



COUNTERFEITING AND CUSTOMS-RELATED PROBLEMS

1. INTRODUCTION

In the context of the European Union, counterfeit goods are understood to be “any goods, including packaging, bearing without authorisation a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner under EU law ...”

In turn, pirate goods are “any goods which are or contain copies made without the consent of the holder of the copyright or any related rights in relation to the designs or models, regardless of whether they are registered under national law ...”

The existence of a multiplicity of strategies and conduct central to the phenomenon of counterfeiting and piracy and the legislative challenge inherent to their repression at an EU and international level emerge from these legal concepts, involving the need, on the one hand, to guarantee the sound growth of world trade, including e-commerce and, on the other hand, to combat the growth in fraud and organised crime, which are always trying out new organisational structures of increasing complexity.

2. THE HARMFUL EFFECTS OF COUNTERFEITING

The range of harmful effects associated

with counterfeiting and piracy is vast and its real impact on economic development is highly significant.

The infringement of intellectual property rights immediately amounts to a non-tariff commercial barrier. This barrier makes access to markets in countries that are victims of counterfeiting more difficult, if not impossible, for companies from other countries (or even from the country itself) that hold intellectual property rights. This is particularly so in the case of small and medium-sized companies that have limited economic and financial resources.

Counterfeiting and piracy have very serious consequences for all socio-economic systems, both inside and outside the EU. They make innovation less attractive and this puts a brake on public and private investment and on technical and scientific research. This has harmful effects on economic development and more concretely on the job market, especially for those who are more highly qualified.

Counterfeiting and piracy are also powerful allies of the “parallel economy”. They contribute to the appearance and development of an underground economic system which runs parallel to the legal system and is usually under the control of organised crime.

The phenomena of counterfeiting and piracy also have repercussions in terms of consumer protection. The

“Portuguese Law Firm of the Year”
Chambers Europe Excellence 2009, IFLR Awards 2006 & Who’s Who legal Awards 2006, 2008, 2009, 2010

“Corporate Law Firm of the Year - Southern Europe”
ACQ Finance Magazine, 2009

“Best Portuguese Law Firm for Client Service”
Clients Choice Award - International Law Office, 2008, 2010

“Best Portuguese Tax Firm of the Year”
International Tax Review - Tax Awards 2006, 2008

Mind Leaders Awards™
Human Resources Suppliers 2007

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quality of products is an issue and this can also amount to a serious risk to public health and consumer safety in the case of sensitive products, the greatest example of which is medicinal products. It is therefore understandable that the crackdown is far more severe when the counterfeiting of products that have a direct impact on public health is at issue.

Finally, counterfeiting and piracy can lead to serious environmental damage. In addition to failing to respect the quality standards of the copied products themselves, the manufacturing processes sometimes fail to observe the applicable environmental regulations. And, in the final phase of the economic cycle, the disposal of counterfeit products may have far higher environmental costs than those of the products that were copied because, in many cases, they were manufactured using inappropriate materials.

As such, the system for punishing counterfeiting and piracy must be structured so as to not only deprive those responsible for selling these goods of the economic benefits of their operation, but to also punish them with criminal or administrative penalties, in order to effectively deter them from repeating their infringements.

Notwithstanding the notable harmful effects of this phenomenon of counterfeiting and piracy, as already highlighted above, the legislative challenge is caught up in the need to find a fair balance between the fight against fraud and enabling international trade. Indeed, it is essential to guarantee that measures for protecting intellectual property rights are implemented in such a way so as not to create undue obstacles to legitimate trade, specifically as regards innovation, competition and the sharing of information.

3. THE EXTENT OF THE PROBLEM

According to the annual report published by the European Commission on EU customs activity as part of the protection of intellectual property rights by combating counterfeiting and piracy, custom authorities detected more than 43 500 cases out of a total of 118 million products in 2009.

The report highlights that, although luxury goods were previously the major target of intellectual property law infringements, current infringements (counterfeiting or piracy) increasingly involve basic products used by citizens in their everyday life. Cigarettes (19%), other tobacco products (16%), brand products (13%) and medicinal products (10%) are among the categories of products that are most frequently seized.

China continues to be the main country of origin of infringing products, representing 64% of the total, while other countries such as the United Arab Emirates and Egypt are the main culprit with regard to certain categories of items. Most of the seized products (more than 77%) are destroyed under the control of customs authorities, whilst there are cases in which products are rendered useless when being “analysed” to determine the infringement.

In Portugal in 2009, a total of 10 610 627 counterfeit items were seized, corresponding to €8 644 816, which represented an increase of 68.73% in relation to the previous year. Of these items, around 33% came from the pharmaceutical sector, 30% from the textile sector and 14% was made up of electronic equipment.

