

Customs seizure proceedings in the European Union and the United States

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The most affected markets

In 2012, European customs authorities detained over 90,000 instances of intellectual property infringement, totalling nearly 40 million articles with a retail value of almost €1 billion. Germany leads the European Union (EU) nations in seizures by detaining almost 23 000 cases totalling nearly 2.5 million individual articles worth €127 million.¹ The 2012 seizure statistics of the US customs and border protection the office of international trade refer to almost 25 000 seizures with a retail value of US\$1.26 billion.²

Many statutory and technical measures were implemented by the EU as well as the US authorities in order to stop the rise of further counterfeit imports to the EU and the USA as the most affected western markets. While rights owners have improved their range of protection for the respective goods with the available intellectual property rights, such as trade marks, designs, patents, copyrights and utility models, counterfeit manufacturers have at the same time improved their quality and efficiency in producing counterfeit goods. While ancillary technical measures help protect original products, intellectual property rights holders, in particular owners of well-known trade marks, still face an enormous task in pursuing their rights against counterfeit imports especially in the European Union and the USA.

This article provides an overview of the practical legal measures for owners of intellectual property rights in pursuing their claims both in regular civil or criminal proceedings and in particular at the very first point of contact during the import at the borders of the European Union as well as the USA. It provides a comprehensive and comparative overview about the specific measures to be taken in order to engage the existing legal and practical possibilities available to local customs authorities to detect and detain infringing goods. The article also covers the most recent changes caused by the

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This article

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- The authors provide a comprehensive and comparative overview of the specific measures to be taken in order to engage the existing legal and practical powers of local customs authorities to detect and detain infringing goods.
- The article also covers the most recent changes brought about by European Council Directive No 608/2013, which entered into force on 1 January 2014.

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European customs seizure

Legal framework

As of 1986, the European Member States provided a common basis for trade marks only when pursuing

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1 Report on EU Customs Enforcement of Intellectual Property Rights (2013). http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/statistics/2013_ipr_statistics_en.pdf (accessed 3 February 2014).

2 Compared to property rights fiscal year 2012 seizure statistics by the homeland security under US Customs and Border Protection, 'Intellectual

and Property Rights' (2013). www.cbp.gov/ipr ('CBP, IRP')(accessed 1 February 2014).

3 Council Regulation 608/2013 concerning customs enforcement of intellectual property rights and repealing Council Regulation (EC) No 1383/2003, 2013 OJ L 181/15 (12 June 2013) (PPD).

counterfeit goods.⁴ In 1990, a new Product Piracy Act provided further measures for other intellectual property rights. Upon request and provided that a security was filed, obviously infringing goods were subject to temporary seizure by the custom authorities during export and import, pending further scrutiny and potentially an opposition.⁵ The corresponding measures were implemented in the respective national laws. As of 1994, and later on in 1999, the border seizures were extended to copyrights, design rights and, in 1999, to patents and ancillary fields of intellectual property, such as brand variety and semiconductor protection. Based on the Agreement on Trade-Related Intellectual Property Rights, a first comprehensive regulation for all IP rights and further rules on the enforcement were implemented in Directive 2004/48, followed by several amendments and revisions until Regulation 1383/2003.⁶

As of 1 January 2014, the new comprehensive basis for actions by the customs authorities is Directive 608/2013 [Product Piracy Directive (PPD)], now covering all intellectual property rights, including trade names insofar as they are protected as exclusive property rights under national law, topographies of semiconductor products and utility models and devices. Unlike before, trade marks registered under international arrangements, such as the Madrid Agreement or the Madrid Protocol, are now explicitly covered.⁷ As before, it covers not only identical trade mark infringements, but also cases where a sign cannot be distinguished in its essential aspects from a trade mark (ie cases of a likelihood of confusion).⁸ Illegal parallel trade and overruns⁹ are, however, still excluded from the new Directive. Another novelty is the introduction of a specific procedure for small consignments of counterfeit and pirated goods,¹⁰ which upon a general request by the rights holder can be destroyed without the explicit consent of the rights holder in each case.

These European rules coexist with national rules, which still apply with regard to certain parallel or grey

imports and usually unrestricted inner European traffic, discussed below. Moreover, the assessment of infringement is still subject to national law. In Germany, the relevant German intellectual property statutes each include specific rules on border seizures, which refer to the corresponding former strictly German proceedings.¹¹

Exemptions

The PPD is not applicable to goods that have been released for free circulation under the end-use regime, ie after they have been put into commerce by or with the consent of the rights holder to end-consumers. Nor does it cover goods of a non-commercial nature contained in travellers' personal luggage, unless such personal luggage is carried for commercial purposes or it exceeds the value of €300 per person and for air and sea travellers €430.¹² For regular mail from non-EU countries the limit is only €150. The PPD also comprises certain transit cases, but not parallel imports, for which the national rules still apply.

Application procedure

The customs officers take actions *ex officio* only in exceptional cases. Usually, customs authorities take action where a general application for border seizure has been filed by a rights holder.¹³ Such application can be based on a trade mark or a trade name, a patent, copyright, design rights, plant creation and variety or even a geographical indication of origin by the rights holder himself or any person eligible to pursue these rights. If a proper power of attorney is presented, the applicant can be represented in any of these scenarios.

In Germany, just like in most relevant European countries, the application for customs authorities to take action is filed electronically with the central database for protection of intellectual property rights, such as the Zentralstelle Gewerblicher Rechtsschutz (ZGR).¹⁴ A user has to register in advance and can subsequently fill out

4 However, with the exception of parallel imports, compare Council Regulation 3842/86 laying down measures to prohibit the release for free circulation of counterfeit goods, 1987 OJ L 33 (1 December 1986).

