods should, in so far as is possible, be kept off the market and measures adopted to deal effectively with this unlawful activity without impeding the freedom of legitimate traders. This objective is consistent with efforts under way at international level.
- (3) In so far as counterfeit goods, pirated goods and, more generally, goods infringing an intellectual property right originate in or come from third countries, their introduction into the Community customs territory, including their transshipment, release for free circulation in the Community, placing under a suspensive procedure and placing in a

---

<sup>1</sup> OJ C

<sup>2</sup> OJ C

<sup>3</sup> OJ C

<sup>4</sup> OJ L 341, 30.12.1994, p. 8.

<sup>5</sup> OJ L 27, 2.2.1999, p. 2.

free zone or warehouse, should be prohibited and a procedure set up to enable the customs authorities to enforce this prohibition as effectively as possible.

- (4) The customs authorities should also be able to take action against counterfeit goods, pirated goods and goods infringing certain intellectual property rights which are exported, re-exported or leave the Community customs territory.
- (5) Action by the customs authorities should involve, for the period necessary to determine whether suspect goods are indeed counterfeit goods, pirated goods or goods infringing certain intellectual property rights, suspending release for free circulation, export and re-export or, in the case of goods placed under a suspensive procedure, placed in a free zone or a free warehouse, re-exported with notification, introduced into the customs territory or leaving that territory, detaining goods.
- (6) The particulars of the application for action, such as its period of validity and form, need to be defined and harmonised in all Member States. The same applies to the conditions governing the acceptance of applications by the customs authorities at the offices designated to receive, process and register them.
- (7) Even where no application has yet been lodged or approved, the Member States should be authorised to detain the goods for a certain period to allow right holders to lodge an application for action with the customs authorities.
- (8) Proceedings initiated to determine whether an intellectual property right has been infringed under national law will be conducted with reference to the criteria used to establish whether goods produced in that Member State infringe intellectual property rights. This Regulation does not affect the Member States' provisions on the competence of the courts or judicial procedures.
- (9) To make the Regulation easier to apply for customs administrations and right holders alike, provision should also be made, where those holding or declaring the goods make no objections and give their written consent, for a more flexible procedure allowing goods infringing certain intellectual property rights to be destroyed on the right holder's request and sole responsibility, without there being any obligation to initiate proceedings to establish whether an intellectual property right has been infringed under national law.
- (10) It is necessary to lay down the measures applicable to goods that have been found to be counterfeit, pirated or generally to infringe certain intellectual property rights. Those measures should not only deprive those responsible for trading in such goods of the economic benefits of the transaction and penalise them but also constitute an effective deterrent to further transactions of the same kind.
- (11) To avoid disrupting the clearance of goods carried in travellers' personal baggage, goods that may be counterfeit, pirated or infringe certain intellectual property rights should, where there is nothing to suggest trafficking on a larger scale, be excluded from the scope of this Regulation when imported from third countries within the limits of the duty-free allowance accorded by Community rules or when exported.
- (12) In the interests of the Regulation's effectiveness, it is important to ensure the uniform application of the common rules it lays down and to reinforce mutual assistance between the Member States and between the Member States and the Commission, in

particular by recourse to Council Regulation (EC) No 515/97 of 13 March 1997 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs or agricultural matters.<sup>6</sup>

- (13) In the light, *inter alia*, of the experience gained in the implementation of this Regulation, consideration will be given to the possibility of increasing the number of intellectual property rights covered.
- (14) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission.<sup>7</sup>
- (15) Regulation (EC) No 3295/94 should be repealed,

HAS ADOPTED THIS REGULATION:

## CHAPTER I

### **Subject matter and scope**

#### Article 1

1. This Regulation sets out the conditions for action by the customs authorities when goods are suspected of infringing an intellectual property right in the following situations:
  - (a) when they are entered for release for free circulation, export or re-export in accordance with Article 61 of Council Regulation (EC) No 2913/92;<sup>8</sup>
  - (b) when they are found during checks on goods entering or leaving the Community customs territory in accordance with Articles 37 and 183 of Regulation (EEC) No 2913/92, placed under a suspensive procedure within the meaning of Article 84(1)(a) of that Regulation, re-exported subject to notification under Article 182(2) of that Regulation or placed in a free zone or free warehouse within the meaning of Article 166 of that Regulation.
2. This Regulation fixes the measures to be taken by the competent authorities when the goods referred to in paragraph 1 are found to infringe intellectual property rights.

