

## Enlarged Europe: practical aspects of IPR enforcement

1<sup>st</sup> May 2004 marked the date of the biggest EU enlargement with the access of ten new member states: Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

The implications of this enlargement on IPR rights are many and in most cases will result in a benefit both for the already existing EU members and for the new ones.

In practical terms, the changes involve two major aspects: the Community Trademark (CTM) and Community Design (CD) system and the Enforcement at Border Controls.

### CTM and CD System

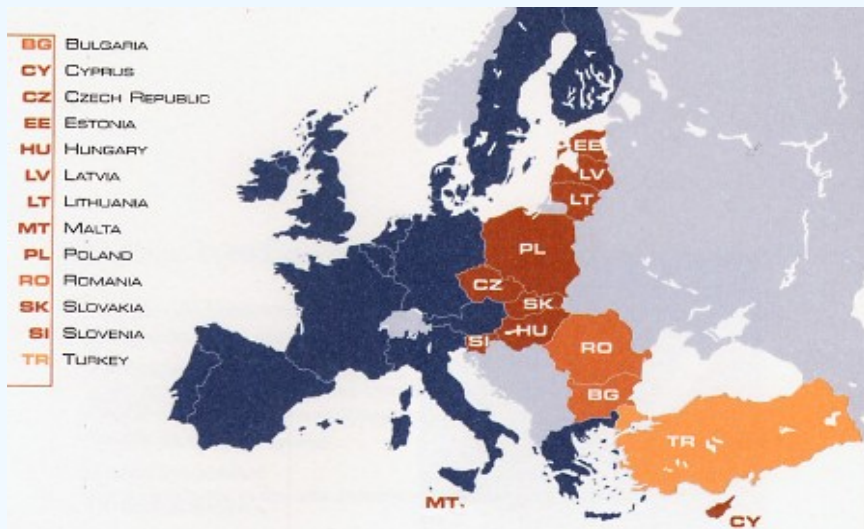
From the date of accession, Community Trademarks and Designs registered or applied for before that date are automatically extended to the territory of the ten new Member States. The extension does not require any specific request from the right holder and there are no fees to pay. Since from 1 May the official languages of the New States have also become official languages of the EU, all Community Trademarks and Designs applied for on or after that date will be translated into the new official languages. This translation will be arranged by the OHIM without any additional costs for the applicant.

The right holders of the Community Trademarks and Designs will be able to enforce them before the specific courts to be established in the new Member States.

### Enforcement and Border Controls

With the EU enlargement, 80% of the new land borders now coincide with the external borders of the ten new Member States.

The EU now borders with five new neighbour States: Belarus, Ukraine, Romania, Croatia and Serbia-Montenegro.



Map showing EU enlargement –Bulgaria, Romania and Croatia are candidates for 2007; Turkey is negotiating a possible future access.

This means that most of the enforcement at the borders will be managed by the customs of the New Members and will depend on their capacity to apply EU regulations. Customs will need to be carefully instructed and assisted in the first phases of this process and, to ensure this, EU-funded training programmes for enforcement officers are under way.

As to the actual situation of counterfeits in the New States, we must unfortunately underline that fake products have a very high market share in these new markets.

The New States have generally brought their intellectual property legislation up to WIPO standards, but the practical application of these laws in some States is still rather approximate. The civil courts, particularly in the former communist countries, have little experience of IPR litigation as such cases were virtually non-existent.

Therefore, the most effective and cost efficient way to contrast the influx of fakes and forgeries is to have a customs application in place and to cooperate with the customs authorities. This will be made easier by the new Council Regulation n. 1383/2003 which

comes into force on 1 July and which extends the power of customs officials to a greater range of IPR rights, also rendering the system more accessible for right holders.

Finally, although controls on goods at national frontiers have been abolished, the checks on people at the internal borders, between the old and new member states, will continue until the new states are able to demonstrate that the security of their borders with non-EU members meet the standards required by the Schengen Agreement.

As you will read in the following pages, SNB React is implementing active cooperations with some of the new Member States.

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## The Netherlands

The enforcement work in The Netherlands has shown again an increase in cases in the past months. So far, 490 cases and almost 1 million products have been seized. Though the number of customs cases increased, the quantities of goods involved decreased. This does not apply for the local cases. For the first time in years we notice an increase of counterfeited products appearing on the Dutch markets. Trends are the sales of fake trading cards (very popular amongst children), fake replica-shirts and fashion goods (Prada, Louis Vuitton, Armani, Evisu etc) and also fake fragrances. Almost all these goods originate from Turkey and China. Civil enforcement is working well and so are actions of FIOD-ECD.

What is not working adequately at the moment is the follow up by Public Prosecutors, who are in this way holding up civil enforcement, since the disclosure of criminal reports tends to be denied or at least delayed. The latter is about to change very soon as favourable guidelines have been adopted recently.