5 Product Piracy Act of 7 March 1990.

6 Council Regulation 1383/2003 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, 2003 OJ L 196/7 (22 July 2003).

7 Only after a 2009 ECJ decision were these rights considered to be covered by the prior Regulations: see Case C-302/08 *Zino Davidoff SA v Bundesfinanzdirektion Südost* [2009] ECR I-05671, GRUR Int. 2009, 1017.

8 Art. 2 PPD, n 3, above.

9 Overruns are defined as goods that are manufactured by a person duly authorized by a right-holder to manufacture a certain quantity of goods, in excess of the quantities agreed between that person and the right-holder, compare PPD, above, n 3, Recital (6).

10 This covers postal or express courier consignment of three units or less or with a gross weight of less than two kilograms, compare PPD, above, n 3, Art 2(19).

11 See Regulation 1383/2003, above, n 6.

12 Special rules exist for tobacco and alcohol etc. Compare article 43 of Directive 980/83, 2007/74. Art. 45 of the Council Regulation (EEC) No 918/83 of 28 March 1983 setting up a Community system of reliefs from customs duty, OJ L 105/1, 23/04/1983, compare <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31983R0918:EN:HTML> and in connection with Directive 2007/74/EC of 20 December 2007 on the exemption from value added tax and excise duty of goods imported by persons travelling from third countries, OJ L 346/6 of 29.12.2007.

13 Art. 5 PPD, n 3, above.

14 www.zgr-online.de.

an online form, which is mostly self-explanatory. While a paper application alone is generally no longer possible, legal requirements still make it necessary after having completed the application forms to print and sign the final version and send it to the central customs agency as hardcopy. After the papers have been approved by the customs ZGR Online, the underlying data regarding the application (see below) is implemented in the database and is available for any customs office in Europe.

The following information is necessary for the online application:

- Generally, the respective intellectual property right(s) have to be named, but usually no register extracts need to be filed, as they are anyway available to the Office online. Only non-registered rights, such as copyright or unregistered Community designs must be established and substantiated with a suitable documentation.
- If the rights holder is not the applicant, but rather only an otherwise authorized person or entity, a corresponding power of attorney or authorization to use or to exploit the rights must be filed, for example by providing the contract or power of attorney form. If the application is filed in the name of the rights holder, for example via a local attorney, a valid power of attorney must be filed.
- The applicant must file a formal undertaking to assume liability for those cases in which the presumed infringement proves to be unfounded after measures by the customs office have been initiated upon request. Further, liability comprises all costs arising from the detention of the goods, which are usually the storage costs. This declaration must be signed separately with the paper confirmation copy.
- Rights holders can ask customs authorities to inform them in cases of detention about the name and address of the recipient, the sender, the holder or the consignee as well as the origin and nature of the goods. Upon further request, customs authorities will send samples of the goods to the rights holder or his representative. In the course of these ancillary requests, a further form should be signed with consent to the simplified destruction proceedings, allowing a more efficient destruction of the goods for small quantities, which are assembled over a period of time and then destroyed in a comprehensive destruction procedure. These additional applications are highly recommended to simplify the work process, at least in

cases where small quantities arrive frequently. However, on the merits, the issue is often whether for example in trade mark matters the person liable actually acted for commercial purposes and not merely for private purposes, in which case a trade mark infringement could be questionable. Indications for private use are small consignments and sales to private persons, rather than companies. In this context, the extent of activities of the consignee is an important issue to be assessed.¹⁵

- Further, the application should include indications and descriptions of how to detect original and—more importantly—counterfeit goods. This enables the individual customs officer to examine and assess whether an infringement is likely. Rights holders should therefore include not only the trade marks and a description of the original and counterfeit products, but also pictures of the products and their packaging, accompanying papers and materials, guarantee certificates, instruction materials and labels as well as potential security measures, such as holograms or security bands and, if available, pictures of current samples or style and character guides. Customs officers check upon their first examination shipping papers, invoices, available business correspondence, the contents of boxes, cases and containers. At first sight, this control verification is fairly important. Therefore, a list of information should also include indications as to which import harbours, airports and customs offices are being used for original products, what customs procedures usually apply, the name of the standard shipping companies, what channels of trade are being used, what kind of packing is used, who is the recipient and consignee of the goods etc.
- Customs authorities should also be supplied with information about potential or previous infringements, including names and addresses of the previously known infringers, deviating shipping routes, pictures of infringing products and typical infringement patterns, suspicious consignees or importing firms and recipients.

All the data mentioned above can be updated any time, for example to include the most recent findings of infringement patterns.

The application is free of processing charges and can be renewed for free annually, simply with one click, provided that the relevant intellectual property right is still in force. However, the corresponding deadlines should be docketed because otherwise all the data, which may

15 High Court of Düsseldorf Mitt. 1996, 22—Windsurfing Chiemsee; Bavarian High Court WRP 2002, 562—Trainingsanzüge; District Court of

Mannheim WRP 1999, 1057—JOOP; Federal High Court GRUR 1998, 696—Rolex-Uhr mit Diamanten.

be quite comprehensive, is deleted upon the expiration of the application.

