TRIPS Border Measures
Is IP an International Trade Regulation tool?

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Issues

- Today’s Technology Environment
  - The EU R&D and IP environment
  - Example: China’s WTO accession
  - The “IP-Race”

- Why traditional Trade Regulation tools become less relevant

- IP: Emerging Trade Barrier?
  - EU IP Im & Export Controls
  - The US: a comparison
The EU Environment

- Tradition of conversion of R&D into Intellectual Property

- Increased Standardization of Technology
  - Licensing Obligations (FRAND)

- Cross-Licensing

- Established Players
Example: China Accession to WTO

- Trade Regulation concerns USA & EU
  - Resources & cost advantage
  - Concerns about IP enforcement in China
    - WTO DSB Case 362
      - “China — Measures Affecting the Protection and Enforcement of Intellectual Property Rights”
    - Issue: failure China to comply with TRIPS Border Measures
      - Removal of infringing features & re-introduction into trade

- Transitional Product-specific Safeguard Mechanism
  - Applicable until 2013
  - Increase in import of like or directly competitive products
    - (Threat of) EU Market disruption or Material Injury to EU industry
    - Absolute and/or relative import volumes in EU
    - Prices of like or directly competing EU products
The “IP Race”: R&D Expenditure

Companies headquartered in North America, Europe, and Japan still lead by far in total innovation spending (the size of the circles), but India and China, at right, have a far higher growth rate. Companies based in North America, the only region that grew in intensity, contributed to much of the growth in overall corporate R&D spending.

The “IP Race”: Patent Applications

*Resident* Patent Applications per Patent Office

- Japan: -0.1%
- United States of America: +9.7%
- Republic of Korea: +16.1%
- China: +42.1%
- European Patent Office: +4.0%

*Non-Resident* Patent Applications per Patent Office

- United States of America: +8.2%
- China: +23.6%
- European Patent Office: +4.1%
- Japan: +8.1%
- Republic of Korea: +11.1%

Source: WIPO Statistics Database; www.wipo.org
The Traditional “Trade Toolkit”

- Customs Tariffs: Reduction to facilitate Free Trade
  - Developed Countries Tariff Cuts: from 6.3 % - 3.8 %
  - Developed Countries Bound Tariffs: for 99 % of all products
  - WTO Info Tech Agreement: zero tariffs (92 % of global trade)

- Anti-Dumping
  - Target: *Low Prices*

- Safeguards
  - Target: *Increased Quantities & Damaging Conditions*

- Countervailing Measures
  - Target: *Export Subsidies*
Trade Toolkit: Reduced Impact?

- Customs Tariffs are reduced

- Other Trade Tools
  - Product/Situation Specific
  - Provide Temporary Relief Only
  - Subject to Strict WTO Criteria
  - Responsive, not Pro-Active
## IP as emerging trade barrier? WTO IP Disputes

### Patents
- **Argentina** — Certain Measures on the Protection of Patents and Test Data  
  — Complainant: United States DS196
- **Argentina** — Patent Protection for Pharmaceuticals and Test Data Protection for Agricultural Chemicals  
  — Complainant: United States DS171
- **Brazil** — Patent Protection  
  — Complainant: United States DS199
- **Canada** — Patent Term  
  — Complainant: United States DS170
- **Canada** — Pharmaceutical Patents  
  — Complainant: European Communities DS114
- **European Communities** — Patent Protection for Pharmaceutical and Agricultural Chemical Products  
  — Complainant: Canada DS153
- **India** — Patents (EC)  
  — Complainant: European Communities DS79
- **India** — Patents (US)  
  — Complainant: United States DS50
- **Pakistan** — Patent Protection for Pharmaceutical and Agricultural Chemical Products  
  — Complainant: United States DS36
- **Portugal** — Patent Protection under the Industrial Property Act  
  — Complainant: United States DS37
- **United States** — US Patents Code  
  — Complainant: Brazil DS224

### Trademarks
- **EC** — Trademarks and Geographical Indications  
  — Complainant: Australia DS290
  — Complainant: United States DS174
- **Indonesia** — Autos  
  — Complainant: European Communities DS54
  — Complainant: Japan DS55
  — Complainant: Japan DS64
  — Complainant: United States DS59
- **US** — Section 211 Appropriations Act  
  — Complainant: European Communities DS176

### Copyright
- **European Communities** — Measures Affecting the Grant of Copyright and Neighbouring Rights  
  — Complainant: United States DS115
- **Ireland** — Measures Affecting the Grant of Copyright and Neighbouring Rights  
  — Complainant: United States DS82
- **US** — Section 110(5) Copyright Act  
  — Complainant: European Communities DS160
TRIPS Border Measures

**Article 51 TRIPS**

“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.”

