

Building a “Fortress Europe” in the air: A critical review of the European customs enforcement of IPRs

Since the mid-1990s, Europe has been concluding numerous regional trade agreements aimed to liberalize its external trade policy. As a result, observers commonly agree on the fact that “*Fortress Europe has not been built.*”¹ Yet, alongside this lasting liberalization, the EU kept a few protectionist trade barriers amongst which European regulations regarding the customs enforcement of IPRs have played an important role.

Since the 1970s, the trade of “*counterfeit goods*” infringing trademark rights has moved from a craft to an industrial scale.² It has become an endemic illicit traffic affecting severely the US and the EU markets and has generated immense profits for organized crime.³ In order to contain the phenomenon, the US and the EU elaborated a common strategy aimed to secure their markets against goods infringing a trademark by assimilating them to prohibited goods under customs law, that is to say to contraband.⁴ Since 1986, the EU hence adopted four customs regulations which has seek to erect a fortress capable of hampering access to “*counterfeit goods*” to the European market.⁵

However, many commentators have underscored the structural weakness of such a fortress which has not yet managed to curb counterfeiting. One of its principle flaws derives from the fact that customs service controls less than 5% of goods entering the market and are therefore materially unable to stem such endemic traffic.⁶ Yet, the EU and its member states are determined to aggravate border measures against the trade of “*counterfeit goods*”. The purpose of this article is not to question such policy but rather to put it into perspective with the flaws affecting its legal framework.

To start, it is of central importance to have in mind the particular features of such legal framework. It is based on customs regulations aimed to ban the international trade of “*counterfeit goods*”, the definition of which amounting as the lynchpin of the whole system. The distinction between counterfeits and legitimate goods is indeed a determinant factor to assess the conformity of border measures with

¹ Brian T. HANSON, “What Happened to Fortress Europe?: External Trade Policy Liberalization in the European Union”, *International Organization*, 1998, Vol. 52, Issue 1, p. 56.

² P. E. CHAUDHRY, A. S. ZIMMERMAN, *The Economics of Counterfeit Trade : Governments, Consumers, Pirates, and Intellectual Property Rights*, Springer, 2009.

³ Pierre DELVAL, *Le marché mondial du faux. Crimes et contrefaçons*, CNRS éditions, 2010 ; Moisés NAÍM, *Illicit : how smugglers, traffickers and copycats are hijacking the global economy*, Doubleday, 2005 ; Peggy E. CHAUDHRY (Ed.), *Handbook of Research on Counterfeiting and Illicit Trade*, Elgar, 2017 ; Henning GROSSE RUSE-KHAN, “Intellectual property offences”, in *Routledge Handbook of Transnational Criminal Law*, Neil BOISTER, Robert J. CURRIE (Ed.), 2015, Routledge, p. 325.

⁴ Diane E. PREBLUDA, “Countering International Trade in Counterfeit Goods”, *12 Brook. J. Int'l L.* 339, 1986, pp. 359-360; Timothy P. TRAINER, “Intellectual Property Protection along Foreign Borders”, *21 AIPLA Q. J.* 313, 1993, p. 317; Donna L. TRITTER, “The EEC's Attempts to Stop the Importation of Counterfeit Goods”, *12 B. C. Int'l & Comp. L. Rev.* 423, 1989, p. 426; William N. WALKER, “A Program to Combat International Commercial Counterfeiting”, *The Trademark Reporter* 70, n° 2, 1980, pp. 117-133.

⁵ Donna L. TRITTER, “The EEC's Attempts to Stop the Importation of Counterfeit Goods”, pp. 433-434.

⁶ “Among cited deficiencies in the United States' statutory protection of American trademarks was the fact that the mandatory seizure of counterfeit goods afforded by the 1978 amendments to the Tariff Act extended only to imports under Customs' jurisdiction upon entering the United States. This was considered problematic because customs officials are only able to check approximately five percent of all goods which enter the United States”, Diane E. PREBLUDA, “Countering International Trade in Counterfeit Goods”, p. 358; “The problem with the “tip of the iceberg” approach is that it is only a temporary obstacle for manufacturers of illicit goods and those involved in the illegal supply chain. Raids conducted with the aim of freeing the markets from illicit goods provide temporary relief, but do not prevent those acting behind the curtains to relocate their illicit activities elsewhere”, Stefano BETTI, “Key global enforcement issues on illicit trade in goods”, in Peggy E. CHAUDHRY (Ed.), *Handbook of Research on Counterfeiting and Illicit Trade*, p. 34 ; Shari DAWN OLENICK, “Draft International Anticounterfeiting Code: Neo-Realism as a Vehicle for Analyzing the Effect of Non-signatories' Perceptions on the Development of an Anticounterfeiting Norm”, *15 Vand. J. Transnat'l L.* 803, 1982, p. 835.

international trade law. Under the GATT treaty and the TRIPS agreement, the protection of IPRs has been intended as an exception to the free movement of goods. Therefore, border measures affecting the flow of merchandises to exclude “*counterfeit goods*” can be justified under international trade law only if they aim to protect IPRs. As a result, to be legitimately seized and forfeited as “*counterfeit goods*” or “*pirated goods*,” merchandises must be found infringing intellectual property rights as defined within Part II of the TRIPS agreement.