#### Article 2

1. For the purposes of this Regulation, "goods infringing an intellectual property right" means:
  - (a) "counterfeit goods", namely:

---

<sup>6</sup> OJ L 82, 22.3.1997, p. 1.

<sup>7</sup> OJ L 184, 17.7.1999, p. 23.

<sup>8</sup> OJ L 302, 19.10.1992, p. 1.

- (i) goods, including packaging, bearing without authorisation a trademark identical to the trademark duly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the trademark holder's rights under Community law, as provided for by Council Regulation (EC) No 40/94<sup>9</sup> (Community trademark) or the law of the Member State in which the application for action by the customs authorities is made;
  - (ii) any trademark symbol (logo, label, sticker, brochure, instructions for use or guarantee document), even if presented separately, on the same conditions as the goods referred to in point (i);
  - (iii) packaging materials bearing the trademarks of counterfeit goods, presented separately, on the same conditions as the goods referred to in point (i);
- (b) "pirated goods", namely goods which are or contain copies made without the consent of the holder of a copyright or related right or design right, regardless of whether it is registered in national law, or of a person authorised by the right holder in the country of production in cases where the making of those copies would constitute an infringement of that right under Council Regulation (EC) No 6/2002<sup>10</sup> (Community designs) or the law of the Member State in which the application for customs action is made;
- (c) goods which, in the Member State in which the application for customs action is made, infringe:
- (i) a patent under that Member State's law;
  - (ii) a supplementary protection certificate of the kind provided for in Council Regulation (EEC) No 1768/92<sup>11</sup> or Regulation (EC) No 1610/96 of the European Parliament and of the Council;<sup>12</sup>
  - (iii) a national plant variety right under the law of that Member State or a Community plant variety right of the kind provided for in Council Regulation (EEC) No 2100/94;<sup>13</sup>
  - (iv) designations of origin or geographical indications under the law of that Member State or Council Regulations (EEC) No 2081/92<sup>14</sup> and (EC) No 1493/1999;<sup>15</sup>
  - (v) geographical designations of the kind provided for in Council Regulation (EEC) No 1576/89.<sup>16</sup>

---

<sup>9</sup> OJ L 11, 14.01.1994, p. 1.

<sup>10</sup> OJ L 3, 5.1.2002, p. 1.

<sup>11</sup> OJ L 182, 2.7.1992, p. 1.

<sup>12</sup> OJ L 198, 8.8.1996, p. 30.

<sup>13</sup> OJ L 227, 1.9.1994, p. 1.

<sup>14</sup> OJ L 208, 24.7.1992, p. 1.

<sup>15</sup> OJ L 179, 14.7.1999, p. 1.

<sup>16</sup> OJ L 160, 12.6.1989, p. 1.

2. For the purposes of this Regulation, "right holder" means the holder of a trademark, design right, patent, certificate, plant variety right, protected geographical indication, protected designation of origin and, more generally, any right referred to in paragraph 1, any other person authorised to use that trademark, patent, certificate, plant variety right, protected geographical indication, protected designation of origin or right or a representative of the right holder or authorised user.
3. Any mould or matrix which is specifically designed or adapted for the manufacture of goods infringing an intellectual property right shall be treated as goods of that kind if the use of such moulds or matrices infringes the right holder's rights under Community law or the law of the Member State in which the application for action by the customs authorities is made.

