



International Perspectives of Intellectual Property Enforcement at the Border

**Hector Balderas, JD,
CFE**
President

Welcome
Who Am I?

AG uses border visit to focus on crime

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New Mexico Attorney General Hector Balderas, center, listens to Sunland Park Police Chief Javier Guerra during a tour of the border Monday. Balderas visited the region to strengthen partnership with local law enforcement and Mexican authorities fighting international crime. (Angela Kocherga/Albuquerque Journal)

Intellectual Property (IP) rights holders

- ▶ Intellectual Property (IP) rights holders are under threat of counterfeit goods in the market, which is growing with advancing technology and surge in cross-border trade among countries. Counterfeit products may not always be produced and distributed for trade and commerce in the domestic market but may also enter illegitimately through the borders of a nation. IP rights holders must constantly monitor and take suitable and timely action against imports that may be infringing upon their rights.
- ▶ Border control measures are one of the legal measures that IP rights holders can use for enforcement at the borders. They can be understood as the actions taken by the local customs authorities regarding goods under their control at the exit and the entry of goods into the internal market. It has to be understood that the final destination of goods going through customs may not always be the domestic market in question. There are various possible customs situations and procedures such as importation, exportation, re-exportation, placement under a suspensive procedure, or simple control. Either way, border measures are an effective method to combat the acts of infringement because they are much easier to stop the circulation of counterfeit or infringing products at the border rather than later when they have already been brought into or sent out of the nation and put into circulation.

What are Border Control Measures?

- ▶ Border control measures can broadly be stated as procedures applied by countries that enable the municipal customs and IP law frameworks to place an embargo on the entry of counterfeit or pirated goods in and out of their domestic, commercial markets.
- ▶ These measures are chiefly based on Articles 51-60 of the TRIPS Agreement 1995, providing the basic framework of border enforcement. Signatories are obliged to implement these measures in their legal frameworks with appropriate modifications, as may be deemed necessary for the protection of the trading channels.

Section 4: special requirements related to border measures

▶ Article 51 -Suspension of Release by Customs Authorities:

Members shall, in conformity with the provisions set out below, adopt procedures (13) to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods (14) may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods. Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met. Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories.

▶ Article 52 -Application:

Any right holder initiating the procedures under Article 51 shall be required to provide adequate evidence to satisfy the competent authorities that, under the laws of the country of importation, there is prima facie an infringement of the right holder's intellectual property right and to supply a sufficiently detailed description of the goods to make them readily recognizable by the customs authorities. The competent authorities shall inform the applicant within a reasonable period whether they have accepted the application and, where determined by the competent authorities, the period for which the customs authorities will take action.

▶ Article 53 - Security or Equivalent Assurance:

1. The competent authorities shall have the authority to require an applicant to provide a security or equivalent assurance sufficient to protect the defendant and the competent authorities and to prevent abuse. Such security or equivalent assurance shall not unreasonably deter recourse to these procedures. 2. Where pursuant to an application under this Section the release of goods involving industrial designs, patents, layout-designs or undisclosed information into free circulation has been suspended by customs authorities on the basis of a decision other than by a judicial or other independent authority, and the period provided for in Article 55 has expired without the granting of provisional relief by the duly empowered authority, and provided that all other conditions for importation have been complied with, the owner, importer, or consignee of such goods shall be entitled to their release on the posting of a security in an amount sufficient to protect the right holder for any infringement. Payment of such security shall not prejudice any other remedy available to the right holder, it being understood that the security shall be released if the right holder fails to pursue the right of action within a reasonable period of time.

Section 4: special requirements related to border measures

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▶ Article 54 - Notice of Suspension:

The importer and the applicant shall be promptly notified of the suspension of the release of goods according to Article 51.