Regarding trademark rights which will be the main focus of this article, Article 2(5) of the European regulation explicitly conforms to TRIPS’s requirement by defining “*counterfeit goods*” as “*goods which are the subject of an act infringing a trademark in the Member State (...)*”.⁷ Indeed, as the European Court of Justice has stressed out in numerous cases⁸, the suspension of the release of goods suspected of infringing a trademark right directly stems from the right holder’s exclusive right.⁹

If this connection between customs regulations and the protection of private rights derives directly from the principle enacted by the TRIPS agreement, it should not, however, be extrapolated. As Xavier Seuba stress out in his book dedicated to the enforcement of IPRs, “*the right to exclude, must be differentiated from rights, institutions and procedures relating to enforcement*” since they are “*norms of different nature and belong to different groups.*”¹⁰ From a normative point of view, there is indeed a substantive difference between the sanction of private rights and the implementation of a customs prohibition aimed to curb the global traffic of “*counterfeit goods.*” The sanction of the exclusive right consist in securing the prerogatives of a trademark owner, whereas the customs prohibition's vocation is to police the international flow of goods.

In this article, we will suggest the EU customs regulation related to the enforcement of IPRs is however not able to distinguish between these two objectives. The reason for such impossibility lies within its ambiguous normative structure. The EU customs regulation indeed confusingly apprehends the infringement of IPRs and the violation of a customs prohibition. We will try to demonstrate such confusion is simply not practical from a legal point of view and that the European customs enforcement of IPRs is in fact built on elusive legal grounds.

To identify the reason for such structural ambiguity we need to look at the roots of the EU customs regulations related to IPRs. It derives from a technical issue faced by the EU at the end of the 1980s while it was trying to implement border measures modeled on the US customs reform of 1978. The core idea of the US reform was to assimilate counterfeiting to contraband to bestow trademark owners with complementary protection based on customs law rather than trademark law. This shift of legal lead the US Congress to confer to the US customs authorities the legal authority to make substantive determinations regarding the infringement of trademarks in order to facilitate the seizure of “*counterfeit goods*” by avoiding to right holders the burdensome of a claim before a Court (§1). We will see that several factors impeded the transplantation of this model within EU law, starting with the fact that European customs authorities are not competent to assess the violation of private rights. As a result, the EU had to elaborate an alternative mechanism based on temporary customs detention of goods suspected to infringe a trademark. As a result, infringing goods are not inherently illicit when they enter the European custom territory but are rather submitted to a “*conditional prohibition*”¹¹ which might later be confirmed by the

⁷ Article 2(5) of the Regulation (EU) n°608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights.

⁸ CJEC, 30 November 2004, aff. C-16/03, *Peak Holding*, pt. 34; CJEC, 15 October 2009, aff. C-324/08, *Makro Zelfbedieningsgroothandel CV*, pt. 21; CJEU, 3 June 2010, aff. C-127/09, *Coty Prestige Lancaster Group GmbH*, pt. 28; CJEU, 12 July 2011, aff. C-324/09, *L'Oréal c. eBay*, pt. 59; CJUE, 17 July 2014, aff. C-535/13, *Honda Giken Kogyo Kabushiki Kaisha c. Maria Patmanidi AE*, pt. 23.

⁹ CJEU, 12 July 2011, aff. C-324/09, *L'Oréal c. eBay*, pt. 60.

¹⁰ Xavier SEUBA, *The Global Regime for the Enforcement of Intellectual Property Rights*, Cambridge University Press, 2017, p. 17.

¹¹ CJEC, 28 May 1998, aff. C-3/97, *Goodwin et Unstead*, pt. 14.

judge while assessing the existence of the infringement of a trademark (§2). In our view, such a “conditional prohibition” is deeply problematic. Only the judiciary is entitled to characterize trademark infringement and therefore entitled to qualify *a posteriori* imported goods as being “counterfeit goods” violating customs prohibition. Without such a judiciary confirmation, the action of customs authorities is therefore lacking a legal ground and rest upon the arbitrary basis of the request of the trademark owner (§3). Puzzling judicial references to the intrinsic illicit character of “counterfeit goods” has recently emerged in Europe to circumvent this ambiguity. Far from solving the issue, such references aggravate the structural default of the European customs enforcement of IPRs which is now tending toward a problematic autonomy from substantive IP law (§4).

§1. How counterfeiting became contraband: the American model

In the 1930s, the US Congress enacted the very controversial *Smith-Hawley* Tariff Act aimed to protect the American market against foreign competition. Since then, Section 526 of the Act has been allowing American owners of a trademark registered in the US to ask customs to ban importation of “grey market goods”, that is to say foreign-manufactured goods bearing a genuine American trademark which are imported into the US without the authorization of the trademark owner.¹²

As it has been pointed out by E. C. Vandenburg¹³, this provision did not seek to protect the trademark owner's exclusive right but rather to serve a protectionist policy securing an exclusive distributorship in the US for trademark owners.¹⁴ This protectionist *ratio legis* behind Section 526 fueled a longlasting controversy exacerbated by the limitation of the provision under the *Sherman Act* in the 1950s and by several attempts of the US Congress to repeal it.¹⁵ The controversy was ultimately settled in the 1980s when the US Supreme Court limited the scope of the protection given by Section 526 to trademark owners.¹⁶

The knowledge of this controversy is crucial since Section 526 served as a basis for the elaboration of a customs ban of counterfeits in the US. At the end of the 1970s, the American private sector was worrying about an unprecedented growth of the flow of counterfeits entering in the US and called for a customs reform to curb the phenomenon¹⁷. The existing legal framework was unsatisfactory to rights-holders because they could only resort to trademark law to ban the import of “counterfeit goods.” As a result, they had to initiate an action before a Court to obtain the ban of “counterfeit goods” by customs.¹⁸ To address this issue, the US Congress amended Section 526 in order to allow customs to ban and seize not only “grey market goods” but “counterfeit goods” too.¹⁹ The purpose of the amendment was “to declare counterfeit

¹² Customs and Border Patrol report, *Enforcement of Intellectual Property Rights*, 2012, p. 9.

