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# Border Enforcement in the US and EU

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# What is the U.S. International Trade Commission (“ITC”)?

- Independent nonpartisan, quasi-judicial federal agency
- Administers U.S. Trade remedy laws
- Provides U.S. Trade Representative and Congress with independent advice and information on matters of international trade and competitiveness
- Administers import injury investigations
- Oversees intellectual property-based import investigations under §337 of Tariff Act of 1930



## Section 337 Investigations

- May be based on any unfair act in the importation of articles into the United States
- Are most frequently used in patent cases involving imports that are alleged to infringe a U.S. patent
- Have also been based on Trademarks, Copyrights, Trade Secrets, Gray Market Goods, Unfair Competition, and Anti-Trust Violations, among others

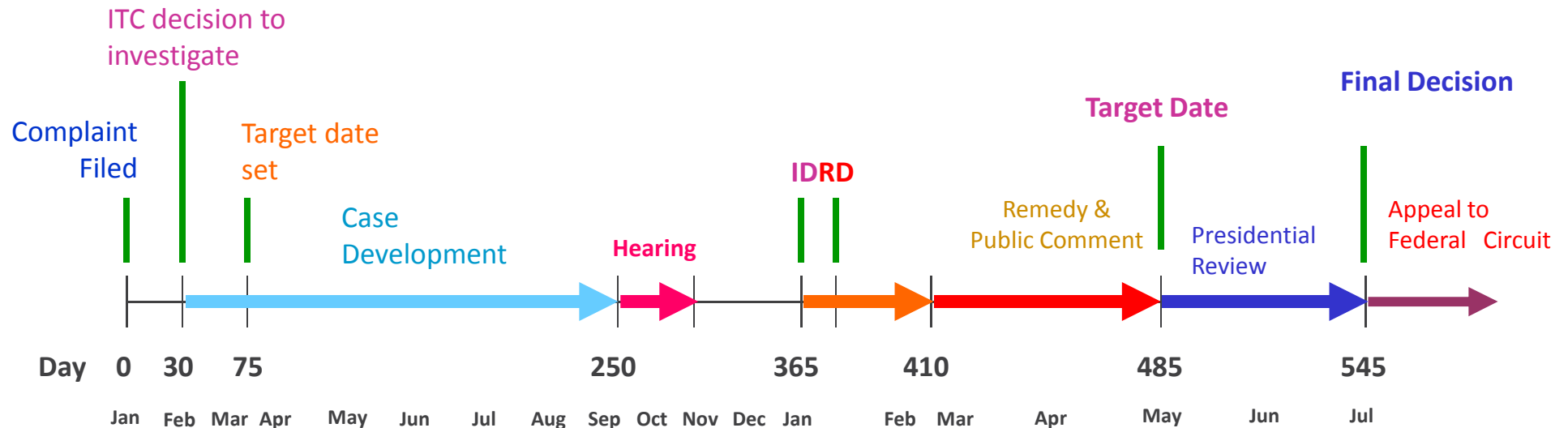
# Elements of a Section 337 Case

- To succeed, a complainant must establish:
  - existence of a domestic industry
  - importation of products by a respondent
  - unfair act (such as infringement of a U.S. patent)

# Domestic Industry Requirements

- Requirements for existence of a domestic industry
  - Activities must relate to the patent at issue or articles protected by the patent
- A domestic industry exists in the U.S. if, with respect to the articles protected by the patent, there is in U.S. either
  - Significant investment in plant and equipment
  - Significant employment of labor or capital, or with respect to the asserted patent or
  - Substantial investment in its exploitation; including engineering, research and development, or licensing
- Manufacturing in U.S. not required
- Sales and marketing alone not enough

# Timeline of an ITC 337 Investigation



Based on 15 month target date (typical range is 12-16 months)

## Case Development Process

- Discovery
- Experts
- Motions
- Settlement Conferences (3-4)
- Summary Determinations
- Hearing preparation

## Notes

- Target Date = date for final ruling by ITC
- ID = Initial Determination on liability
- RD = Recommended Determination on Remedy
- 45 day ID review period