4. THE INTERNATIONAL FIGHT AGAINST COUNTERFEITING AND PIRACY

A significant milestone in the international effort to combat counterfeiting and piracy was reached on 15 April 1994, when the Agreement on Trade-Related Aspects of Intellectual Property Rights (ADPIC) was concluded in Marrakesh, incorporating the main conclusions of the Uruguay Round Agreement on the General Agreement of Tariffs and Trade (GATT), within the scope of the World Intellectual Property Organisation (WIPO) and the World Trade Organisation (WTO).

The procedural guidelines for customs intervention, under which the holder of an industrial property right may, on the basis on a reasoned suspicion, direct a written request to the customs authorities for the purpose of seizing

counterfeit goods, are set out in Part III, Section 4 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (ADPIC) under the heading “Special Requirements Related to Border Measures”. The ADPIC is also the forerunner in regulating the legal limits of customs authority intervention, namely as regards the decision to suspend customs clearance or detain counterfeit goods at the start of a procedure intended to determine if there has been an infringement of an intellectual property right under national law.

The principles incorporated in the Agreement on Trade-Related Aspects of Intellectual Property Rights have served as the basis for most of the work by WIPO and WTO on this subject matter and have also significantly influenced EU regulations in this area.

In 2008, the European Union and other countries of the OECD commenced negotiations on a new multilateral agreement aimed at strengthening the application of intellectual property rights and combating counterfeiting and piracy, the Anti-Counterfeiting Trade Agreement (ACTA). The favourable conclusion of this ACTA will allow for the definition of common civil protection and administrative rules to improve inter-institutional cooperation and cooperation with the private sector, as well as the integration of technical assistance projects in order to make the observance of intellectual property rights simpler, securer and less onerous.

5. THE EU FIGHT AGAINST COUNTERFEITING AND PIRACY

Combating the phenomenon of counterfeiting and piracy is particularly important at EU level.

The European Union is the second largest importer of goods and services in the world and the vast opening and transparency of its market seriously raises the risk of the circulation of counterfeit and pirated goods. What is more, the EU economy specialises in high quality products, generally protected by trademarks, patents or geographic indications, more exposed by nature to the harmful effects of counterfeiting.

It should be pointed out, however, that the persistent discrepancies among the legislation of Member States in relation to intellectual property law and, in particular, as regards the penal measures intended to enforce compliance may undermine the efforts being made to effectively combat this phenomenon.

Against this background, Council Regulation (EC) No 3295/94 of 22 December 1994 laying down measures to prohibit the release for free circulation, export, re-export or entry for a suspensive procedure of counterfeit and pirated goods was approved, revoking the previous 1986 Regulation (Council Regulation (EEC) No 3842/86 of 1 December 1986).

This Regulation focuses on the establishment of a general rule prohibiting the release for free circulation, export, re-export or entry for a suspensive procedure of goods recognised as counterfeit or pirated goods. The intervention by customs authorities consists of either the suspension of the declaration for free circulation or the suspension of the release order and the goods are detained for as long as it takes to examine them. The Regulation also introduced the possibility of detaining counterfeit or pirated goods for a specific period in order to enable the holder of the intellectual property right to submit an intervention request. During the suspension period, the holder of the intellectual property right must bring an application before the judicial authorities on the merits of the case, failing which the goods will be released.

Council Regulation (EC) No 241/1999 was approved on 25 January 1999 and extended the scope of application of the general rule prohibiting the circulation of counterfeit goods, providing for their placement in a free zone or free warehouse.

Following the Commission's Green Paper on "Combating Counterfeiting and Piracy in the Single Market" of 15 October 1998 (COM (98) 569 final) and, thereafter, the Action Plan dated 30 November 2000 (COM (2000) 789 final), Council Regulation

(EC) No 1383/2003 of 22 July 2003 was approved, strengthening mutual assistance among Member States in this area and adapting procedures to combat the infringement of a wider range of industrial property rights, particularly EU trademarks, drawings and models.

The new aspects of the Regulation which deserve mention include the fixing of a maximum period of one year, which may however be extended, for intervention by customs authorities after the granting of a request for intervention and the provision of a simplified procedure for the destruction of counterfeit goods, without it being necessary to determine whether there has been an infringement of an intellectual property right under national law, but which is however obviously subject to strict legal conditions. The new procedure has been an enormous success in some Member States, such as Portugal, Greece, Hungary and the Netherlands, permitting the destruction of large quantities of counterfeit products quickly and inexpensively.