¹³ E. C. VANDENBURGH, “The Problem of Importation of Genuinely Marked Goods Is Not a Trademark Problem”, *49 Trademark Rep.*, 1959, p. 707 et s.

¹⁴ *Dorothy Sturge v. Clark D. Pease, Inc. et al.*, 48 F. 2d 1035, 8 USPQ 375, 377, 21 TMR 283 (C.C.A. 2, 1931) ; W. W. WILSON, “Parallel Importation - Legitimate Goods or Trademark Infringement”, *18 Vand. J. Transnat'l L.*, 1985, p. 551.

¹⁵ John F. ATWOOD, “Import Restrictions on Trademarked Merchandise - The Role of the United States Bureau of Customs”, *59 Trademark Rep.*, 1969, p. 301 ; Maureen BEYERS, “Greying of American Trademarks : The Genuine Goods Exclusion Act and the Incongruity of Customs Regulation”, *19 C.F.R.--133.21*, *54 Fordham L. Rev.* 83, 1985 ; Pierrette Alyssa NEWMAN, “The United States Customs Service's Regulation of Grey Market Imports: Does it Preserve the Broad Protections Afforded by Section 526 of the Tariff Act of 1930?”, *Penn State International Law Review*, 1987, Vol. 5, n° 2, Article 7 ; C. TILLMAN, “Lever Brothers Corp. v. United States: An Expansion of Trademark Protection beyond the Limits of *K Mart Corp. v. Cartier, Inc.*”, *North Carolina Journal of International Law and Commercial Regulation* 18, n° 3, Summer 1993, pp. 693 et s.; D. E. DONNELLY, “Parallel trade and international harmonization of the exhaustion of rights doctrine”, *13 Santa Clara High Tech. L.J.*, 1997, p. 455.

¹⁶ Andrea L. HARRIS, “*K Mart Corp. v. Cartier, Inc.*: Limiting the Protection of Section 526 of the Tariff Act of 1930”, *14 N.C. J. Int'l L. & Com. Reg.*, 1989, p. 163.

¹⁷ William N. WALKER, “Private Initiative to Thwart the Trade in Counterfeit Goods”, *The World Economy*, Vol. 4, n° 1, 1981, pp. 29 et s.

¹⁸ Diane E. PREBLUDA, “Countering International Trade in Counterfeit Goods”, *12 Brook. J. Int'l L.*, 1986, p. 356.

¹⁹ *Customs Procedural Reform Act of 1978*, Pub. L. No. 95-410, 92 Stat. 888, 903- 04, 19 U.S.C. § 1526 (Supp. V. 1981).

merchandise to be contraband and to bring against it all of the sanctions provided by United States customs laws (...). Taken together, these provisions provided powerful new weapons for trademark owners to deploy against counterfeit imports outside traditional Lanham Act and state unfair competition law approaches".²⁰

It is of central importance to underline the autonomous and complementary nature of this customs protection bestowed to American trademark owners. The action of the US customs authorities regarding "counterfeit goods" is indeed legally based on the violation by the importer of Section 526 which refers to the *Lanham Act* concerning the definition of counterfeits without being attached to it. A short detour to constitutional law is needed to shine a light on this particular feature of the US customs law. The US customs are part of "regulating powers" which are endowed by Congress with extensive quasi-judicial competences more or less ignoring the European distinction between Public Law and Private Law.²¹ Therefore, "as an administrative agency with law enforcement powers, [The US Customs] have the powers of search, seizure, and arrest, and the legal authority to make substantive determinations regarding infringement of trademarks".²² In other words, the US customs are competent to assess the infringing nature of "counterfeit goods" as soon as they enter US territory and are entitled to seize and forfeit such goods on the sole ground of their regulatory prohibited character without a judicial court being involved.

As it has been pointed out by some American observers, this particular feature of US law "which delegate significant administrative discretion to the Customs Service, are not suitable for most European governments whose legal systems are organized upon civil codes and where administrative discretion is much more narrowly circumscribed".²³ The EU has therefore not been able to assimilate properly the American customs regulation is resorted to as a model.²⁴

§2. The ambiguous transplantation of the American model in Europe

Inspired by the US customs reform of 1978, the European community and its members quickly embraced the need for global harmonization of border measures against "counterfeit goods".²⁵ Europe adopted in 1986 its first customs regulation related to IPRs which imposed on member states to suspend the release of goods suspected to infringe a trademark registered in Europe.²⁶ This regulation was inspired by Section 526 of the US *Tariff Act* but differed from it on one major aspect. The regulation of 1986 did not impose on member states an obligation to assign the task to suspend suspected infringing goods to customs authorities. As a result, all member states but France, the UK and Germany assigned such a task to their judiciary which was the natural body competent to assess the infringement of a "subjective right." The regulation ended up to be ineffective and some member states like France soon called for an amendment of it in order to avoid border measures to be governed by the judiciary.²⁷

²⁰ William N. WALKER, "A Program to Combat International Commercial Counterfeiting", *The Trademark Reporter* 70, n° 2, 1980, pp. 127-128.

²¹ R. DAVID, J. E. C. BRIERLEY, *Major Legal Systems in the World Today*, Stevens & Sons, 1985, pp. 448-449; John Henry MERRYMAN, "The Public Law-Private Law Distinction in European and American Law", *17 J. Pub. L.*, 1968, p. 11.

²² *Customs and Border Patrol report, Enforcement of Intellectual Property Rights*, 2012, p. 6.

²³ William N. WALKER, « A Program to Combat International Commercial Counterfeiting », *The Trademark Reporter* 70, n° 2, 1980, p. 129.

