IP Border Detention with a Patent Topping

Jasper Helder
Severin de Wit
IP Border Detention

- USA ITC vs. EU BD
- TRIPS
- EC Reg. 1383/2003
- EC Customs Union
- BD in Practice
- 1383/2003 is not TRIPS Compliant
Section 337 USA Tariff Act: Discrimination between US / Foreign Patent Owners

- US complainants can choose between ITC/patent litigation
- Tight & fixed deadlines in ITC litigation
- No counterclaims in ITC litigation
- General Exclusion Orders issued by ITC
- Automatic Enforcement BDO’s by US Customs

US vs Foreign infringing products
- US infringer: defence in patent litigation only
- Foreign infringer: patent litigation & ITC
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<th>versus</th>
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TRIPS (1)

- Part III: Enforcement of Intellectual Property Rights
  - Section 4: Special Requirements Related to Border Measures

- Implementation by WTO Members

- EC: No Direct Effect
  - ECJ “Van Parys”

- EC: TRIPS conform interpretation EC law
  - ECJ C-61/94 & 181/73
“a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods 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.”
TRIPS (3)

- "counterfeit": goods, bearing without authorization 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,

- "pirated goods": goods which are copies made without the consent of the right holder directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right.
TRIPS (4)

- BD under Article 51 TRIPS: only for counterfeit/piracy

- But:

  "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."
Article 52 TRIPS: Requirements for BD Application

“any right holder (…) 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 (…) a sufficiently detailed _description of the goods_ to make them readily recognizable by the customs authorities.”
EU Customs Union

- One EC Border
  - Once Customs Cleared
  - Free Movement in all EC

- Transit Procedures
  - Products remain “in Bond” during storage/transport
  - Flexible Customs Clearance Point
  - Anywhere in EC
EC Reg. 1383/2003

- Introduced for counterfeit & piracy
- Extended to patents etc.
- Direct Effect throughout EC
- Customs Action:
  - “ex officio”
  - Upon application

All Goods Not in Free Circulation
EC Reg. 1383/2003

- Border Detention Orders ("BDO") issued *ex parte*

- 1383/2003 does not explicitly require infringement evidence

- Degree of Customs’ examination of infringement varies between EC countries

- Customs are not Patent/Tech Experts

Proof of patent registration
Contact details applicant
(Optional) details of imports
BD in Practice (1)

- Supply Chain Management:
  - Reduce stock capital
  - Continuous Replenishment
  - Limited Product Life Cycle

- Supply Chain Disruption
  - Extra cost
  - Loss of Market Share

- Damages & Costs are Substantial

Efficient Logistics is Essential for Competing in FMCG
BD in Practice (2)

- Supply Chain Management:
  - Reduce stock capital
  - Continuous Replenishment
  - Limited Product Life Cycle

- Supply Chain Disruption

- Damages & Costs are Substantial

Extra Logistics & Capital Cost

Loss of Market Share
BD in Practice (3)

- Supply Chain Management:
  - Reduce stock capital
  - Continuous Replenishment
  - Limited Product Life Cycle

- Supply Chain Disruption
  - Extra cost
  - Loss of Market Share

- Damages & Costs are Substantial

Declaration of Liability under 1383/2003

http://www.licensing.philips.com/licensees/documents507.html

Koninklijke Philips Electronics N.V. has initiated, with the Customs Authorities in several countries in the EU, border detention procedures in relation to unlicensed DVD-Video/ROM players and DVD-Video/ROM discs, based on the implementations in the EU member states of the EU Council Regulation (EC) No 241/1999 (amending Regulation(EC) No. 3295/94). This regulation extends to goods infringing patents.

Before placing orders with the manufacturers outside the EU or their representatives, companies engaged in the importation of DVD Video/ROM players or DVD Video/ROM discs into the EU are advised that in order not to be confronted with border detentions of these DVD products by the relevant Customs Authorities, to verify whether the DVD-products are manufactured by licensed manufacturers.

A list of licensed manufactures can be obtained from the Philips' licenses database on this website.

Further information can be obtained by making relevant enquiries to Philips Intellectual Property & Standards.

BD in Practice: Blanket BD
BD in Practice: Blanket BD

- Patent Infringement not Readily Detectible

- Patents & Standards:
  - Standard Compliance = Patent Infringement
  - Unless licensed
1383/2003 TRIPS Compliant? (1)

- Art. 51 TRIPS
- Art. 52 TRIPS
- Art. 5 1383/2003
- Art. 9 1383/2003

“valid grounds for suspecting the importation of counterfeit or pirated goods”
“adequate evidence (...) that, under the laws of the country of importation, there is *prima facie* an infringement ”
1383/2003 TRIPS Compliant? (3)

- Art. 51 TRIPS
- Art. 52 TRIPS
- Art. 5 1383/2003
- Art. 9 1383/2003

Application need not contain Infringement Evidence
1383/2003 TRIPS Compliant? (5)

- Art. 51 TRIPS
- Art. 52 TRIPS
- Art. 5 1383/2003
- Art. 9 1383/2003

“customs office (...) is satisfied, after consulting the applicant (...) that goods (...) are suspected of infringing an intellectual property right covered by (...) decision”
1383/2003 is Not TRIPS Compliant

- Art. 52 TRIPS requires *prima facie* infringement evidence
- Art. 5 1383/2003 (BD Application) does not
- Art. 9 1383/2003 requires Customs to be:
  - “satisfied” that
  - goods can be “suspected” of
  - “infringement”
- But Customs assume infringement in many EC countries