Important news from the Netherlands is a recent Court of Appeal case deciding that SNB cannot be held liable for the damage caused by filing a complaint against a trader in Rotterdam, because there were good grounds to believe the goods were counterfeit. The goods were indeed counterfeit, but the Public Prosecutor wrongly decided to drop the case and to release them. This made the trader decide to pursue SNB and the State. The District Court had already denied the claims and this was now confirmed by the Court of Appeal.



## Focus on LATVIA

In Latvia we are operating jointly with the Coalition Intellectual Property Rights (CIPR). Thanks to the work of Artis Brinkmanis we managed to have a fair number of police raids in Latvia. From our office in Riga we manage customs cases in Latvia and recently also Estonia.

The number of customs interventions in Latvia however, needs to be encouraged. That is why SNB REACT filed customs application (included in the fixed membership fee) for a large number of brands.

Furthermore a training seminar for customs and police was organised in Riga on the May 27th.

## Romania and Moldova

The joint venture with REACT Romania is having very good results, working its way up to a reliable intermediary for enforcement bodies in Romania. In some ways Romanian enforcement is a step ahead compared to many other countries. The Romanian government has adopted an official Anti counterfeiting strategy which is fairly unique and shows the commitment of Romanian authorities to handle this problem.

Part of this program is the nomination of a specialised Public Prosecutor having national jurisdiction – Dragos Dumitru – who is supported by another specialised police agency with national jurisdiction also. This approach has proved to be successful. A training seminar in neighbouring country Moldova has been organised and financially made possible by the joint venture operation. We will now see if Moldova will become equally successful as its western neighbour.

## Italy: Milan office keeps up coordination role

The Milan office continues with its strong development both on Italian matters and with the coordination of activities of other countries reported on this newsletter. Italian cases alone reached over 100 from the beginning of the year, confirming the trend of increasing interventions from different enforcement authorities and involving more brands. Currently 16 Customs applications are filed with Italian Customs by REACT Italy and

cooperation with customs remains our main focus.

In fact, several contacts have also been made between the new Anti Fraud director, Ms. Cinzia Bricca, who brought fresh new inputs for cooperation. As a result, a WCO important training event is planned in Rome and joint work on the correct application of the new customs regulation has been done, giving REACT an important consultancy status.

## Portugal: seminar and enforcement

Since February this year, SNB-REACT is operating on the Portuguese market with Paulo Pereira. The results are outstanding!

Since the start already 70 cases have been initiated; many small cases but also factories producing fake fashion goods were dismantled. The cooperation from the 'Brigada Fiscal' and 'IGAE' (police enforcement) is encouraging.

On April 5th a training was organised by SNB-REACT addressing customs officers from the main Portuguese ports as well as IGAE and Brigada Fiscal officers. From the side of business the following companies gave presentations:

Timberland, Pentland, Manchester United, Epsom, Nokia, LVMH, Philip Morris, Canon, Puma, Burberry, Pepe Jeans, Levi's, Lacoste and the Uniao de Marcas (Reebok, Nike, adidas and Umbro).

Seminars in Portugal have become a yearly appointment!

## Counterfeits and Internet

Nowadays SNB-REACT is checking the internet regularly on infringements. The growing use of internet access in these past years has certainly brought numerous advantages to consumers and rendered life easier in many ways. One of the most immediate results is the development of e-commerce and as a consequence the dramatic raise of internet sales, which now include practically any product you can think of. The opportunity to exploit this new instrument has unfortunately not been ignored by counterfeiters, who have on the contrary taken great advantage of a new distribution channel offering high profits with relatively low risks, compared to traditional, non e-commerce sales. Several companies have started posting warning notices on their web sites to alert consumers about the fact that many of the apparently original goods bought through ecommerce and auction web sites are counterfeit. This new trend is also confirmed by analyzing the statistics of

the mode of transports frequently used by counterfeiters. Although air freight still tends to be their favourite one, there has been a significant rise in the past two years in the use of postal services (11% of cases handled in 2001 to 33% of cases handled in 2003 – source: European Commission). The main reason for this increase of shipping through postal channels can definitely be ascribed to the success of orders by Internet and also to the fact that this mode of transport means minor customs controls in general and limits the possibility of identifying the sender. A classic example of such a case was dealt with by the Italian office which came across an internet web site selling fake replica-shirts. The web site was based in Switzerland and had suppliers in Thailand, where the fake shirts were bought from small factories or directly on the market and sold on the internet at ten times their original price. The products were shipped in small packages by air mail and

with the indication of the product marked as “gift” in order to avoid issuing any invoice and bypassing customs controls. The name of the sender on the package was found to be non existent. React made some test purchases in order to have proof of the infringement and once this was confirmed by the right holders, the owners of the web site were allocated and forced to remove the products from the site and stop their sales. This is just one of the large number of internet cases.