²⁴ Donna L. TRITTER, "The EEC's Attempts to Stop the Importation of Counterfeit Goods", *12 B. C. Int'l & Comp. L. Rev.* 423, 1989, p. 433.

²⁵ *Ibid.*

²⁶ Council Regulation (EEC) No. 3842/86 of 1 December 1986 laying down measures to prohibit the release for free circulation of counterfeit goods

²⁷ Rapport n° 229 (1993-1994) de Mme Anne HEINIS, fait au nom de la commission des affaires économiques, déposé le 11 janvier 1994.

In 1994²⁸, a second regulation was enacted and the suspension of the release of suspected infringing goods henceforth rested upon the sole competence of member states customs authorities. Besides, the scope of the regulation was expanded to cover new IPRs and article 2 of the regulation broadly prohibited *“the release for free circulation, export, re-export or placing under a suspensive procedure of goods found to be counterfeit.”*²⁹ Its scope was expanded again in 2003 and in 2013. At the request of a trademark owner, the EU customs are henceforth entitled to suspend the release of goods suspected to infringe a trademark registered in Europe up to ten days. During this period, the owner of the trademark may either ask for the destruction of suspected *“counterfeit goods”* if the importer consent to it, or initiate proceedings before a court to determine whether a trademark right has been infringed.³⁰ Nowadays, more than 90% of applications submitted to customs authorities by trademark owners lead to the destruction of suspected *“counterfeit goods”* without any proceedings being initiated before a court.³¹

The definition of *“counterfeit goods”* is therefore particularly important since it governs the intervention of the Customs authorities. In this respect, there is a fundamental difference between the American and the European systems. As we have stressed it out before, the US Congress gave American customs legal authority to evaluate infringement of trademarks which does not amount to the violation of an abstract *“subjective right”* but which is rather materially defined by the customs regulation as the importation of two kinds of goods. First, the US customs service are entitled to ban *“restricted gray market articles”* which are defined as foreign-manufactured goods bearing a genuine American trademark imported into the U.S. without the authorization of the U.S. trademark owner.³² Secondly, Customs may ban goods bearing either *“copying or simulating”* marks which *“resemble a recorded mark or name as to be likely to cause the public to associate the copying or simulating mark or name with the recorded mark or name”* or *“counterfeit marks”* which are *“spurious marks which are identical with, or substantially indistinguishable from, a registered mark”* filed within the customs' database.³³

On the contrary, the European has defined *“counterfeit goods”* in an abstractive way. They are defined as goods *“which are the subject of an act infringing a trademark in the Member State where they are found and bear without authorization a sign which is identical to the trademark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trademark.”*³⁴ Therefore, suspected *“counterfeit goods”* are merchandises suspected by customs authorities to infringe a trademark registered in the EU.³⁵

In continental law, the notion of infringement refers to the violation of a *“subjective right”* substantially defined by the law and the sanction of which has been deeply rooted within the institutional system of

²⁸ Council Regulation (EEC) No. 3295/94 of 22 December 1994 lays down measures to prohibit the release for free circulation, export or transit of counterfeit and pirated goods in the single market.

²⁹ Article 2 of the Council Regulation (EEC) No. 3295/94 of 22 December 1994 lays down measures to prohibit the release for free circulation, export or transit of counterfeit and pirated goods in the single market.

³⁰ Article 23 of the Regulation (EU) No. 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights.

³¹ *Report on the EU customs enforcement of intellectual property rights: Results at the EU border*, 2017, pp. 11-12.

³² 19 CFR § 133.23.

³³ 15 U.S. Code § 1127 and 19 U.S. Code § 1526. *“Legal authority is the vehicle for overall U.S. Customs efforts to protect copyrights and trademarks. However, to efficiently carry out this task, Customs must rely on the availability of sophisticated equipment in its laboratories, trained personnel and a nationwide electronic-network which has the capability to store information regarding each of more than 15,000 copyrights and trademarks recorded with Customs. Legal authority, trained personnel and sophisticated equipment allow Customs to take a proactive approach to the protection and enforcement of intellectual property”*, Timothy P. TRAINER, *“Intellectual Property Protection along Foreign Borders”*, 21 *AIPLA Q. J.* 313, 1993, p. 317

³⁴ Article 1 of the Regulation (EU) No. 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights.

³⁵ Article 17 of the Regulation (EU) No. 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights.

civil actions.³⁶ According to the EU law, a registered trade mark hence confers on its proprietor the exclusive right to prevent all third parties, acting without his consent, from using in the course of trade a sign which is identical to the trade mark in relation to goods which are identical to those for which the trade mark is registered.³⁷ The infringement of such exclusive right depends on its existence and enforceability which is assessed by a Court during an action on the merit. Therefore, the EU customs regulation entitles customs services to control merchandises entering the EU customs territory on the ground of a suspicion of an infringement of which they are paradoxically neither able nor entitled to appreciate the existence.

As a result, the European Court of Justice has excluded “*counterfeit goods*” from the category of intrinsic illicit goods considering “*although transactions involving counterfeit products infringe intellectual property rights, any consequential prohibition is not linked to the nature or essential characteristics of such products, but to their detrimental impact on the rights of third parties*”, and stated further that “*the prohibition on counterfeit products, which stems from the fact that they infringe intellectual property rights, is conditional, not absolute as in the case of narcotics or counterfeit currency*.”³⁸ To assess the violation of this “*conditional prohibition*”, member states’ customs authorities may count on the assistance of right-holders whom applications encompass information needed to enable the Administration to readily identify “*counterfeit goods*.”³⁹ As a commentator put it bluntly, the customs authorities have therefore become an “*economic police*”⁴⁰ which has been “*asked to protect purely private interests (those of proprietors of registered trademarks) and not the general interest of the European Community what is giving the embarrassing impression that the entire system (...) is built on a fundamental ambiguity*.”⁴¹

Regardless of this fundamental ambiguity, the EU system appears to function quite well from a practical point of view. The European customs enjoy similar competencies those given to the US customs service and are in fact operating more cases than their American counterparts.⁴² From a legal perspective, however, the broad implementation of such “*conditional prohibition*” is fueling more and more litigations leading to contested legal findings which might jeopardize European customs enforcement of IPRs in the longer term.