# Remedies Under Section 337

- No monetary damages
- Exclusion Orders
  - Directed to U.S. Customs to exclude goods from entering U.S.
  - A general exclusion order prohibits importation of all infringing goods, including those of third parties
  - A limited exclusion order prevents entry of a particular company's goods
    - A limited exclusion order is not limited to specific models found to infringe
- Cease & Desist Orders
  - Only against named U.S. respondents, prevent “stockpiling”
  - Prevents sale, distribution or infringing use of imported products
  - Complainant must show “commercially significant” U.S. inventory



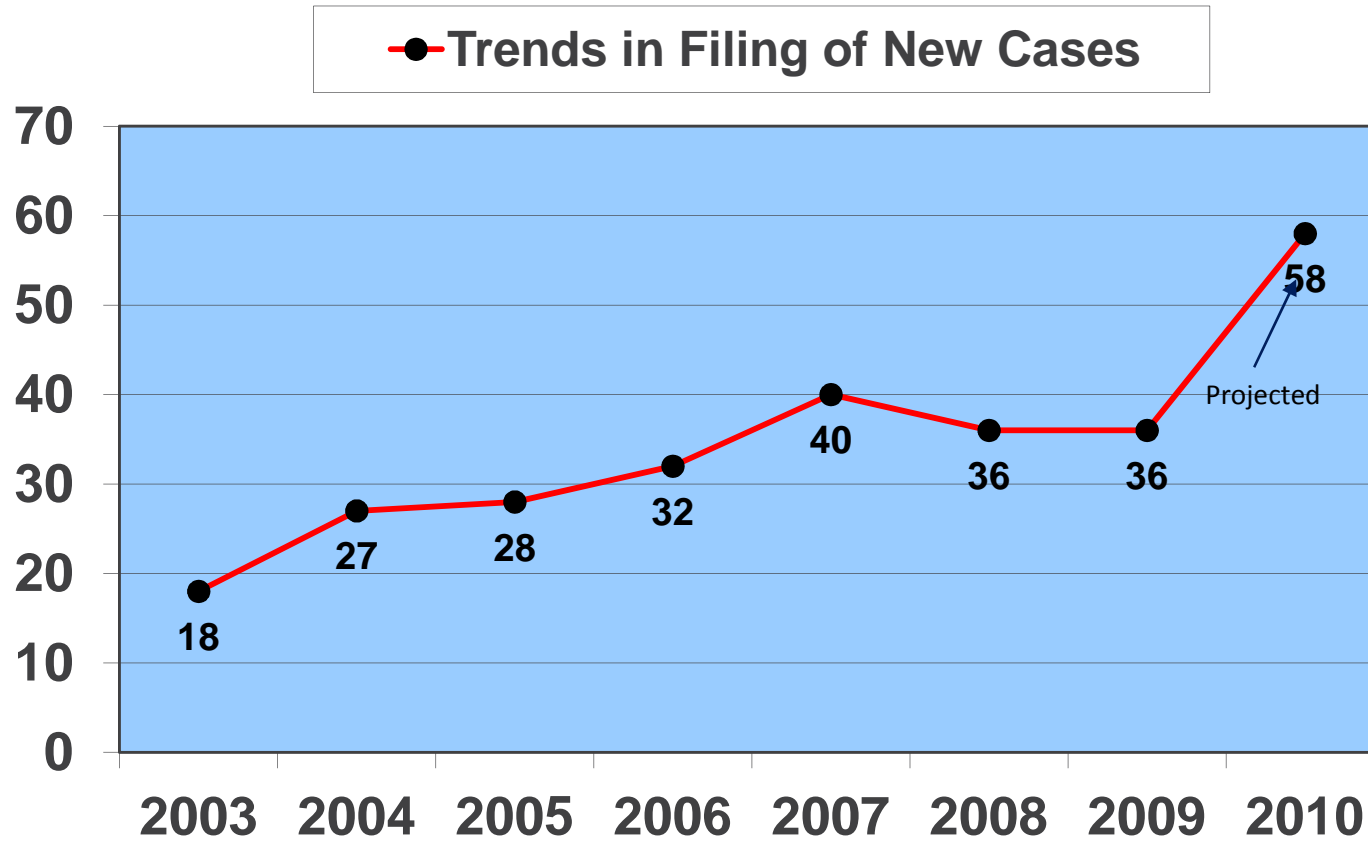
# General Exclusion Orders

- Complainant by statute must show:
  - General exclusion necessary to prevent circumvention of an exclusion order limited to products of named persons; or
  - There is a pattern of violation and it is difficult to identify source of infringing products
- Commission recognizes “potential of a general exclusion order to disrupt legitimate trade”

## Why Complainants Like Section 337

- Quick decision — target dates of 12-16 mos. typical
- Ability to name all known companies importing infringing products in one proceeding
- Availability of Customs-enforced exclusion orders
- Possibility of general exclusion order
- Easier to serve process
- Respondents must produce discovery or default
- Administrative Law Judges with experience in patent cases
- Much less likely to be stayed in case of reexamination

# Increase in Section 337 Complaints Filed



# Enforcement of ITC Exclusion Orders

- Exclusion orders are enforced by Customs (U.S. Customs & Border Protection)
- All products infringing the patent are excluded, not just the specific products in the investigation