For the owners of a Community intellectual property right, such as a Community trade mark, design, plant variety right or indication of origin, a corresponding application can be extended to up to 28 Member States of the EU in the same application under Article 5(4) PPD. Such application can be filed online, for example in Germany via the ZGR online system; however, many other EU Member States are not (yet) a part of this database, so that in particular the identification materials will have to be provided separately, for example via regular mail on CD-Rom or on a memory stick. For this Community-wide procedure it is necessary to name a correspondent in every selected Member State for administrative and technical questions; the correspondent should be residing in the relevant Member State and be available during regular office hours.

Seizure procedure

Customs authorities may take action *ex officio* or upon request with a general application for border seizure (described above). The core requirement for a seizure is that goods must be suspected of infringing an intellectual property right, being counterfeit and pirated goods as defined in Article 2 PPD. If customs officers find a shipment of goods suspected of infringing an IP right, they suspend the release of the goods or detain them. Unless small consignments are concerned, customs authorities then inform the rights holder about this action and the actual or estimated quantity and perhaps the nature of the goods. They also inform the rights holder upon request of the names and addresses of the consignee, the consignor, the declarant or the holder of the goods and the origin and prominence of the suspected counterfeit goods. Customs officers may also take samples and send them to the rights holder for analysis purposes and to facilitate the subsequent procedure.¹⁶ In practice, this is done by a simple fax directly from the customs office to the rights holder, which includes all details and, if possible, pictures of the goods. In some EU Member States, however, customs authorities only inform the rights holder about the responsible parties after the rights holder has confirmed an infringement; this may prolong the sometimes urgent procedure,

leading to problems with the urgency for potential civil proceedings (discussed below).

In many EU Member States, customs authorities manage a cross-border database, which contains data from the online application filled by the rights holders in cooperation with customs authorities, and which is accessible from most local customs offices. For the assessment of potential counterfeit goods, it is therefore of utmost importance that rights holders and applicants file the most comprehensive material with their application. This enables the customs officers easily to detect and analyse potential infringements, even before contacting the rights holder.

As of 1 January 2014, and in order to facilitate the formalities, under the procedure for suspension of small consignments of up to three items or weighing less than two kilograms delivered by mail is handled by customs authorities without contacting the rights holder at first access. Only in case of an opposition will the rights holder be involved.

Whether or not goods are suspected of infringing intellectual property rights is determined by the customs officers at first glance, subject to further evaluation by the local courts according to the applicable national law upon opposition by the declarant or holder. The Court of Justice of the European Union (ECJ) has defined the competences and the scope of customs authorities' right to take action by suspending the release or detaining the goods, but the final decision on the alleged infringement rests with the courts.¹⁷ The national German courts have issued many decisions on counterfeit goods under the Directive 1383/2003.¹⁸ The issue is often the extent of liability and further obligations to review; cooperation and information of the freight forwarder;¹⁹ whether a closed transit infringes national laws; or whether the rights holder may bear a secondary burden of proof where the adversary raises the defence of exhaustion.²⁰

After the right holder has been informed, he is in turn obliged to inform the customs authorities within ten working days (or three working days in the case of perishable goods) whether in his view the goods indeed infringe an intellectual property right, and possibly provide the authorities with a written undertaking by the declarant, holder or owner of the goods to abandon the goods for destruction. These deadlines may be

¹⁶ Compare *ibid*, Art 9, GRUR 2012, 828.

¹⁷ Compare Joined Cases C-446/09, C-495/09 *Phillips and Nokia*, 1 December 2011.

¹⁸ See eg most recently Federal High Court GRUR-RR 2013, 88—*PUMA Sportschuhe*, clarifying that licensed original goods are not considered 'counterfeit goods', even if they are not authorized for this territory, i.e. parallel imports.

¹⁹ Federal High Court GRUR 2009, 1142—*MP3 Player Import*; High Court of Berlin GRUR-RR 2011, 263—*Clinique*: freight forwarder may be liable even for transit, if an infringement in the country of origin and country of destination is proven; prior leading cases are Federal High Court GRUR 1957, 352—*Pertussin II*; GRUR 1958, 189, 197—*Zeiss*; GRUR 2005, 1011—*Diesel*, para 17. Compare ECJ joined cases C-446/09, C-495/09 *Phillips and Nokia*, 1 December 2011, GRUR 2012, 828.

²⁰ Federal High Court GRUR 2012, 626—*Converse I*.

extended by further ten working days under specific circumstances. A consent to the destruction is presumed to be accepted if the declarant, the holder or the owner of the goods has not specifically opposed the destruction within the prescribed period. After this (tacit) consent, the goods will indeed be destroyed by the customs authorities in due course. If necessary, the rights holder may participate in the destruction and document the destruction, for example for evidentiary purposes.

The costs of the destruction are theoretically borne by the applicant and rights holder in the first case; however, the declarant, holder or owner of the goods is obliged to reimburse these costs to the rights holder as compensation under the corresponding national laws. In order to secure customs, the rights holder must provide them with a bank guarantee in order to secure that the office will always receive reimbursement for destruction. With the new PPD, one problem could be that the rights holder will no longer be informed about small consignments, which may be destroyed if the party responsible files no opposition, whereas the costs of destruction may be borne by the applicant or rights holder, respectively, for example via a joint annual invoice for multiple instances of destruction. Here, the rights holder may no longer in fact be in a position to obtain reimbursement from the infringer.