§3. The risk of abuse underlying the European customs enforcement of trademark rights

We saw that the founding principle of the customs enforcement of IPRs in Europe has consisted of assimilating counterfeiting with contraband. “*Counterfeit goods*” are therefore prohibited goods which can be banned by authorities as soon as such goods enter the customs territory.⁴³ The issue is this customs

³⁶ Geoffrey SAMUEL, « “Le Droit Subjectif” and English Law », *The Cambridge Law Journal*, Vol. 46, n° 2, July 1987, pp. 264-286; Henri MOTULSKY, « Le droit subjectif et l'action en justice », *Archives de Philosophie du Droit*, Sirey, 1964, p.215-230.

³⁷ Article 10 of the Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks.

³⁸ CJCE, 28 mai 1998, aff. C-3/97, *Goodwin et Unstead*, pt. 14.

³⁹ Article 6 of the Regulation (EU) No. 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights.

⁴⁰ C.-J. BERR, H. TREMEAU, *Le droit douanier communautaire et national*, Economica, 7^e éd., 2006, n° 17, p. 11.

⁴¹ [Traduction libre]. « (...) l'administration est ici invitée à protéger de purs intérêts privés (ceux des titulaires de marques déposées) et non les intérêts généraux de la Communauté. D'où, peut-être, l'impression un peu gênante que suscite l'ensemble d'un système dont l'expérience montrera, s'il doit réellement fonctionner, l'ambiguïté fondamentale », Claude-J. BERR, « Chronique de Droit douanier », *La Semaine Juridique Entreprise et Affaires* n° 28, 20 Juillet 1989, 15552.

⁴² In 2016, the EU customs recorded 63 184 cases related to IPRs infringements at the border whereas the US CDB recorded only 31 560 cases. See the *Report on the EU customs enforcement of intellectual property rights: Results at the EU border*, 2017 and Report of Homeland Security, *Intellectual Property Rights Seizure Statistics Fiscal Year 2017*, p. 2.

⁴³ “*Goods brought into the customs territory of the Union shall, from the time of their entry, be subject to customs supervision and may be subject to customs controls. Where applicable, they shall be subject to such prohibitions and restrictions as are justified on grounds of (...) the protection of industrial or commercial property, including (...) goods infringing certain intellectual property rights*”, Article

territory does not coincide with the 'territory' underlying the principle of territoriality governing IPRs' infringements.

According to this longlasting principle, "*IP rights are not universal, but are limited in their effect to the territory of the state under which they have been granted*".⁴⁴ Within the EU, this territory may be either the territory of a Member state if the exclusive right has been granted nationally or the EU territory if the claim is about a European trademark. As a result, for the violation of a European/national trademark right to be recognized, an act of infringement must have been committed within the scope of these territories.

But when a good is entering into the customs space, it is not reaching these territories yet. At first glance, it seems that no acts of infringement can be committed within the required territorial space in the sense of the principle of territoriality. The solution to this paradox is found at the article 9 of the trademark regulation which states that "*the registration of an EU trade mark shall confer on the proprietor exclusive rights (...)*" allowing him "*to prevent all third parties from « importing or exporting the goods under the sign »*" used in the course of trade without his consent. Therefore, an act of infringement can be characterized at the border even though goods won't reach the European territory. Customs enforcement of IPRs is indeed performing a preventive function which consists of blocking "*infringing goods*" before they can access the European market.

This preventive action is however problematic regarding certain kind of goods. For instance, goods which are only transiting through the EU to be licitly put on sale in a third-country territory may fall under this provision if they are bearing a sign registered in the EU. In the *Philips* case, the European Court of justice addressed this specific issue. The Court conditioned the validity of customs' intervention to the demonstration by right-holders that transiting goods were going to be illicitly diverted and put on sale in the European market.⁴⁵

But for some member states like France whose customs proceedings related to IPRs essentially concerned products transiting through Europe, this decision had a huge adverse impact on its customs service's results regarding counterfeiting.⁴⁶ As a result, intense lobbying has been conducted to obtain a reversal of this decision. They succeeded in 2015 with the adoption of the trademark package reform.⁴⁷ According to article 9(4) of the new regulation and article 10(4) of the new directive,⁴⁸ right holders are henceforth entitled "*to prevent all third parties from bringing goods, in the course of trade, into the Union without being released for free circulation there, where such goods, including packaging, come from third countries and bear without authorization a trade mark which is identical with the EU trade mark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trade mark.*"⁴⁹ Commentators stressed the risk of arbitrary use of such prerogatives by right-holders and questioned the conformity of these provisions with international trade law, especially with article V of the GATT treaty guaranteeing the

134 of the Regulation (EU) No. 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code.

⁴⁴ Annette KUR, Thomas DREIER, *European Intellectual Property Law Text, Cases and Materials*, Edward Elgar 2013, p. 12.

⁴⁵ CJUE, 1 December 2011, aff. C-446/09 et C-495/09, *Philips*.