- Often, a losing respondent will try to “design around” the patent – design a new product that is non-infringing
- Customs will decide if a new product infringes
- Complainants can also seek enforcement by the Commission
- Respondents can also seek an advisory opinion from the Commission

# CLE Code

## Customs Detention in the European Union – a different approach

- Customs detention in the European Union is primarily an administrative procedure
- Contrary to ITC 337 procedures, goods will be detained without the need to litigate first
- Detention sometimes (but not always) needs to be followed up with litigation
- Cost-efficient procedure against infringing goods
- Can be used to obtain samples and information in suspected infringement cases

# Regulatory Framework

- Council Regulation (EC) No 1383/2003 (“Regulation”) and
- Commission Regulation (EC) No 1891/2004 (“Implementing Regulation”)
  - stipulate the conditions under which national authorities can take action against goods suspected of infringing intellectual property rights
  - are directly applicable in all 27 Member States as well as in Norway, Liechtenstein and Iceland
- National laws apply whenever the Regulation does not contain specific procedural provisions

# Subject Matter

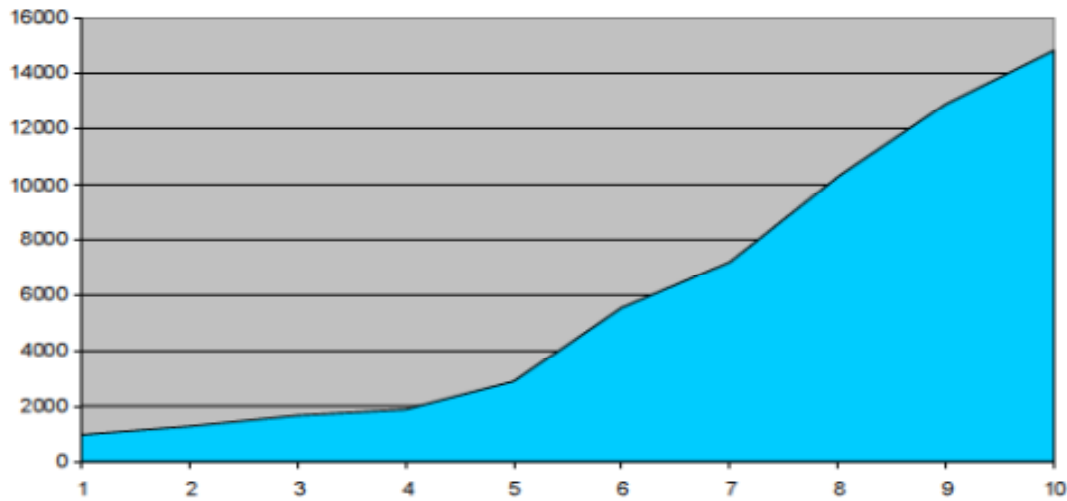
- Goods can be subject to customs detention if
  - there is a suspicion that the goods in question infringe an intellectual property right covered by the Regulation, i.e. a
    - Patent
    - Registered trademark
    - Copyright
    - Community design right
    - National design right
    - Designation of origin
    - Plant variety right
  - the goods in question are from or destined for a non-EU country and are not cleared by customs