### Article 3

1. This Regulation shall apply neither to goods bearing a trademark with the consent of the holder of that trademark nor to goods bearing a protected designation of origin or a protected geographical indication which have been manufactured with the consent of the right holder but are placed in one of the situations referred to in Article 1(1) without the latter's consent.

Nor shall this Regulation apply to goods referred to in the first subparagraph which are manufactured, bear a trademark or are protected by a patent, certificate, copyright or related right, design right, plant variety right, protected designation of origin or geographical indication in conditions other than those agreed with the right holder.

2. Where a traveller's personal baggage contains goods of a non-commercial nature within the limits of the duty-free allowance and there is no particular reason to suppose such goods to be part of a larger-scale traffic, the customs authorities shall consider such goods to be outside the scope of this Regulation.

## CHAPTER II

### **Applications for action by the customs authorities**

#### SECTION 1

#### **Measures prior to an application for action by the customs authorities**

### Article 4

1. Where the customs authorities, in the course of action in one of the situations referred to in Article 1(1) and before an application has been lodged by a right holder or granted, have sufficient grounds for suspecting that goods infringe an intellectual property right, they may, after the time necessary for the check, suspend the release of the goods or detain them for a period of three working days from the moment of notification of the right holder and of the declarant or right holder, if the latter are known.
2. Within that period the right holder may lodge an application for customs action with the competent customs department.

3. In accordance with the rules in force in the Member State concerned, the customs authorities may, without divulging any information other than the actual or supposed number of items and before informing the right holder of the possible infringement, ask the right holder to provide them with any information they may need to confirm their suspicions.

## SECTION 2

### **The lodging and processing of applications for customs action**

#### Article 5

1. In each Member State a right holder may apply in writing to the competent department of the customs authorities for action by the customs authorities when goods are found in one of the situations referred to in Article 1(1) (application for action).
2. Each Member State shall designate the customs department competent to receive and process applications for action.
3. Where electronic data interchange systems exist, the Member States shall encourage right holders to lodge applications by computer.
4. Where the applicant is the holder of a Community trademark, a Community design, a Community plant variety right or a designation of origin or geographical indication protected by the Community, an application may, in addition to requesting action by the customs authorities of the Member State in which it is lodged, request action by the customs authorities of one or more other Member States.
5. The application for action shall be made out on a form established in accordance with the procedure referred to in Article 21(2); it must contain all the information needed to make the goods in question readily recognisable by the customs authorities, and in particular:
  - (a) an accurate and detailed technical description of the goods;
  - (b) any specific information the right holder may have concerning the type or pattern of fraud;
  - (c) the name and address of the contact person appointed by the right holder.

The application for action must also contain the undertaking required of the applicant by Article 6 and proof that the applicant holds the right for the goods in question.

In the situation described in paragraph 4 the application for action shall indicate the Member State or States in which customs action is requested.

Right holders or their representatives must forward any other information they may have, such as:

- (a) the pre-tax value of the original goods on the legitimate market in the country in which the application for action is lodged;

- (b) the location of the goods or their intended destination;
  - (c) particulars identifying the consignment or packages;
  - (d) the scheduled arrival or departure date of the goods;
  - (e) the means of transport used;
  - (f) the identity of the importer, exporter or holder;
  - (g) the country or countries of production and the routes used by traffickers;
  - (h) the technical differences, if known, between the authentic goods and the others.
6. Details may be required which are specific to the type of intellectual property right concerned by the application for action.
7. On receiving an application for action, the competent customs department shall process that application and notify the applicant in writing of its decision within 30 working days.
- The right holder shall not be charged a fee to cover the administrative costs occasioned by the processing of the application.
8. Where the application is not sufficiently detailed or does not contain the mandatory information listed in paragraph 5, the competent customs department may refuse the application for action by means of a reasoned decision. An appeal may be lodged against this refusal.