Civil infringement proceedings

Independently of or parallel to a customs seizure proceeding, the rights holder may pursue his rights against any responsible person or entity under the national or Community rights regime. After the rights holder has been informed about a potential case of infringement under the PPD, the corresponding recipient or otherwise responsible person/entity, such as the consignee, the addressee or even the sender, should be sent a standard letter to cease and desist. This letter should not only include a request to consent to the destruction in the case of an obvious infringement, but also, particularly in more relevant cases of considerable commercial impact, a request to provide a formal declaration to cease and desist secured by a contractual penalty for each case of violation against the undertaking.²¹

In addition, ancillary claims for information, compensation, destruction and reimbursement of attorneys'

fees should be sought. In view of the deadline of ten working days imposed by the customs office, the corresponding civil cease and desist letter should be somewhat shorter than the 10-day official deadline in order to eventually be able to provide customs with the consent for destruction before the expiration of this deadline. If the recipient complies with the requested claims and provides all necessary declarations, the response letter is presented to the customs office and the goods will be destroyed. If the recipient does not comply or does not react at all, customs authorities would still be in a position to destroy the goods based on the failure to oppose, ie the tacit consent under Article 11 PPD.

However, in case of an opposition by the recipient, the applicant and rights holder will have to undertake further action. First they have the opportunity to file a request for a preliminary injunction with the competent national court, as provided in Article 11 PPD. If the request is final and granted, the office will proceed accordingly, provided that the preliminary action not only includes the claim to cease and desist, but also the claim for destruction. Further claims for information and compensation usually cannot be filed in a preliminary injunction request due to its preliminary nature, while information and compensation would already provide for accomplished facts (*fait accompli*).

Such preliminary injunction proceeding can often be finalized in the first instance within a few months, sometimes even only within a few weeks, if the adversary accepts the injunction.²² Pending such proceeding, the goods remain stored in a warehouse, for example of the harbour or airport. If the proceeding lasts considerably longer, the goods may be moved to another location with possibly lower storage costs.

In addition to preliminary injunction proceedings, it is also theoretically possible to file a regular court action, which then would include all ancillary claims as well. However, in most cases it is possible to find a final solution for all relevant claims in the preliminary injunction proceedings, after an oral hearing by way of an agreement.

On the merits, a court will decide whether the goods infringe any intellectual property rights. Among other things, the issues are whether the order is of commercial or merely of private nature²³ or whether the shipment

21 Under German Law, such declaration is necessary in order to exclude the risk of a repeated infringement.

22 For details compare Askan Deutsch 'Preliminary Injunction Proceedings in German Intellectual Property Proceedings' (2013) 8(2) JIPLP 136.

23 Compare High Court of Düsseldorf Mitt 1996, 22—*Windsurfing*: non-commercial Christmas presents; Bavarian High Court WRP 2002, 562—*Trainingsanzüge*: import of 70 training suits as Christmas present for all

club teams; District Court of Mannheim WRP 1999, 1057—*JOOP*: 94 different counterfeits for four persons, none of whom has taken responsibility; Federal High Court GRUR 1998, 696—*Rolex-Uhr mit Diamanten*; the customs rules for the value of the goods are not applicable for the evaluation of a trademark infringement; compare http://www1.zoll.de/english_version/a0_passenger_traffic/b0_third_country/a0_free_of_duty/index.html (accessed 3 February 2014).

was actually an import and re-export or perhaps only a sealed transit, which may not infringe German or European IP rights.²⁴

Criminal complaint

Irrespective of these measures, it is always possible to file an ancillary criminal complaint against the recipient, who is usually the ordering party. Compared to a civil proceeding, an ancillary criminal complaint involves considerably lower costs in the first place, because the criminal authorities will only have to be informed about the core aspects of the case, usually by forwarding the seizure notice provided by customs authorities, and from then on they act and investigate on their own and also provide potentially a decision *ex officio*.

Criminal penalties can be much more severe than potential civil liability, because natural persons are more concerned about their personal liability, inter alia due to the threat of entry into criminal records. Therefore, not just an initial warning letter threatening with civil measures, but in certain cases potentially also a criminal complaint could be much more effective, with a greater pre-emptive effect for the future than just asking for the consent to the destruction of goods. Moreover, the prosecution authorities have significantly more comprehensive and far-reaching possibilities of investigation, which may sometimes be helpful, for example in finding the whereabouts and potentially the Internet addresses etc of an ordering recipient.

Therefore, one should carefully assess what measures are most promising in any given case.

United States customs seizure

Legal framework

The basis for action by customs authorities in the United States is s 337 of the Tariff Act, which is enacted by the United States Customs and Border Protection (CBP) and the United States International Trade Commission (ITC).²⁵ These regulations authorize customs to exclude, detain and seize imported goods that infringe the following intellectual property rights: patents, copyrights, processes, trade marks, certain semiconductor products and protected design

rights.²⁶ The ITC may take action to investigate and ultimately exclude goods that allegedly infringe these intellectual property rights, in particular with regard to trade marks and patents, provided that the alleged infringement is prejudicial to a domestic industry.²⁷

The ITC may take action to investigate and adjudicate allegations upon request often by patent rights holders or upon its own initiative against the importer or the consignee. An ITC proceeding begins when a 'complainant' makes a showing that injury to a US company has resulted from the import of goods which are 'unfair', including infringement of a US patent. If the ITC believes that there is a violation of s 337 of the Tariff Act, it may issue orders directing the CBP to exclude articles from entry into the USA. Further, the ITC can issue cease and desist orders to any persons violating intellectual property rights under this section or even issue civil penalties for violations of such orders.²⁸

For trade mark infringements, goods in transit within the USA are also covered by the Lanham Act, which governs all aspects of commercial trade mark protection and enforcement of trade mark rights.²⁹ Use in commerce means that the infringing goods must have entered the stream of interstate commerce in the USA and not by merely passing through the USA³⁰ or being shipped for private purposes.