▶ Article 55 - Duration of Suspension:

If, within a period not exceeding 10 working days after the applicant has been served notice of the suspension, the customs authorities have not been informed that proceedings leading to a decision on the merits of the case have been initiated by a party other than the defendant, or that the duly empowered authority has taken provisional measures prolonging the suspension of the release of the goods, the goods shall be released, provided that all other conditions for importation or exportation have been complied with; in appropriate cases, this time-limit may be extended by another 10 working days. If proceedings leading to a decision on the merits of the case have been initiated, a review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period, whether these measures shall be modified, revoked or confirmed. Notwithstanding the above, where the suspension of the release of goods is carried out or continued in accordance with a provisional judicial measure, the provisions of paragraph 6 of Article 50 shall apply.

▶ Article 56 - Indemnification of the Importer and of the Owner of the Goods:

Relevant authorities shall have the authority to order the applicant to pay the importer, the consignee and the owner of the goods appropriate compensation for any injury caused to them through the wrongful detention of goods or through the detention of goods released pursuant to Article 55.

Section 5: Criminal Procedures

▶ Article 61:

Members shall provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed wilfully and on a commercial scale.

The Role of Customs

- ▶ The customs authorities' role has been one of a gatekeeper, i.e., acting as a barricade through which international trade must pass, in a bid to protect the interests of the country. Customs have the responsibility of executing a broad array of government policies, covering areas as varied as revenue collection, trade compliance, and facilitation, banning of prohibited substances, protection of cultural heritage, and enforcement of IP laws. In recent times, due to the growth of trans-border commerce, the role of customs in restricting infringing products has become more and more significant. Each nation's customs authorities are given specific administrative powers to help them deal with counterfeit or infringing goods. Customs intervention is thus intended at being attracted when goods in trans-border transit are under suspicion of infringing IP such that when the infringement is proven, they can be destroyed and removed from the supply chain. Therefore, border measures are a useful instrument in dealing with the international trade of counterfeit or infringing products. Few jurisdictions offer a trademark recordation system with customs. Recording one's trademarks allows the customs to monitor shipments and exclude, detain, seize, destroy, or dispose of merchandise that it suspects is counterfeit or infringing the recorded trademark.

The International Basis of Border Control Measures

- ▶ The TRIPS Agreement lays down the method of governing border control measures and protecting the Intellectual Property Rights (IPRs), through which the customs authority of a country is empowered to stop the entry and exit of goods, which violate the IP laws. The procedure is set out in Articles 51 to 60 of the TRIPS agreement. Article 51 of the Agreement is the primary provision, which enforces cross border measures to protect IP. This provision authorizes the rights holder, who has valid grounds for believing that the importation of counterfeit trademark or pirated copyright goods may take place, to apply with relevant authorities, administrative or judicial, for the suspension of release into free circulation of such goods.
- ▶ To enable this provision, Article 52 mandates that the applicant has to provide evidence, which prima facie makes a case of infringement of the IPRs and also offers a description of the goods for their quick recognition by the customs authorities. The applicant has to prescribe the period for which such goods will be suspended from circulation. The authority has the power to scrutinize the merits of the application and subsequently accept or reject it. Article 53 provides that after the scrutiny and acceptance of the application, the applicant may be asked to provide security for the duration of the suspension of the goods in question. Article 53.2 provides that the suspended goods may be released if the defendant pays a sufficient amount to protect the rights holder for any infringement as security. This amount should ideally not be unreasonable and also should not prejudice any other remedy available to the rights holder. If the rights holder fails to pursue the right of action within a reasonable period, the security amount shall be released by the authority. Furthermore, there are provisions for the issuance of notice to all the affected parties and adjudication by a competent authority.
- ▶ The TRIPS agreement lays down that any proceeding should be initiated within not more than ten days after the issuance of the notice by the customs authorities. In a few cases, this period may be extendable by another ten days. Where proceedings leading to a decision on the merits of a case are initiated, the defendant is permitted under Article 55 to request a “review, including a right to be heard with a view to deciding, within a reasonable period, whether these measures should be modified, revoked or confirmed.” Article 55 also provides that where the suspension of the release of goods is carried out or continued following a provisional judicial measure, Article 50.6 shall apply to require that the suspension shall be revoked or cease to have effect if proceedings leading to a decision on the merits of the case are not initiated within a reasonable period, to be determined by the judicial authority, or, in the absence of such a determination, within 20 working days or 31 calendar days, whichever is the longer. Article 56 offers indemnification in cases of wrongful detention, which has to be paid by the applicant to the defendant once the proceedings have concluded. There is also a provision for inspection and information, which is given to the rights holder to establish his claim. The customs authorities are also authorized to take suo moto action under Article 58 in case it apprehends a wrongful import/export of goods. One of the corrective measures given to the relevant authorities under Article 59 is an option to destroy the infringing goods. However, the re-export of goods in the unaltered state is not permitted under this provision.