⁴⁶ Xavier BUFFET DELMAS d'AUTANE, Jules FABRE, « Nouveautés, clarifications, carences et incertitudes du dispositif de lutte contre la contrefaçon tel que renforcé par la loi n° 2014-315 du 11 mars 2014 », *Propriété industrielle* n° 5, Mai 2014, étude 12, n° 26 ; Nicole VULSER, « Contrefaçon : le luxe souffre des lacunes de la législation européenne », *Le Monde*, 24 mai 2013.

⁴⁷ Yann BASIRE, « La réforme du droit des marques en Europe : quid novi ? », *Europe* n° 5, Mai 2016, étude 4, n° 12; Carl DE MEYER, Carina GOMMERS, "Moving forward: the new trade mark provisions on goods in transit", *Journal of Intellectual Property Law & Practice*, 2016, Vol.11, Issue 10, pp. 739-744.

⁴⁸ Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks.

⁴⁹ Article 9(4) of the Regulation (EU) 2015/2424 of the European Parliament and the Council amending the Community trade mark regulation.

freedom of transit.⁵⁰ In our view, these concerns which are focused on goods in transit should be broadened to include goods under every kind of customs status. The European customs enforcement of IPRs is indeed affected with a structural flaw. Since the customs authorities are not granted with the legal authority to assess the illicit character of goods, they are operating on the sole basis of the request of right-holders. That offers the potential for abuse, especially in the absence of effective safeguards as requested by the TRIPS agreement.

According article 41 of the TRIPS agreement, signatory states are required to adopt border measures that are fair and equitable and that are not unnecessarily complicated or costly, or that entail unreasonable time-limits or unwarranted delays and to apply them “*in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.*”⁵¹ We suggest the EU customs regulation related to IPRs does not contain such safeguards.⁵² A brief look at the remedies offered to the importer in the US may underscore such a statement. In the US, the importer looking to challenge the customs detention of his merchandises suspected to be “*counterfeit goods*” have several remedies. He may of course initiate a claim before a Court to challenge the infringing nature of his goods. He may also file a petition for administrative relief of his goods to the Port Director of Customs Border Patrol. If his petition is dismissed, he can appeal against the administration’s refusal before the *International Trade Court* which is not a judicial court but an administrative agency able to settle customs cases in an expeditious manner. In contrast, the importer looking to contest the detention of his goods by EU customs cannot challenge customs’ intervention through an *administrative* proceeding but have to file a claim before a judicial court in order to prove his merchandises are not infringing an IPRs in Europe, even though his goods are only transiting through Europe. However, if no infringement is found by the Court to exist, the importer is entitled to ask for compensations to the right-holder on the ground of the illegality of the customs’ detention of his goods.⁵³

The burden on the importer is therefore incredibly heavy, especially in comparison with the few conditions imposed on right-holders to request the detention and the destruction of suspected “*counterfeit goods.*” In our opinion, this imbalance could easily lead to abuses. The famous dispute about in-transit medicines is a patent illustration of such a risk of arbitrary use of border measures by right-holders. In 2008, Dutch customs seized generic medicines temporary stored in Rotterdam whilst transiting from India to Brazil. Customs intervened at the request of the European patent holder who wanted to impede the sale of the generic medicines in Brazil which would have been perfectly legal under patent law. India and Brazil consequently filed a complaint at the WTO based on the illegality of such seizures notably claiming a violation by the EU of article 41 of the TRIPS agreement. Eventually no panel was established since the parties settled the dispute diplomatically leaving “*unanswered the complex legal and technical questions raised by the detentions of pharmaceuticals in transit.*”⁵⁴ In any case, the conformity of the EU

⁵⁰ Henning GROSSE RUSE-KHAN, *The Protection of Intellectual Property in International Law*, Oxford Press, 2016, pp. 291-315; Xavier SEUBA, *The Global Regime for the Enforcement of Intellectual Property Rights*, Cambridge University Press, 2017, p. 335 ; Annette KUR, “The EU Trademark Reform Package - (Too) Bold a Step Ahead or Back to Status Quo”, *19 Marq. Intell. Prop. L. Rev.* 15, 2015, pp. 35-36; Brook K. BAKER, “Settlement of India/EU WTO Dispute re Seizures of In-Transit Medicines: Why the Proposed EU Border Regulation Isn't Good Enough”, *PIJIP Research Paper n° 2012-02, American University Washington College of Law*, pp. 5-6.

⁵¹ Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

⁵² A concern that lies at the core of the TRIPS agreement: “*It is obvious that it is beyond the authority and competence of customs to determine an IP infringement. Authorizing customs to determine IP infringement may result in unpredictability and constitutes barriers to legitimate trade. If customs were to exercise such powers, the process of determining IP infringement at the border may not be ‘fair and equitable’ as required by Article 41(3) of TRIPS*”, X. LI, “Ten general misconceptions about the enforcement of intellectual property rights” in *Intellectual Property Enforcement International Perspectives*, X. LI, C. M. CORREA (ed), South Centre, Edward Elgar Publishing, 2009, pp. 38-39 ; C. M. CORREA, *Trade Related Aspects of Intellectual Property Rights A Commentary on the TRIPS Agreement*, Oxford University Press, 2007, p. 439.

⁵³ Article 28 of the Regulation (EU) No. 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights.