Example of replica-shirt bought on the internet

## CARDS Regional IPR Programme



CARDS Regional IPR programme ([www.cardsipr.org](http://www.cardsipr.org)) is managed by the European Patent Office and aims at developing a training programme for attorneys, representatives and specialists in view of long term objectives of building an effective enforcement infrastructure in the five Balkan countries: Serbia-Montenegro, Bosnia-Herzegovina, Croatia, Albania and Macedonia. SNB-REACT, having already organized similar types of training for the EPO in EU accession countries, was requested to co-organize these training events. The first enforcement training was held in Croatia on the 5th and 6th June. It proved that Croatia is already doing quite well in enforcement although its

possibilities need to be discovered by rights owners. Within the police forces, IPR specialists were appointed. The number of cases run by the police is impressive. A report on this seminar can be found on our website [www.snbreact.org](http://www.snbreact.org) under events. In the course of this year, another training will be organized in Serbia – Montenegro.

### SNB-REACT offices:

#### In The Netherlands

Amstelveenseweg 864  
1081JM Amsterdam  
Tel: +31(0)20 640 6363  
Fax: +31(0)20 640 6216

#### In Italy:

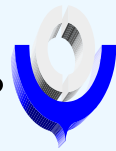
Via Ponte Vetere 15  
20121 Milano  
Tel: +39 02 80509450  
Fax: +39 02 86467940

## Malta

Since the training seminar organized by the WCO IPR Group in December 2003, we have noticed an increase in notifications from Malta. React Italy is assisting brand owners by filing affidavits with Maltese customs.

## Serbia

In the framework of another EU programme in the Balkans, SCEPP, Ronald Brohm was asked to draft reports on the enforcement infrastructure in Serbia. The reports were recently finalized and can be found on the official SCEPP site [www.plac-yu.org](http://www.plac-yu.org). Interesting for brands owners will be the ways pending matters can now be addressed properly in Serbia. Please do not hesitate to contact Ronald Brohm for any further queries on the project and on IP in Serbia.



## Technical Assistance Exercises

The first major upcoming event of the WCO IPR group is the technical assistance to the Russian customs. In Kaliningrad on the 6th and 7th of July a WCO IPR training will be held. A needs assessment is in preparation now. One of the obvious things which is worrying companies is the Russian bureaucracy even to file customs applications. So far a number of attempts by rights owners have failed because of the unclear provisions in Russian legislation. The WCO IPR group is now trying to clear this out by

drafting jointly with Russian customs guidelines on how to apply for customs protection.

For sure this item will be one of the focus points for the event in Kalinigrad. The interest of rights owners for Russia is obvious; the market potential and its strategic position make it one of the most important countries in the world for well known brands to set up an effective enforcement!

The seminar will be attended by about 50 middle management

customs (IPR) experts and 20 rights owners. Next to Russia, the WCO IPR group will provide technical assistance to Thailand (expected week of 23rd August), Panama (October), Italy (November) and Vietnam (December). Exact dates have not been set yet.

## First Global Congress in Brussels

The first global Congress in Brussels was held on 25th and 26th of May. Law enforcement officials from around the world, international business leaders and public sector officials gathered in Brussels. A unique event resulting in the following official recommendations:

- Fully implementing the Interpol Intellectual Property Crime Model initiative against counterfeiting and actively support that effort

- Encouraging the World Intellectual Property Organization in its efforts to promote and assist countries in raising knowledge and awareness of judges and prosecutors that deal with intellectual property matters and, where appropriate, establishing specialized IPR courts;

- Ensuring the World Customs Organization further develops the appropriate standards, strategies and tools to combat counterfeiting as identified by its IPR Strategic Group and under its Supply Chain Security Initiative;

- Encouraging governments at all levels to place a higher priority against counterfeiting and allocate more resources in the fight against the illicit trade;

- Identifying opportunities and mechanisms for agencies and the private sector to share data they have on the counterfeit trade;

- Identifying opportunities and mechanisms for agencies and the private sector to share and upgrade anti-counterfeit training programs for law enforcement;

Next course of more concrete action is to immediately establish a Steering Committee, with representation from the key public and private stakeholders, to pursue the recommendations and ideas emanating from the Congress and report formally at a special meeting in Rome, Italy by November 30, 2004.

**WCO/SNB**  
**Training**  
**Seminars**  
**Planned Events**

- 5/6 July – Kaliningrad (WCO)
- 23 August (week) – Thailand (WCO)
- 15/16 October – Bucharest (SNB)
- October '04 – Panama (WCO)
- November '04 – Budapest (SNB)
- November '04 – Rome (WCO and SNB)
- December '04 – Vietnam (WCO)

<b>CONTACTS:</b> <b>WCOIPR secretary</b> Ingrid van der Hoek Amstelveenseweg 864 1081 JM Amsterdam The Netherlands Tel: 31 20 640 6363 Fax: 31 20 640 6216 <a href="mailto:wco@snbreact.nl">wco@snbreact.nl</a>	<b>Headquarters</b> <b>WCO</b> 30, Rue du Marché 1210 Bruxelles Belgium Tel: 32.2.209.92.11 Fax: 32.2.209.92.92 <a href="mailto:information@wcoommd.org">information@wcoommd.org</a>
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**The newsletter editing team: [Paolo Balistrieri](#) and [Giulia Laviani](#)**