Border Control Measures in Practice

- ▶ Goods traveling across global markets are largely required to follow the IP regulations. However, an enormous percentage of these goods do not follow international standards or are simply counterfeit goods. There is extensive infiltration in the international market of such goods. Piracy and counterfeiting activities represent between 5% and 7% of world trade.
- ▶ The efficacy of the border control measures depends upon cooperation and collaboration between the rights holders and the customs authorities. The issue most often met is that the customs authorities are unaware or do not take action when informed. Furthermore, quite often, it is found that the enforcement authorities such as the police and judges do not have the technical know-how required for understanding the infringement of IP. Sometimes, rights holders do not possess the necessary information on products, routes, and shipping patterns, which is required to be submitted to customs.
- ▶ The governments and customs administrations in the Asia-Pacific region have increased their attention on Intellectual Property Protection and their cooperation with businesses leading to improvements in combating the trade in counterfeit goods. Upholding this favorable environment is one of the most crucial responsibilities of governments, their agencies, and departments. Many developing countries have also taken the initiative in recent years to amend their laws to give customs authorities the power to record the IPRs to enforce the same at the borders. The efficiency of border control measures is gradually improving across nations.

Fight Fraud

▶ Trade Fraud

Every year, trillions of dollars in goods are imported into the United States. Unfortunately, not all of that is done in accordance with U.S. law. Those seeking to gain an upper hand through fraudulent or illegal trade practices are investigated by special agents with HSI.

HSI conducts general trade fraud investigations that focus on violations of laws or regulations pertaining to the importation of merchandise by means of false or fraudulent documents, statements and/or practices. The most common violations relate to the evasion of trade controls and restrictions enacted to protect domestic industries and the national economy from predatory trade practices and the introduction of goods which may create a public health and safety risk. These fraud schemes include falsifying the true value or country of origin of imported goods, misclassifying goods to evade duties, and customs brokers failing to comply with import laws.

Thank You!

Final Thoughts

- ▶ Counterfeiting and piracy have an impact on a wide range of goods, ranging from aircraft parts, detergent, alcohol, perfumes to even medicines. Every industry is prone to counterfeiting. Earlier, only luxury brands were the main target; however, today, even our everyday consumer goods face the risk of counterfeiting. The kind of goods counterfeited is growing continuously with the evolving market trends. Today, counterfeiters are making widespread use of the internet to distribute fake goods. A broad range of counterfeit goods is available even on the most popular e-commerce websites such as Amazon, which puts the customers and trademark owners at very high risk.
- ▶ To effectively record one's IPRs with the customs, the first thing to do is obtain a registration. After that, recordation has to be done with the customs authority of the relevant country where the goods are going to be in transit/exported/imported. After this, the customs authorities take action on their initiative, or the rights holder has to furnish the details of the allegedly infringing goods. The customs authorities can inspect, seize, destroy, or dispose of the infringing goods after appropriate proceedings. Hence, by investing some amount in recordation of IP with the customs authorities, the IP rights holders can safeguard themselves from huge losses caused by counterfeit products to their revenue as well as reputation and goodwill, which they earn for their high-quality goods. Recordation with the customs and border protection is a smart move in developing a comprehensive Trademark Protection strategy.