In response to the significant harm caused to trade mark owners by the continuing growth of trafficking in counterfeiting goods, Congress has passed three additional regulations: the Trademark Counterfeiting Act of 1984,³¹ the Anti-counterfeiting Consumer Protection Act of 1996,³² and the Prioritizing Resources and Organization for Intellectual Property Act of 2007.³³ In addition to the Tariff Act of 1930, as amended, these provisions provide for intellectual property rights holders to enforce their property rights.

Exemptions

Goods imported merely for private purposes are not covered by the Tariff Act, the further anti-counterfeiting regulations or the Lanham Act. Moreover, grey market goods ('parallel imports') are explicitly excluded from the federal definition of counterfeits. However, unlike in

24 Compare Case C-281/05 *Montex Holdings v Diesel* [2006] ECR I-10881. GRUR 2007, 146.

25 US Tariff Act, 19 USC s 1337 (1930), at s 337.

26 Ibid, s 337 also addresses non-IP unfair trade issues, including price fixing, group boycotts and palming-off, which are, however, not relevant for this article.

27 Ibid, ss 337(a)(2) and 337(c).

28 Ibid, s 338(f).

29 US Trademark Act, 15 USCA s 1114, 60 Stat. 427 (5 July 1946), codified as amended at 15 USC s 1051.

30 15 USCA s 1127 provides that the word 'commerce' means 'all commerce which may lawfully be regulated by Congress'. The 'in commerce' requirement of 15 USCA s 1114(1) will be met where the intrastate infringing act has a substantial economic effect on interstate commerce.

31 US Trademark Counterfeiting Act, Pub L No 98-473, 98 Stat 2178 (12 October 1984) codified at 18 USC s 2320.

32 US Anticounterfeiting Consumer Protection Act, Pub L 104-153, 110 Stat 1286 (2 July 1996).

33 US Pro-IP Act, Pub L No 110-403 (13 October 2008).

Europe, ‘overruns’³⁴ are considered counterfeits and are thus covered by the statutory seizure provisions, provided that they satisfy the so-called *Lever* rule.³⁵ This rule states that if physical and material differences exist between the unauthorized imported goods and the US goods sold under the same intellectual property right, the rights holder can prevent such unauthorized import.³⁶ The CBP will not apply such protection unilaterally, so a rights holder must apply for *Lever* rule protection. Liability may be prevented with certain disclaimers or if, for example, the trade mark was removed from the goods before entry into the USA.

Investigation procedure by the authorities

The CBP is the primary federal agency responsible for securing the US borders. This includes the protection of intellectual property rights, in particular and most importantly for US trade marks and copyrights against infringements, and also, for example, for US patents and designs.³⁷ The CBP has authority to take *ex officio* actions based on its ITC authorization in order to exclude, detain and/or seize imported merchandise which is covered by an exclusion order issued by the ITC. It may also act upon request by a rights holder in form of a ‘complaint under oath’. However, this type of action is rather the exception and no further specific statutory rules exist. Rather, the general rules are *ex officio* CBP actions. Nonetheless, as the CBP relies on the cooperation of the rights holders, the latter have an opportunity to be involved in these actions.

There are three steps an intellectual property rights holder can take to ensure a proper enforcement of his intellectual property rights: e-recording, e-allegations and information sharing. E-recording is the electronic process of recording while e-allegations is the electronic process of alleging a complaint of infringement. The additional information provided with these electronic proceedings is of significant help to the CBP in pursuing infringements. The application is completed electronically via the Internet on the CBP’s central database for recording intellectual property.³⁸ This recordation is an easy and effective means for the enforcement of intellectual property rights.

The following is compulsory for the online e-recording’s application:

- The trade mark, trade name or copyright registration number with the United States Patent and Trademark Office (USPTO).
- The name, complete business address and citizenship of the rights holder as well as the place(s) of manufacturing the protected goods.
- If the rights holder has licensed any other party to use the trade mark or copyright, the name and address of each individual authorized to use the trade mark or copyright must be provided here, as well as the identity of any parent company or subsidiary authorized to use the trade mark or licensed to use the copyright.
- Payment of the application fee of US\$190. The recordation fee may be made either by credit card or check.
- Rights holders are obliged to provide the CBP with further documents for both copyrights³⁹ and trade marks⁴⁰ upon request by the CBP. This supplementary information is requested only after a potential infringement has been detected. Failure to supply these documents results in the suspension of the recordation process.
- Pre-emptive sharing of further non-mandatory information with the CBP can be beneficial for determining which shipments are likely contain infringing goods and identify them. As counterfeits are becoming more sophisticated, rights holders should provide the CBP with product identification guidelines in order to help it identify infringements at the first point of entry into the USA. These guides are made available on the CBP’s internal website, allowing access to officers at every port of entry. Although there are no specific requirements for what an effective Product Identification Guide should entail, the CBP makes a series of recommendations for its content.⁴¹
- Product training sessions⁴² with specific customs offices are an advantageous tool for companies who believe their products are not only likely to be infringed, but also likely to enter into the USA at this certain port of entry. Product Training Sessions allow a company to interact face-to-face with officers and

34 That is, additional unauthorized goods made by an authorized licensee or manufacturer.

35 CBP Regulations, 19 CFR ss 133.2–133.27.

36 *Lever bros v United States*, 981 F 2d 1330 (DC Cir 1993), interpreting Lanham Act, s 42. The Lanham Act, 15 USCA s 1051, 60 Stat. 427, enacted July 6, 1946, codified at 15 U.S.C. § 1051 et seq. (15 U.S.C. ch. 22).