#### Article 6

1. The Member States shall require applications for action to be accompanied by an undertaking from the right holder or his representative assuming liability towards the persons involved in a situation referred to in Article 1(1) in the event that a procedure initiated pursuant to Article 9(1) is discontinued owing to an act or omission by the right holder or in the event that the goods in question are subsequently found not to infringe an intellectual property right.
- In that undertaking the right holder shall also undertake to pay all costs incurred under this Regulation by keeping goods under customs control pursuant to Article 9, including costs occasioned by the destruction of goods infringing an intellectual property right under the second indent of Article 11(1) and Article 17(1)(a).
2. Where an application is submitted under Article 5(4), the undertaking shall cover translation costs and be given in every Member State in which the decision granting the application applies.

#### Article 7

Articles 5 and 6 shall apply *mutatis mutandis* to requests for an extension.

## SECTION 3

### Acceptance of the application for action

#### Article 8

1. When granting an application for action, the competent customs department shall specify the period during which the customs authorities are to take action. That period shall not exceed one year. Subject to the prior discharge of any debt owed by the right holder under this Regulation, the department which took the initial decision may, at the right holder's request, renew that period each year.

The right holder shall notify the competent customs department and, where appropriate, the department or departments referred to in the second subparagraph of paragraph 2, if his right ceases to be validly registered or expires.

2. The decision granting the right holder's application for action shall immediately be forwarded to those customs offices of the Member State or States likely to be concerned by the goods alleged in the application to infringe an intellectual property right.

When an application for action submitted in accordance with Article 5(4) is granted, the period during which the customs authorities are to take action shall be set at one year; that period shall be renewable annually, on the right holder's written application, by the department which processed the initial application. The first indent of Article 250 of Regulation (EEC) No 2913/92 shall apply *mutatis mutandis* to the decision granting that application and to decisions extending or repealing it.

Where an application for action is granted, it is for the applicant to forward that decision, with any other information and any translations that may be necessary, to the competent customs department of the Member State or States in which the applicant has requested customs action. However, with the applicant's consent, the decision may be forwarded directly by the customs department which has taken the decision.

At the request of the customs authorities of the Member States concerned, the applicant shall provide any additional information necessary for the implementation of the decision.

3. The period referred to in the second subparagraph of paragraph 2 shall run from the date of adoption of the decision granting the application. The decision will not enter into force in the recipient Member State or States until it has been forwarded in accordance with the third subparagraph of paragraph 2 and the right holder or his representative has given the undertakings referred to in Article 6.

The decision shall then be sent immediately to the national customs offices likely to have to deal with the goods suspected of infringing intellectual property rights.

This paragraph shall apply *mutatis mutandis* to a decision extending the initial decision.



## CHAPTER IV

### **Conditions governing action by the customs authorities and by the authority competent to decide on the case**

#### Article 9

1. Where a customs office to which the decision granting an application by the holder of a right has been forwarded pursuant to Article 8 is satisfied, after consulting the applicant where necessary, that goods in one of the situations referred to in Article 1(1) are goods infringing an intellectual property right covered by that decision, it shall suspend release of the goods or detain them.

The customs office shall immediately inform the competent customs department which processed the application.

2. The competent customs department or customs office referred to in paragraph 1 shall immediately inform the right holder and the declarant or holder of the goods within the meaning of Article 38 of Regulation (EEC) No 2913/92 of its action and is authorised to inform them of the actual or estimated quantity and the actual or supposed nature of the goods whose release has been suspended or which have been detained, without being bound by the communication of that information to notify the authority competent to take a substantive decision.
3. With a view to establishing whether an intellectual property right has been infringed under national law, and in accordance with national provisions on the protection of personal data, commercial and industrial secrecy and professional and administrative confidentiality, the customs office or department which processed the application shall inform the right holder, at his request and if known, of the names and addresses of the consignee, the consignor, the declarant or holder and the origin and provenance of goods infringing an intellectual property right.