The new Regulation lastly does away with the obligation to pay fees and provide guarantees for intervention proceedings, dispensing with this in favour of an undertaking by the holder of the intellectual property rights, so allowing for more generalised access to customs intervention.

The European Parliament resolution of 18 December 2008 on the impact of counterfeiting on international trade, which reveals its concern as to the compatibility of the Anti-Counterfeiting Trade Agreement (ACTA) with the EU treaties and argues for the need to harmonise the sanctions applicable to serious infringements of intellectual property rights, was published most recently.

6. THE NATIONAL FIGHT AGAINST COUNTERFEITING AND PIRACY

In the Portuguese legal system, it is the Director-General of Customs and Excise (DGAIEC) which has jurisdiction to "exercise control over the external border of the European Union and

other domestic customs territory, for tax and economic purposes and for the protection of society".

The jurisdiction to combat counterfeiting and piracy stems from the fact that one of the main powers of that entity is "to guarantee the application of regulations to which goods introduced in EU customs territory are subject and to carry out controls relating to the entry, release and circulation of goods in the national territory".

Circular no. 91/2004 of 13 September from the Directorate-General of Customs and Excise is the most recent administrative instruction on the issue, seeking to summarise and clarify the way in which the procedures provided for by Council Regulation (EC) No 1383/2003 of 22 July work, principally as regards the legality of the seizure of counterfeit goods carried out by customs officials without any request for intervention by the holder of the intellectual property rights.

According to this Circular, in cases where there has not been any request for confirmation of the seizure before a court of law, but an expert declaration has been presented which confirms the counterfeit nature of the goods, Customs will not grant the release order and may proceed with the destruction of the goods. The Circular however stipulates that goods imported under a duty-free system are exempt from seizure.

Two further pieces of national legislation that have proved very significant in the fight against counterfeiting and piracy deserve to be mentioned.

Decree-Law no. 28/84 of 20 January, as amended, on anti-economic offences and offences against public health, makes provision for the crime of fraud in relation to goods (punishable by imprisonment of up to one year and a fine of up to 100 days - six months imprisonment or a fine of up to 50 days in case of negligence). This is a "public crime", which is characterised as taking place when "someone, who with the intention of deceiving others in business dealings, manufactures, transforms, releases for free circulation, imports, exports, re-exports, places

under suspension arrangements, holds available or displays with a view to sale, sells or puts into circulation counterfeit goods or pirated goods of a different nature or of a quality and quantity inferior to those they claim or appear to have". From a criminal perspective, it is further important to point out that the counterfeit goods must be of a different nature or an inferior quality, which excludes "pirate goods" and some counterfeit goods. This legislation also provides, as additional applicable sanctions, that the goods seized may be destroyed or declared as a loss in favour of the Exchequer.

Even more specific is the Industrial Property Code (known as the CPI and approved by Decree-Law no. 36/2003 of 5 March). In Part III on infringements, the Code gives the customs authorities the power to take customs action to hold back or suspend the customs clearance of the goods which present signs of an infringement under the Code. The Industrial Property Code also covers a multiplicity of crimes and offences, the foremost being the crime of sale, circulation or concealment of products or articles (punishable by imprisonment of up to one year or a fine of up to 120 days), in which the person selling, circulating or concealing the counterfeit products is aware of the situation. It should be noted that all the crimes provided for in the Industrial Property Code are "semi-public" in nature. Finally, it is important to note that this Code also makes provision for appropriate injunctions to be issued to prevent any imminent infringement or to halt the continued infringement of industrial property rights.

In light of the transnational dimension of this phenomenon and the continuing improvements in the techniques used by the infringers to escape customs controls, it seems to be of the utmost importance to create networks of operational contacts between the customs authorities and other public bodies on the one hand, and companies and business associations on the other hand, with a view to obtaining up-to-date information on new counterfeiting and piracy practices.

At EU level, it appears to be essential that Member States reach even greater levels of cooperation so that the respective customs authorities that manage the common exterior border can establish themselves as the EU's "fighting force" in this battle.

An anti-counterfeiting group operating on a national level was recently created by Ministerial Order 882/2010 of 10 September. The role of this group, which has multidisciplinary jurisdiction, is to take joint action with a view to preventing and suppressing counterfeiting. The group brings together six bodies including the Food and Economic Safety Authority, the Directorate-General of Customs and Excise, the National Republican Guard, the National Institute of Intellectual Property, the Judicial Police and the Public Safety Police and also aims to facilitate cross-border cooperation.

And, as always, it has become important not to lose sight of the fair balance that we mentioned at the outset between enabling international trade and the fight against this type of fraud.

7. CONCLUSIONS

What direction should the fight against counterfeiting and piracy take in the future?

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