37 Compare US Tariff Act, above, n 23, s 337 (a)(1)(B)–(E).

38 US Customs and Border Protection, ‘Intellectual Property Rights e-Recordation’, <https://apps.cbp.gov/e-recordations/>.

39 19 CFR s 133.33.

40 19 CFR s 133.3.

41 This includes information about the company, contact information, registration and recordation numbers, physical characteristics of the product, photos or samples, manufacturing details, and appropriate legal disclaimer: see CPB, IPR, above, n 2.

42 To schedule a Product Training Session contact the Assistant Port Director for Trade at each port of entry where you plan on conducting the training, see CPB, IPR, above, n 2.

specialists who ultimately perform the inspection of shipments for infringing goods.

- In addition, rights owners should submit examples for infringing goods ('e-allegations').⁴³ The CBP will use this information to target the allegations and can even refer these cases to criminal investigators. From there, the CBP will alert the appropriate office or port of entry for investigation. Submissions may include photos or other documentation remaining anonymous affording a nationwide application.

The application may be renewed every ten years for only US\$80 by email⁴⁴ containing any relevant updated information from the initial application.⁴⁵ Upon receipt of this email a representative of the Intellectual Property Rights Branch of the CBP will contact the applicant regarding any additional information, if necessary.

Seizure procedure

Under the Federal CBP Regulations at 19 CFR ss 133 ff, the CBP⁴⁶ has authority to inspect carriers⁴⁷ and seize counterfeit goods that enter the USA *ex officio*⁴⁸ or upon general or specific request.⁴⁹ Regular goods may be detained *inter alia* and most importantly for the suspicion that they are counterfeits.⁵⁰ The CBP then has 35 days from the date of arrival in the USA to examine the goods and decide on the admissibility into the USA.⁵¹ In practice, the CBP often does not meet this deadline because other federal agencies need to be involved, such as the Environmental Protection Agency and the Food and Drug Administration. During this period, the CBP will provide a written notice to the rights holder and importer specifying

the reason for detention, anticipated length of detention, the nature of the tests or inquiries to be conducted and the type of information the rights holder can provide to expedite the process.⁵² In practice, detention notices do not typically include any information regarding what the rights holder can do to accelerate the process

Customs must have 'probable cause' to believe there was a violation of law with respect to the detained goods. This issue is rather problematic and is being addressed in many decisions, defining it as the set of facts and information learned and discovered through investigation and inquiry that lead a reasonably prudent person to conclude that an accused party committed an offence.⁵³

There are two possible outcomes after a seizure: the CBP may initiate immediate forfeiture and take possession of the infringing goods, the seized property will then vest in the Federal government.⁵⁴ Affording the Federal government to either sell or destroy the infringing goods. Alternatively, the CBP may initiate an administrative 'forfeiture'. The property will be held as a security pending the payment of a monetary penalty. If the penalty is not paid, the goods will be sold to pay for the penalty. The remaining balance is distributed to owners, lien holders or other lawful claimants.⁵⁵ Accompanying this procedure is a Notice of Seizure which is sent to all parties interested in the seized property. These parties have several options once notified: they may do nothing, in which case the government initiates forfeiture proceedings by publishing a notice on the Internet;⁵⁶ request that the CBP initiate forfeiture proceedings sooner than the scheduled date; file a petition for relief; and/or make an offer to settle the case;⁵⁷ or file a petition

43 Compare US Border and Customs Protection, 'e-Allegations Submission', <https://apps.cbp.gov/eallegations/>.

44 To renew your existing trade mark or copyright, email the CBP at iprquestions@cbp.ds.gov.

45 19 CFR ss 133.7 and 133.37.

46 *United States v Sandoval-Vargas*, 854 F 2d 1132, 1136 (9th Cir YEAR) (Congress has given authority to conduct border searches only to limited group of officers: Customs Service, Border Patrol, Immigration, and Coast Guard officials; searches conducted by other law enforcement agents are not considered border searches and must meet traditional fourth amendment demands even if conducted at border), cert denied, 109 S Ct 270 (1988).

47 19 USC s 482 (1982) (customs agents authorized to conduct border searches); 19 USC s 1581(a) (1982) (any customs officer may board and search any vessel or vehicle anywhere in United States within customs waters or any other authorized place).

48 *United States v Montoya de Hernandez*, 473 US 531, 537 (1985); *Torres v Puerto Rico*, 442 US 465, 472–73 (1979); *United States v Ramsey*, 431 US 606, 619 (1977); *Almeida-Sanchez v United States*, 413 US 266, 272 (1973).

49 19 USC s 1595.

50 19 USC s 1581(a) (1982) provides, in part:

Any officer of the customs may at any time go on board any vessel or vehicle at any place in the United States or within the customs waters or . . . at any other authorized place . . . and examine the manifest and other documents and papers and examine, inspect, and search the vessel or

vehicle and every part thereof and any person, trunk, package or cargo onboard, and to this end may hail and stop such vessel or vehicle and use all necessary force to compel compliance.

51 See 19 CFR s 151.16, 'Detention of Merchandise'. Within the five-day period following the date on which merchandise is presented for Customs examination, Customs shall decide whether to release or detain the merchandise and provide a notice of detention. Then, a final determination with respect to admissibility of detained merchandise will be made within 30 days from the date the merchandise is presented for Customs examination. For perishable goods, such as food, customs offers shall proceed forthwith to advertise and sell the same at auction. See 19 CFR s 1612. Compare below with s 2.1.