The customs office shall give the applicant and the persons involved in any of the situations referred to in Article 1(1) the opportunity to inspect goods whose release has been suspended or which have been detained.

When examining goods, the customs office may take samples and, according to the rules in force in the Member State concerned, hand them over or send them to the right holder or his representative, at their express request, strictly for the purposes of analysis and to facilitate the subsequent procedure. These samples must be returned on completion of the technical analysis and, where applicable, before goods are released or their detention ends.

#### Article 10

The law in force in the Member State within the territory of which the goods are placed in one of the situations referred to in Article 1(1) shall apply when deciding whether an intellectual property right has been infringed under national law.

That law shall also apply to the immediate notification of the customs department or office referred to in Article 9(1) that the procedure provided for in Article 13 has been initiated, unless the procedure was initiated by that department or office.

#### Article 11

1. Where goods infringing an intellectual property right have been the object of action by the customs authorities in one of the situations covered by Article 16, the Member States shall provide for those authorities, at the right holder's request, to have detained goods automatically destroyed under customs control, without there being any need to determine whether an intellectual property right has been infringed under national law, on the following conditions:
  - The right holder must inform the department in writing within ten working days of notification that the goods concerned by the procedure provided for in Article 9 infringe an intellectual property right and provide the customs authorities with the written agreement of the declarant or the holder forfeiting the goods to the Exchequer. This period may be extended by a further ten working days where circumstances warrant it.
  - Destruction must be carried out at the expense and under the responsibility of the right holder and be systematically preceded by the taking of samples for keeping by the customs authorities in such conditions that they constitute evidence admissible in legal proceedings in the Member State in which they might be needed. The customs authorities may not be held liable for any damages resulting from the destruction.
2. In all other cases, for example where the holder or declarant objects to or contests the destruction of the goods, the procedure laid down in Article 13 shall apply.

#### Article 12

A right holder receiving the particulars cited in the first subparagraph of Article 9(3) may use that information only for the purposes specified in Articles 10, 11 and 13(1).

Any other use, such as an out-of-court settlement, may, on the basis of the law of the Member State in which the goods in question are located, cause the right holder to incur civil liability and lead to the suspension of the application for action, for period of validity remaining before renewal, in that Member State in which the events have taken place.

In the event of a second or particularly serious breach of this rule, the competent customs department may refuse to renew the application. In the case of an application of the kind provided for in Article 5(4), it must also notify the Member States indicated on the form.

#### Article 13

1. If, within ten working days of notification of suspension of release or detention, the customs office referred to in Article 9(1) has neither been notified that proceedings have been initiated to determine whether an intellectual property right has been infringed under national law in accordance with Article 10 nor received the right

holder's written request for the seizure and destruction of the goods provided for in Article 11, release shall be granted, subject to completion of all customs formalities, and the detention order shall be lifted.

This period may be extended by a maximum of ten working days in appropriate cases.

2. In the case of perishable goods suspected of infringing a plant variety right, geographical indication or protected designation of origin, the period referred to in paragraph 1 shall be three working days. That period may not be extended.

#### Article 14

1. In the case of goods suspected of infringing patents, certificates, plant variety rights or design rights, the owner, importer, holder or consignee of the goods shall be able to obtain the release of the goods or an end to their detention on provision of a security, provided that:
  - (a) the customs office or department referred to in Article 9(1) has been notified, in accordance with Article 13(1), that a procedure has been initiated within the period provided for in Article 13(1) to establish whether an intellectual property right has been infringed under national law;
  - (b) the authority empowered for this purpose has not authorised precautionary measures before the expiry of the time limit laid down in Article 13(1);
  - (c) all customs formalities have been completed.
2. The security provided for in paragraph 1 must be sufficient to protect the interests of the right holder.

Payment of the security shall not affect the other legal remedies available to the right holder.