# Statistics

- Good and effective collaboration between customs authorities and private sector
- As a result the applications for Customs Detention Orders have been increasing steadily

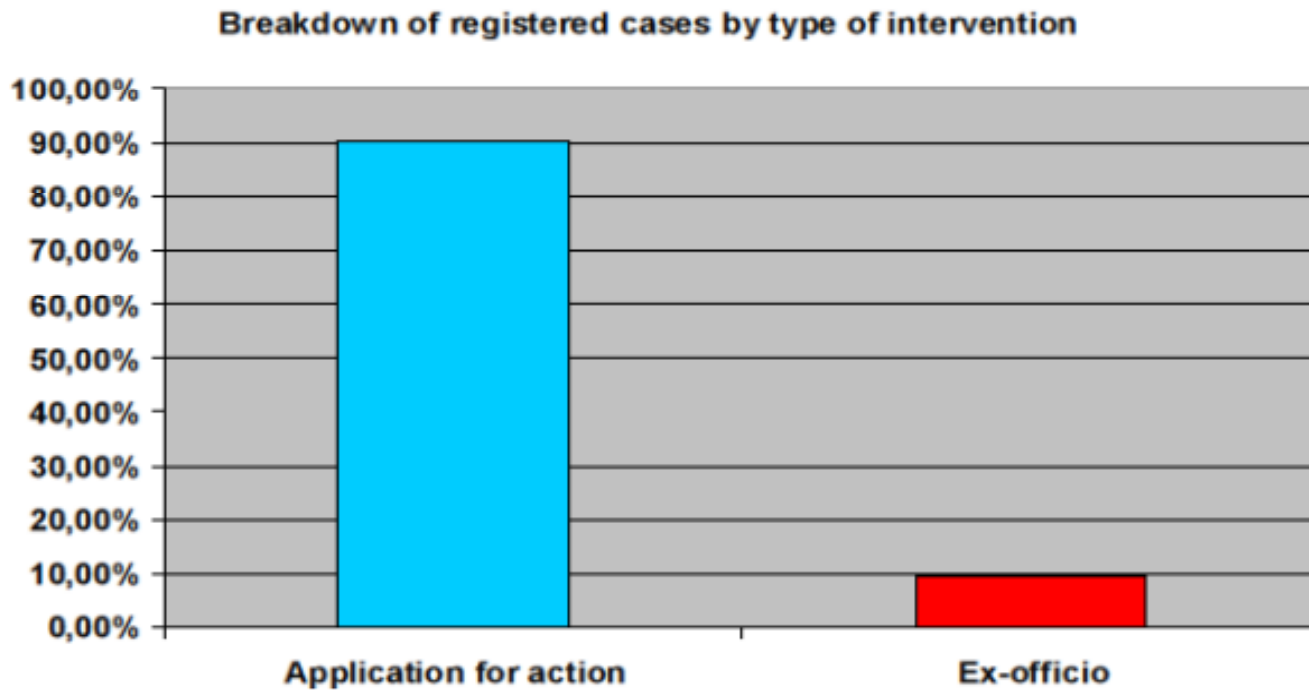
Number of applications 2000-2009



Year	Applications
2000	981
2001	1,287
2002	1,671
2003	1,886
2004	2,888
2005	5,525
2006	7,160
2007	10,260
2008	12,866
2009	14,797

# Application Procedure

- Customs authorities can either act ex-officio or based on an application for action



# Application Procedure

- Application needs to be filed with the respective national customs authority
- A single application will have community-wide effect, if the application is based on a unitary EU-wide right (e.g. Community Trademark; Community Design Right; not European Patent or national IPR)
- Application must contain all relevant information to enable Customs to readily recognize the infringing goods in question