⁵⁴ Bryan MERCURIO, “‘Seizing’ Pharmaceuticals in Transit: Analysing the WTO Dispute that Wasn’t”, *International and Comparative Law Quarterly*, Vol 61, 2012, p. 390.

regulation with article 41 of the TRIPS agreement would have depended on the infringing nature of goods. Indeed, in the case were goods “*turn out not to infringe any IPRs, the EU would have had a difficult time persuading the panel that its enforcement measures did not create barriers to legitimate*” trade.⁵⁵

This risk has been addressed by the trademark package of 2015 according to which goods transiting through Europe and bearing a trademark registered in Europe may be considered as “*infringing goods*.”⁵⁶ Far from being an isolated fact, this extension of the scope of trademark infringement to cover goods in transit reflects a general tendency in Europe consisting of broadening the notion of infringement in order to grant customs' seizures of “*counterfeit goods*” with a legal ground. In our view, such a trend illustrates the structural ambiguity of the EU system which has been addressed through the puzzling judicial reference to the intrinsic illicit nature of “*counterfeit goods*.”

§4. The puzzling judicial reference to the intrinsic illicit nature of “*counterfeit goods*”

As we previously stated, the European customs regulation of 2013 has defined “*counterfeit goods*” as goods infringing a European trademark, that is to say, violating the exclusive right of the owner of a trademark registered in Europe. As a matter of fact, such assumption is erroneous since “*counterfeit goods*” are not necessarily “*infringing goods*” within the meaning of the IP substantive law. The *Blomqvist* case would be a good illustration of such a statement.

In 2010, Martin Blomqvist ordered online from a Chinese website a watch imitating the luxury brand Rolex. The watch was sent to his home in Denmark by postal service but was intercepted by Danish customs. The customs service suspected the watch to infringe EU trademark right of Rolex and therefore to be a “*counterfeit goods*”. Rolex confirmed to customs the watch was not a genuine product and initiated proceeding to obtain its destruction. However, Martin Blomqvist opposed such destruction and filed a claim before a Danish court. His claim was based on the fact that he bought the watch for his private use only. As a result, no infringement could have occurred within the EU territory since the registered sign has not been used in the course of trade in Europe. His appeal was rejected, and the case was later referred to the European court of justice. The Court had to determine if the purchase by a consumer of an infringing product from a foreign website which did not target the European market amounted for the consumer to use the registered sign in the course of trade. If so, the fake watch would be characterized as a “*counterfeit goods*” within the sense of the EU customs regulation and Martin Blomqvist would not be entitled to oppose to its destruction by customs.

The Court first reminded “*counterfeit goods*” are defined by customs regulation “*to cover infringements of a trademark (...) which applies pursuant to European Union legislation or pursuant to the domestic law of the Member State in which the application for action by the customs authorities is made*” and that “*the customs regulation introduces no new criterion for the purposes of ascertaining the existence of an infringement of intellectual property rights*.”⁵⁷ Therefore, the fake watch can be qualified as a “*counterfeit good*” only if the sale of this watch from a Chinese website has infringed the trademark of Rolex in Europe within the sense of the EU law.

⁵⁵ *Ibid.* p. 403.

⁵⁶ Henning GROSSE RUSE-KHAN, *The Protection of Intellectual Property in International Law*, Oxford Press, 2016, p. 295.

⁵⁷ CJEU, 6 February 2014, C-98/13, *Martin Blomqvist c. Rolex SA*, pt. 24-25.

According to the *L'Oréal* decision, “the mere fact that a website is accessible from the territory covered by the trade mark is not a sufficient basis for concluding that the offers for sale displayed there are targeted at consumers in that territory” and that an infringement occurred in Europe.⁵⁸ Since the fake watch was sold by a Chinese website which was not targeting the EU market, the offer for sale did not occur in Europe according to the criteria stated above and Martin Blomqvist hence did not use the sign in the course of trade. The Court circumvented this obstacle by referring to its *Philips* decision in which it stated that “the rights (...) protected may be infringed where, even before their arrival in the territory covered by that protection, goods coming from non-member States are the subject of a commercial act directed at consumers in that territory, such as a sale, offer for sale or advertising”.⁵⁹ The Court then concluded the sole acquisition of the fake watch by Martin Blomqvist infringed the EU trademark of Rolex regardless of the fact he bought the watch from a foreign website which did not target the EU market. According to the Court, the right-holder enjoys the protection afforded by the customs regulation at the time when goods enter the territory of that Member State merely by virtue of the acquisition of those goods.⁶⁰

Obviously, the watch was a counterfeit and Rolex had a good reason to ask customs to ban the import of such a good within the EU territory. The issue is however the watch was not an infringing good according to the EU law. In our view, the reasoning of the Court may indeed be challenged. It seems to us the Court has twisted the solution enshrined within the *Philips* case. According to this decision, customs intervention was legally grounded if the right-holder had demonstrated that goods in transit were going to be diverted to the EU market and “counterfeit goods” were going to be offered for sale to European consumers. Hence, customs were entitled to seize such transiting goods because of acts of infringement were about to be committed within the EU territory.

On the contrary, in the *Blomqvist* case, the customs intervention is not prior but posterior to the sale of the fake watch which occurred outside the European market based on the *L'Oréal* decision. Therefore, there was no act of infringement committed within the EU territory. The court unwittingly admitted it when it stated that the sale of the watch would have infringed Rolex's trademark if such sale would have occurred within the territory of a member state.⁶¹ Precisely because it did not, no act of infringement occurred in Europe and a fake watch embodying what a *counterfeit* is could not be ban by the EU customs.

To solve this paradox, the Court stated the customs regulation is enforceable against “counterfeit goods” entering the EU territory “merely by virtue of the acquisition of those goods,” even though such acquisition does not amount to an act of infringement according to the trademark directive. In our opinion, such a reasoning amounts to assume “counterfeit goods” have an intrinsic illicit nature, the content of which has however not been defined. National courts tend to resort to a similar reasoning regarding “counterfeit goods.” For instance, Netherlands jurisdictions developed the “manufacturing fiction” to grant customs authorities with a legal ground to detain goods transiting in the EU.⁶² From a questionable interpretation of the customs regulation of 2003, the Hague Court considered the absence of acts of infringement in Europe may be irrelevant to customs intervention in the case where transiting goods would have been characterized as infringing goods if they would have been manufactured in Europe.⁶³ The French Court

⁵⁸ CJEU, 12 July 2011, aff. C-324/09, *L'Oréal*, pt. 64.