**Article 52 TRIPS**

“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.”
TRIPS Border Measures

- 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."
EU Regulation 1383/2003

- TRIPS Border Measures
  - Copyrights & Trademarks
  - Other IPR optional

- EU Customs Border Measures
  - 1999: Patents, PVR etc.

- Customs do not “seize”
  - Customs do not grant required release
  - Customs detain Transit-Goods only
EU Reg 1383/2003

- Designed as an anti-counterfeit/piracy tool
  - "Montex" & "Class Int." issues with Transit Products

- Patent cases have specific issues
  - "Nuclear Option"?
  - Standarization: TRIPS compliance issues
    - "prima facie infringement evidence" as per 52 TRIPS
  - Release against security is possible (in theory?)
  - License programs: "article 12"- issues
Transit Issues

- Customs Union
  - No Borders

- Transit Procedures
  - Products remain “under Bond” during storage & transport
  - Flexible Clearance Location
  - Products can be traded while in Transit

- Not “IP Union” (unless CTM)
  - National Borders
Transit Issues

ECJ “Class Int.”
- Trademark-owner can not stop EU-entry in transit of infringing products
- Holding goods in transit can be “offering” or “putting on market”
  - If this implies release in free circulation in EU
  - Burden of Proof: trademark-owner

ECJ “Montex/Diesel”
- Products in transit from through A™ to B non™
- Trademark owner can not stop goods
- Unless goods are released into free circulation in A™
Transit Issues

- EC Reg 1383/2003 explicitly covers Transit-Goods
- But: IP Rights are National (unless CTM)
- Article 16:
  "Goods found to infringe an intellectual property right at the end of the procedure provided for in Article 9 shall not be: allowed to enter into the Community customs territory, etc.
- Article 9 does not concern referral to courts
  - Notification by customs to Trademark-owner
  - Assessment of infringement by Trademark-owner
- Fiction: goods deemed to be manufactured in transit country? (Recitals 3295/94)
- ECJ (in “Montex” sub 40): 3295/94 does not contain additional criteria for “infringement”
- Restatement of 1383/2003 required?
Patents: “Nuclear Option”?

- Standardized Technologies
  - Multiple Patentees
  - What is “Essential”?

- No “prima facie” evidence required (but: 52 TRIPS?)

- Adjudication only “Post Fall Out”? 
  - How real is liability for wrongful detention?
  - Where 1383/2002 effectively blocks market access?

- Should 1383/2003 require prior ex parte PI?
Release against security: Patent Cases

- Release against security

- Until preliminary judgment has been obtained
  - Some EU Customs do not decide on amount
  - Effectively: security must be in place quickly
    - NL: prejudgment seizure orders

- Amount: “sufficient to protect patentee’s interests”
  - Very little guidance and precedents available
Customs Information for litigation only

- Information may only be used for litigation or destruction (simplified procedure)

- Information used outside restrictions:
  - Suspension Customs Action’ in relevant EU country
  - Civil liability

- Release after license
  - Contrary to Art 12
  - But: not if settlement agreement (license) is concluded after litigation was started?
US Sec. 337 versus EU 1383/2003

- First Judgement, then Exclusion Order
- Administrative Judge: decision on infringement & validity
- Domestic Industry
- Appeal CAFC
- No lifting of Order after Bond

- First Border Detention then Judgement
- No prior Administrative Check on infringement & validity
- No Domestic Industry requirement
- Appeal (?)
- Border detention lifted after sufficient bond (in theory)
EU Customs Detention vs. US ITC

- WTO DSB Nov 7, 1989  EC vs. US 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 by US Customs
- US vs Foreign infringing products
  - US infringer: defence in patent litigation only
  - Foreign infringer: patent litigation & ITC
Conclusions

- IP is an emerging Trade Barrier
- EC Reg 1383/2003 can be improved
- Separate régime for Patents?