52 See 19 CFR s 151.16(c)(1)–(5).

53 Compare eg *Florida v White*, 526 US 559, 566, 119 S Ct 1555, 143 L Ed 2d 748 (1999).

54 19 CFR s 162.45 sets forth the procedure that CBP must follow when it seizes and gives notice of intent to forfeit property under administrative forfeiture proceedings, as required by the Tariff Act, above, n 23, s 607, as amended (19 USC s 1607).

55 See 19 CFR s 162.31 'Notice of fine, penalty, or forfeiture incurred'.

56 78 Fed Reg 2027 (29 January 2013). On 29 January 2013, Customs published a rule that allows CBP to publish seizure and forfeiture notices on the internet.

57 19 USC s 1617.

tion⁵⁸ and cost bond⁵⁹ to imitate immediate referral to the US Attorney for judicial forfeiture. Eventually,⁶⁰ the CBP will release the seized merchandise to the consignee, grant the petition and initiate final forfeiture proceedings or deny the petition and retain the seized goods to be destroyed or sold.

Ancillary civil proceedings or measures

Separately from a customs seizure proceeding, the rights holder may assert civil claims against any responsible persons or entity that has violated the rights holders' intellectual property rights. After the rights holder has been informed or has himself detected a potential case of infringement, a civil complaint may be filed with the clerk of the United States District Court typically at the location where the counterfeiting activities are occurred. Accordingly, before applying for civil remedies,⁶¹ a plaintiff must first give notice to the US Attorney for the district in which the seizure order is sought.⁶² If the identity of the infringer is known, the rights holder should simultaneously consider sending a cease and desist letter and request that the adversary refrain from continuing this behaviour. In case of urgency, courts may grant preliminary injunctions to stop the infringement, potentially even pending the filing of an additional regular court action, unless an amicable solution is found.⁶³ In certain situations of particular urgency, a temporary restraining order may be applied for without notice to the adversary (*ex parte*), for example where there is a risk that evidence of counterfeiting activity may be destroyed or shipped away. Rights holders should also consider filing a summary judgment motion in anticipation of the alleged infringer's failure to respond.

If a restraining order or cease or desist letter does not yield desirable results for the aggrieved party, further civil remedies are available under civil counterfeit statutes, such as permanent injunctions, seizure of counterfeit goods, declaratory relief, destruction of counterfeit goods, actual monetary damages, statutory monetary

damages. Additionally, treble damages are available but are only commonly awarded upon a finding of wilfulness and prejudgment interest.⁶⁴

The statute of limitations for filing civil suits against infringers is for both utility patent and design patent infringement six years.⁶⁵ For copyright infringement the statute of limitations is three years.⁶⁶ Uniquely, there is no statute of limitations specified under the Lanham Act for trade mark infringements.⁶⁷ However, limitations in analogous state statutes have been applied to bar a claim.⁶⁸ It is thus important to consult state law to determine if a similar state statute of limitations may be used to support a ruling that a claim is time-barred.

Reciprocally, an alleged infringer is afforded a cause of action for wrongful seizure. This includes entitlement to damages for lost profits, costs, punitive damages where the seizure was made in bad faith and attorney's fees in most circumstances.⁶⁹

In practice, most counterfeiting cases are settled quickly, since they are typically the most obvious cases of infringement. However, writing cease and desist letters and threatening further criminal action will also help settle the case expediently. These are also relatively inexpensive measures and are not overly time-consuming.

Criminal complaint

The US intellectual property legal system relies primarily on civil enforcement, where rights holders shoulder the majority of the discretion, expense and burden of enforcing and policing their rights. However, separate from civil remedies, it is always possible for the US Attorneys to file a criminal complaint against the infringing party either by request of a rights holder or *ex officio*. Criminal prosecution is typically reserved for exceptional cases where the infringer's conduct is particularly detestable, such as in the case of large scale counterfeiting operations. Compared to civil procedures, this is a significantly cheaper remedy for an aggrieved rights holder. In addition, criminal penalties are often more severe than civil remedies and includes imprisonment,⁷⁰ criminal

58 19 CFR s 171.

59 See 19 USC s 1608 and 19 CFR 162.47—A cost bond is the sum of the lesser of US\$5,000 or 10 percent of the forfeiture value of contested property, but cannot be less than US\$250.

60 See 19 CFR s 171.21—This codifies written decisions by US Customs, but excludes the time frame for which they must be issued. Currently, there is no mandated time range under which CBP must respond to a written petition.

61 15 USC s 1116 (2006).

62 15 USC s 1116(d)(2). The court may deny such application if the court determines that the public interest in a potential prosecution so requires.

63 15 USC s 1116.

64 15 USC s 1117(a)(3).

65 35 USC s 286.

66 17 USC s 911(d).

67 *Conopco, Inc v Campbell Soup Co*, 95 F 3d 187, 40 USPQ 2d 1042 (2d Cir 1996): the Lanham Act has no general statute of limitations in trade mark actions. However, although the Act does not have its own statute of limitations, courts have used limitations periods contained in related contracts between the parties, limitations periods in analogous state statutes, and the doctrine of laches to support a ruling that a claim is barred.

68 Compare eg *Fink v Golenbock*, 680 A2d 1243, 1252 (Conn 1996) and *PBM Products v Mead Johnson*, 2010 WL 723750 (ED Va March, 2010).

69 130 Cong Rec H12076, at 12083. 'Beyond these principles, the act leaves the definition of 'wrongful seizure' to case-by-case interpretation in light of rule 65 and other precedents'.