# Application Procedure

- Customs will grant the Customs Detention Order if sufficient information is disclosed
  - i.e. no determination of infringement through litigation or otherwise
  - Detentions are made on the basis of suspicion that the goods might infringe
- Customs Detention Order is valid for one year and can be renewed thereafter

## Post-grant Procedure

- Customs will detain (or rather suspend customs clearance of) a possibly infringing product and inform the rights holder and the declarant or holder of the goods of the detainment
- Product samples and relevant information are forwarded at request of and to the rights holder for inspection
- Rights holder has 10 working days to inspect and inform customs whether the goods indeed infringe
- If the inspection does not affirm an infringement, the goods will be released

## Post-grant Procedure

- The rights holder must contact the infringer and seek for an agreement for destruction of the detained goods within the 10 working days deadline
- If the declarant or holder or the owner of the goods objects to the destruction of the goods, the rights holder will have to initiate court proceedings to establish an actual infringement of his IP-rights within the 10 working days deadline
- If the so-called “Simplified Procedure” for destruction has been implemented by a Member State, and if the declarant or holder or the owner of the goods does not respond within the prescribed period, his consent will be presumed

## Post-grant Procedure

- The “Simplified Procedure” provides a quick and cost-efficient resolution for the destruction of counterfeit goods
- It has been implemented into national legislations in Germany, Austria, Latvia, Czech Republic, Denmark, Spain, Hungary, Slovenia and the United Kingdom and is applied directly, amongst others, in the Netherlands.

## Post-grant Procedure

- Litigation is therefore only necessary if
  - the declarant or holder or the owner of the goods vetoes to a destruction; or
  - the declarant or holder does not respond but only if the Simplified Procedure has not been implemented.
- Depending on the outcome of the court proceedings, the goods will either be released or destroyed
- In the case of a wrongful detention the rights holder's civil liability is governed by the laws of the respective Member State in which the detention took place



## Practical Tips

- The customs officer dealing with your application or with potentially infringing goods is not an expert with regard to your products and IPR – do not try to make him one!
- Instead give him helpful, practical hints and guidelines to identify a product that is infringing your IP rights
- Seminars and workshops have shown enormous success with customs officers
- With the vastly growing number of applications it seems more than necessary to “stand out from the crowd” of normal applicants