Where the procedure to determine whether an intellectual property right has been infringed under national law has been initiated other than on the initiative of the holder of the patent, certificate, design right, plant variety right, designation of origin or geographical indication, the security shall be released if that person does not exercise his right to institute legal proceedings within 20 working days of the date on which he is notified of the suspension of release or detention.

Where the second subparagraph of Article 13(1) applies, this period may be extended to a maximum of 30 working days.

#### Article 15

The conditions of storage of the goods during the period of suspension of release or detention shall be determined by each Member State but may in no circumstances give rise to costs for the customs administrations.

## CHAPTER IV

### **Provisions applicable to goods found to infringe an intellectual property right**

#### Article 16

Goods found to infringe an intellectual property right at the end of the procedure provided for in Article 9 shall not be:

- introduced into the Community customs territory,
- released for free circulation,
- taken out of the Community customs territory,
- exported,
- re-exported,
- placed under a suspensive procedure or
- placed in a free zone or free warehouse.

#### Article 17

1. Without prejudice to the other legal remedies open to the right holder, Member States shall adopt the measures necessary to allow the competent authorities:
  - (a) in accordance with the relevant provisions of national law, to destroy goods found to infringe an intellectual property right or dispose of them outside commercial channels in such a way as to preclude injury to the right holder, without compensation of any sort and at no cost to the Exchequer;
  - (b) to take, in respect of such goods, any other measures effectively depriving the persons concerned of any economic gains from the transaction.

Save in exceptional cases, simply removing the trademarks which have been affixed to the counterfeit goods without authorisation shall not be regarded as effectively depriving the persons concerned of any economic gains from the transaction.

2. Goods found to infringe an intellectual property right may be forfeited to the Exchequer. In that event, paragraph 1(a) shall apply.

## CHAPTER V

### **Liability of the customs authorities and the right holder**

#### Article 18

1. Save as provided by the law of the Member State in which an application is lodged or, in the case of an application under Article 5(4), by the law of the Member State in

which goods infringing an intellectual property right escape detection by a customs office, the acceptance of an application shall not entitle the right holder to compensation in the event that such goods escape the supervision of a customs office and are released or no action is taken to detain them in accordance with Article 9(1).

2. Save where otherwise provided by the law of the Member State in which the application is made or, in the case of an application under Article 5(4), by the law of the Member State in which the damages are incurred, customs offices or other duly empowered authorities exercising the powers conferred on them to take action against goods infringing an intellectual property right shall only be liable to persons involved in the situations referred to in Article 1(1) or affected by the measures provided for in Article 4 for damages caused by the action of such offices or authorities.
3. A right holder's civil liability shall be governed by the law of the Member State in which the goods in question were placed in one of the situations referred to in Article 1(1).

## CHAPTER VI

### **Final provisions**

#### Article 19

Each Member State shall introduce penalties to apply in the event of infringements of Article 17. Such penalties must be effective, proportionate and dissuasive.

#### Article 20

The measures necessary for the application of this Regulation shall be adopted in accordance with the procedure referred to in Article 21(2).

#### Article 21

1. The Commission shall be assisted by the Customs Code Committee.
2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply.

The period laid down in Article 4(3) of Decision 1999/468/EC shall be set at three months.

#### Article 22

Member States shall communicate all relevant information on the application of this Regulation to the Commission.

The Commission shall forward this information to the other Member States.

The provisions of Regulation (EC) No 515/97 shall apply *mutatis mutandis*.

The details of the information procedure shall be drawn up under the implementing provisions in accordance with the procedure referred to in Article 21(2).

#### Article 23

On the basis of the information referred to in Article 22, the Commission shall report annually to the European Parliament and the Council on the application of this Regulation.

#### Article 24

Regulation (EEC) No 3295/94 is repealed with effect from ...

References to the repealed Regulation shall be construed as references to this Regulation.

#### Article 25

This Regulation shall enter into force on the seventh day following its publication in the *Official Journal of the European Communities*.

It shall apply with effect from ...

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, [...]

*For the Council*  
*The President*