70 18 USC s 2320(a)(2).

forms of relief include fines payable to the state, forfeiture of proceeds, counterfeit goods and facilitating property, restitution and destruction of the counterfeit goods.⁷¹ Distinct from the civil measures (compare above), the criminal definition of counterfeit goods also includes labels, containers and all other forms of packing not actually attached to the goods.⁷²

For a criminal complaint, the rights holder should basically gather all evidence and additional information available about his intellectual property rights as well as the infringing goods and present them to the authorities, perhaps even by referring to the CBP reference. In addition, rights holders should preserve as much evidence as possible before contacting law enforcement or undertake civil steps in case the infringer deletes, removes or destroys them after a potential warning letter or first access by the authorities. Although the pursuit of criminal remedies is not as quick and may not provide the rights holder with damages, the severe punishments are a good additional measure to increase the pressure on the infringer and find favourable solutions, especially in terms of compensation.

Facing the ever-increasing challenge

Intellectual property rights holders face an ever-increasing challenge not only in maintaining their high quality products, but also in defending them against counterfeits. They face the greatest challenge in the Western markets, in particular the EU and the USA. In response to the emerging activities of counterfeiters, in particular originating from Asian countries, both the US and the European authorities have established specific regulations and technical tools in order to help rights holders in pursuing their intellectual property rights. In Europe, the PPD provides a comprehensive basis for virtually all registered or unregistered intellectual property rights. This Regulation is accompanied by an online registration system ('e-agent'), which will also be revised technically according to the new regulation as of 2014. Pending seizure applications are already being transformed into the new system automatically, so that the transition is expected to be smooth. Corresponding electronic applications are filed in the relevant European States and can be extended to certain other States or the entire EU, depending on the underlying intellectual property right. Based on these online registration systems, the customs officers have the legal basis and the practical support

from the rights holders to effectively seize and detain potentially infringing goods at the European borders. For this purpose, rights holders should supply the relevant databases with as much information as possible about their rights, the products, their origin and destination, the typical shipping routes and carriers or other transport companies as well as any potentially available information on previous infringers and their origins and transporting routes.

Similarly, s 337 of the US Tariff Act provides a legal basis for the CBP to take action and seize and detain potentially infringing goods. Here, too, rights holders have the opportunity to file the most relevant data and potentially additional information about their intellectual property rights and the products, shipping routes and potentially previously known infringers with the customs. However, e-recording is only available for trade marks and copyrights registered with the USPTO. Other intellectual property rights, such as patents, semiconductor products or design rights could theoretically be subject to a regular paper application for border seizure, which is, however, quite impractical. In addition to e-recording, the US Customs provides a possibility to file e-allegations without a general seizure application, in which potential violations of intellectual property rights can be reported, for example with regard to specific infringing shipments. The rights holders should also file any helpful further information and product identification guides, which may support the customs officers in identifying and pursuing potential violators. The CBP uses this information to target these activities and may refer cases for criminal investigations. Such submissions can be filed anonymously and thereby provide quite an effective and strong measure against potential violations, but also include a risk of misuse.

These general online border seizure applications in the USA and Europe are only subject to a small official fee (€190 or US\$190). They may be renewed annually and indefinitely. Compared to the fairly low investment, these additional protective measures are recommended for owners of well-known intellectual property rights, in particular trade marks and possibly copyrights. Pursuing patents with border seizure applications is more difficult and harder to detect by customs officers, as potential infringements may not be as obvious as the misuse or the violation of a trade mark affixed on a product. Still, with comprehensive information material and perhaps product training sessions with the most relevant customs

71 18 USC ss 2320(a)–(b), 2323(b)(2)(B) and 3663A.

72 18 USC s 2320(a) also criminalizes trafficking or attempting to traffic in labelling or documentation, even absent attachment to a product,

'knowing that a counterfeit mark has been applied thereto, the use of which is likely to cause confusion, to cause mistake, or to deceive'.

offices at the points of entry into the USA or the EU, as well as the help of the rights holder in the case of a potential infringement, even these rights can be protected effectively at the point of entry into the relevant trade zones. Once these products have entered the European or the US market, it will be much more difficult to detect and pursue potential infringers within the free market zones. At the port of entry, larger shipments are usually detected before being distributed throughout different commercial zones, at which point the rights holder would have to track the original infringer back to the country of origin. Therefore, from a cost–benefit analysis, border seizures are a highly efficient means to enforce and maintain established intellectual property rights.

In addition to border seizure proceedings, rights holders should consider undertaking further civil and potentially even criminal measures, once they have identified with the help of the customs the respective violator. Usually, this is done by sending a warning letter and requesting a declaration to cease and desist, which includes a contractual penalty in order to prevent future violations. At the same time, and depending on the

extent and the criminal intention, threatening with a criminal complaint can be quite effective and may also perhaps help obtain higher compensation for the rights holder. Criminal measures can also be helpful in order to find out more about the infringers with the help of the criminal authorities, who have better access to restricted information and data. However, a warning to the violator should be carefully considered in a case of urgency or where there is a risk that the goods are removed or destroyed after the infringer is made aware. In these cases, a temporary restraining order *ex parte* by the civil court, and perhaps even with the help of the criminal or customs authorities, could be preferable.

Rights holders may choose among a broad spectrum of possible actions against infringers. In addition or instead of regular civil or criminal proceedings, border seizure proceedings are a very helpful supplemental course of action at the very first point of entry and therefore provide an effective measure as early as possible in order to combat counterfeits in the EU and the USA. It provides an inexpensive and rather effective additional tool for a rights holder in order to protect and pursue his intellectual property rights.