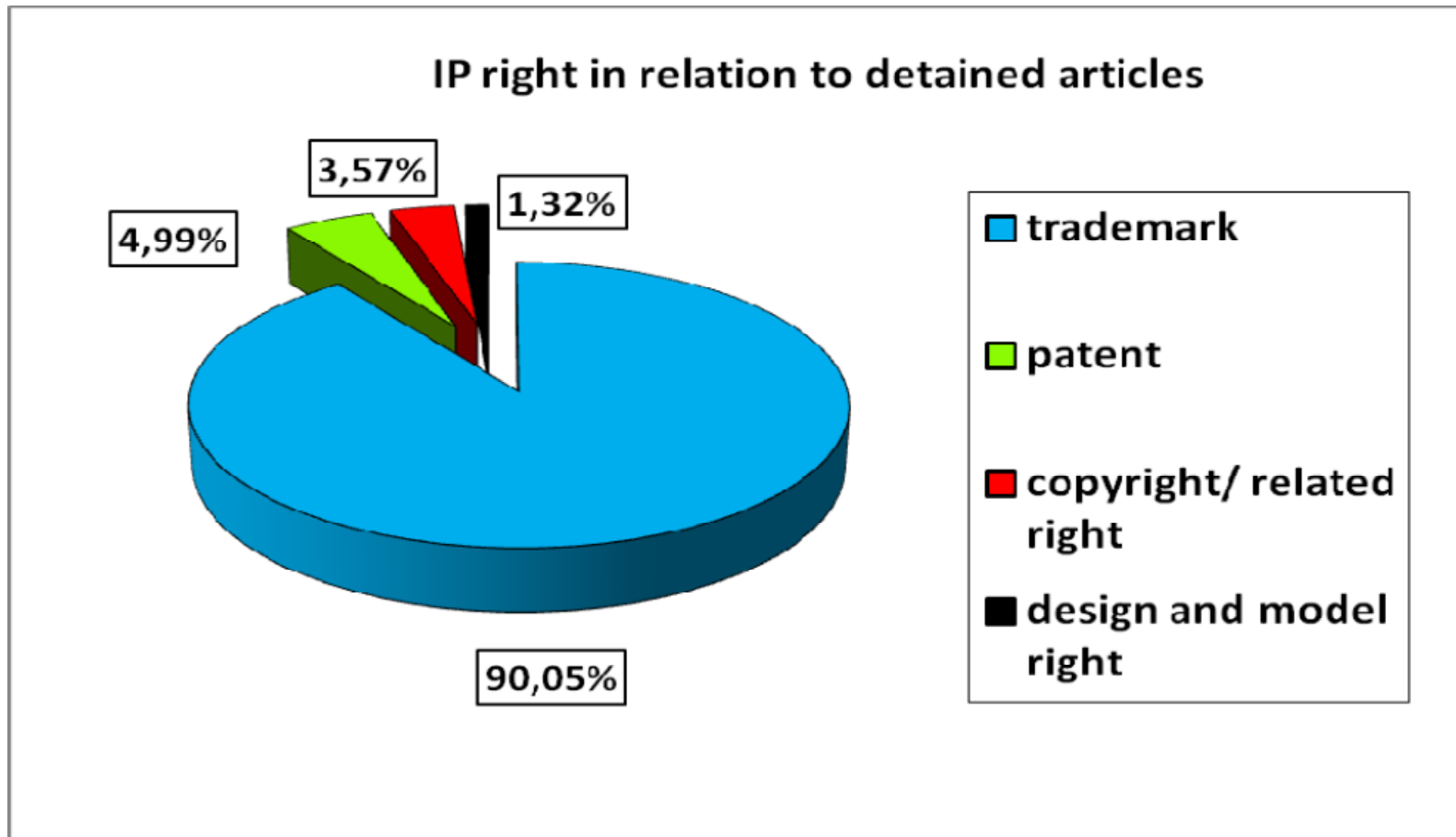
# Outlook

- Public consultation on the review of EU legislation on customs enforcement of intellectual property rights
  - Completed in June 2010
- If considered appropriate in light of the review and after completion of the public consultation, the European Commission shall prepare a proposal for a regulation to replace the Council Regulation (EC) No 1383/2003

# Outlook

- Review of Paragraph 1 of Article 1 of the Regulation, namely whether to extend the competence of customs authorities to all situations in which infringing goods are under customs supervision, including in particular:
  - exportation
  - transit
  - transshipment
  - temporary deposit
  - customs warehousing procedures
  - placement in free zones or free warehouses

# Outlook



(EU Commission - Report on EU Customs Enforcement of Intellectual Property Rights 2009)

# Outlook

- What should be the range of IPRs covered by the Regulation?
- Patents
  - Small number of cases involving patents but a very important area is counterfeit drugs. In such cases, it may be that the only IPRs which exist are patent rights BUT:
    - Most patent disputes are genuine commercial disputes between significant commercial concerns
    - The question of patent infringement is very often a complex matter
    - The effect of seizure of goods is akin to the grant of an interim injunction

# Outlook

- Article 11 of the Regulation (“Simplified Procedure”) establishes a common framework but is not mandatory for Member States
- Possible options are:
  - maintaining the procedure as optional for Member States
  - making it compulsory for all Member States
  - deleting the procedure

# Outlook

- Article 6 of the Regulation
  - Right-holder has to agree to bear all costs incurred in keeping goods under customs control
- The Simplified Procedure of Article 11 of the Regulation
  - Right-holder must bear the expense and the responsibility for the destruction of the goods
- Do these costs create a serious obstacle to the effectiveness and efficiency of the provisions?
- Also unclear whether the right-holder is entitled to recover these costs

## Questions & Answers



*Thank you*



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