⁵⁹ CJEU, 6 February 2014, C-98/13, *Martin Blomqvist c. Rolex SA*, pt. 33-35; CJUE, 1 December 2011, aff. C-446/09 et C-495/09, *Philips*, pt. 78.

⁶⁰ CJEU, 6 February 2014, C-98/13, *Martin Blomqvist c. Rolex SA*, Pt. 35.

⁶¹ *Ibid.* Pt. 30.

⁶² Brook K. BAKER, “Settlement of India/EU WTO Dispute re Seizures of In-Transit Medicines: Why the Proposed EU Border Regulation Isn't Good Enough”, *PIJIP Research Paper n° 2012-02, American University Washington College of Law*, pp. 5-6; Henning GROSSE RUSE-KHAN, Thomas JAEGER, “Policing Patents Worldwide? EC Border Measures against Transiting Generic Drugs under EC - and WTO Intellectual Property Regimes”, *IIC - international review of intellectual property and competition law*, 2009, 40(5), p. 502.

⁶³ “It is a truly remarkable theory under which Dutch law is deemed to be violated by actions taking place in another country, e.g. India, as if those actions had taken place in the Netherlands. It is hard to imagine greater departure from the principle of independence

de cassation recently adopted a similar approach in two decision related to the validity of customs proceedings against “*counterfeit goods*”.⁶⁴ The French customs have detained suspected “*counterfeit goods*” imported from China during more than ten days without the trademark owner initiating a claim before a Court as requested by the EU customs regulation. The Court de Cassation had, therefore, to decide if such customs seizure was valid. The Court identified the importation of “*counterfeit goods*” as being the customs offense of importation of prohibited goods under the French customs code and therefore concluded that right-holder had not to initiate a claim before a court to demonstrate an infringement of his trademark. Detained goods were hence qualified as “*counterfeit goods*” without a trademark infringement being characterized by a Court.

As we have seen in the introduction of this article, border measures against “*counterfeit goods*” conform with international trade law only if such measures tend to protect IPRs. In this respect, references to intrinsic illicit nature of “*counterfeit goods*” based on either a legal fiction or on a self-referential prohibition are problematic since they tend to recognize to European border measures against counterfeiting an autonomy from substantive IP law. Indeed, according to the Court de Cassation “*counterfeit goods*” are not infringing goods anymore but rather belong to the broad category of prohibited goods under customs law. This reasoning would have worked if the EU customs service were granted with the legal authority to assess the violation of this customs prohibition. However, without such legal authority, the reference to the intrinsic illicit nature of “*counterfeit goods*” amounts to a legal sleight of hand which barely conceal that the “*Fortress Europe*” has been built in the air.

Conclusion

That has not been our intent to ignore the blooming nature of the trade of “*counterfeit goods*” or to question the need and the urge for an effective legal answer to it. By pointing out the EU customs regulation's flaws, we are rather advocating for a reform of its legal framework in order to improve the efficiency of the fight against counterfeiting.

As we have seen, the EU customs are placed in a situation of legal uncertainty regarding counterfeiting. We have tried to demonstrate the cause of this legal uncertainty lies within the ambiguous definition of “*counterfeit goods*” enshrined within the EU customs regulation. By defining customs prohibited goods as goods infringing a “*subjective right*”, the EU regulation has denied customs service with the legal authority to enforce what should have been elaborated as a legal prohibition. The EU customs' interventions are in fact happening on the sole ground of the request of right-holders who may abuse their discretionary prerogative. Such abuse may impede legitimate trade and lead to a claim before the WTO as the seizing of generic medicines in Rotterdam has shown.

These risks of abuse and condemnation before the WTO are compounded by the puzzling reference to an intrinsic illicit character of “*counterfeit goods*” made by European Courts in recent decisions. According to these decisions, “*counterfeit goods*” are to be seized by customs on the sole ground of their so-called

of patents than the “manufacturing fiction” that is said to support a finding of infringement of a Netherlands patent by an action in India. (...) It is also difficult to imagine what the international legal system will be like if the “fictional acts” theory of jurisdiction becomes widely adopted”, Frederick M. ABBOTT, “Seizure of Generic Pharmaceuticals in Transit Based on Allegations of Patent Infringement: A Threat to International Trade, Development and Public Welfare”, *World Intellectual Property Organization Journal (WIPO)*, 2009, Vol. 1, p. 48.

⁶⁴ Cass. com., 5 juill. 2017, n° 16-13.698, LEPI 9/2017, obs. D. LEFRANC ; PIBD 2017, n°1079, III, p. 654; Cass. Com. 7 mars 2018, n° 16-24.851 ; Karine DISDIER-MIKUS, « Saisie de marchandises contrefaisantes, lorsque le droit douanier prend le pas sur le droit de la propriété intellectuelle », *Dalloz IP/IT*, 2018, p. 428.

intrinsic illicit character which is not legally defined. In our opinion, such puzzling decisions underline the need for a major reform of the legal framework behind the EU customs enforcement of IPRs. As some American commentators predicted it in the 1980s, the EU has indeed a complex and original institutional framework that prevents it from assimilating properly the customs system developed by the US. A reform of the EU customs enforcement of IPRs should, therefore, encompass a deep renewing of the foundations of the *“Fortress Europe”*.