CLECAT
european association for forwarding, transport, logistic and customs services

Position Paper

The European Voice of Freight Logistics and Customs Representatives

Brussels, May 25th 2010

RE: Consultation on the review of EU legislation on customs enforcement of intellectual property rights (IPR)
Contribution CLECAT (Register Nr 684985491-01)

CLECAT represents the interests of the vast majority of EU enterprises which offer logistics, freight forwarding and Customs services both within and outside Europe. Our members are impartial users of all modes of transport, but they deal exclusively with cargo. Most companies within the Clecat constituency are involved in Customs services.

In providing their services forwarders, logistics service providers and Customs representatives may act indifferently as principals or agents, according to the requirement of the contractual arrangement they reach with their customers. There is however an important distinction to make: these service providers act on behalf of their customers and not in lieu of their customers and they never take decisions pertaining to the commercial transaction between seller and buyer. They receive instructions from either or both of them and execute them to make the trade transaction possible, without substituting themselves to the parties in contract.

In terms of identifying CLECAT for the purposes of this consultation, CLECAT is an EU level trade representative organisation, structured as an international non-profit association and it is registered in the EU Register of Interest Representatives.

This paper focuses on section 6 of the Annex to the Consultation Paper - *Costs of storage and destruction* - and in particular looks at who should be liable for Intellectual Property Rights related costs and, in particular, who should be responsible for the storage and destruction of goods that are found to be in breach of Intellectual Property Rights, as well as in whose interest their storage and destruction is made and on whose behalf.

Who is Liable?

Forwarders are given information on the goods to be transported and are often only party to parts of the carriage of those goods. It is often the case that freight forwarders never actually see the goods physically but rely on the information that is given to them by the exporter/importer/carrier. Other than for Customs declaration purposes, this information will often be provided in a generic format. No reference to the actual IPR owner is normally made. Forwarders or other service providers only have nominal information on the company, the type

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of goods and its destination; whether the transaction between importer and exporter/manufacturer is legitimate or not will not be known by the service provider, who has no recourse to physical inspection of the goods either. No liability for IPR infringements can be laid at the feet of logistics service providers, who play no role in the sale transaction. Establishing the legitimacy of the underlying sale is the work of trained Customs staff working within the boundaries of established procedural standards and rules, or the rights holders themselves with whom, as in much international legislation[1], the burden of proof of detained counterfeit goods lays[2], in fact it is often *only* the rights holder who can actually confirm the illegitimacy of the goods.

When acting on behalf of their principals, forwarders or other logistics or Customs service providers are often required to provide Customs with information for risk assessment, which is performed by Customs itself and may entail action decided upon by Customs or other competent authority; freight forwarders may have to execute Customs decisions but they cannot take them in lieu of the Customs.

From another point of view it is also unrealistic to try to commit logistics service providers and freight forwarders to tasks they are unable to perform. Even when they can physically check the goods, they cannot be charged with making an informed, legally binding judgement on the authenticity of those goods. This inability to inspect or decide upon the legitimacy of the goods makes it impossible to attach any IPR related liability to forwarders and logistics service providers, as they have no way, practically or legally, of assessing the risk.

Indeed much international law gives rights holders the chance to actively promote the detection of any Intellectual Property Rights infringement. The WTO TRIPS agreement[3] gives rights holders the ability to apply for the service of Customs in tracking down and holding specific shipments of products that they think may infringe their copyright. The same applies in the current European legislation[4] whereby a Rights Holder registers the Intellectual Property Rights of the product. For this 'service' it would seem right that, as most current legislation requires, rights holders pay for the service of storing those materials/goods that infringe on their Intellectual Property Rights or, eventually, destroy them.

As it happens IPR holders may try to defend their interests at the border, if they suspect their IPR's are at stake in a transaction they are not part of by requesting Customs enforcement actions.

Private and public interest

[1] Including EU Council Regulation (EC) No 1383/2003
and the implementing legislation Commission Regulation (EC) No 1891/2004

[2] See the decision in the case of *Her Majesty's Revenue and Customs v Penbrook Enterprises Ltd [2008] NIMag2* in applying EU law http://www.courtsni.gov.uk/NR/rdonlyres/493D2227-67DD-4D8E-8F74-0666B8CDAA6F/0/j_j_2008NIMag02.htm

[3] http://www.wto.org/english/docs_e/legal_e/legal_e.htm#TRIPs

[4] Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights
and
Commission Regulation (EC) No 1891/2004 of 21 October 2004 laying down provisions for the implementation of Council Regulation (EC) No 1383/2003

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There is another, possibly stronger reason why forwarders or those agents involved in the carriage, or part carriage of goods should not be charged for the breakdown of a private contract of which they have no part, or for the enforcement and upkeep of public safety, when this does not fall within their competence.

In this situation we should distinguish between two types of counterfeit goods at the border. On the one hand we have goods that are merely the subject of a private contract (such as DVD's, CD's, fashion and clothing items, etc.) On the other hand we have goods that, whilst also being the subject of a private contract, might become detrimental to the public good, for example: counterfeit medicines, foodstuffs, dangerous goods, etc.

If we look at these items in this way we have to ask the question, how far is Customs supposed to go when dealing with counterfeit goods?

Without the ambition to properly deal with a subject that amply exceeds our remit, we wish to draw the reader's attention to the following facts.

There is a duty to deal with those goods that may be dangerous to public health and security, but should Customs autonomously get involved in dealing with those goods that are under the jurisdiction of a private contract? In the first instance there is a binding social covenant for the Customs to keep the public safe, for which the public pays; in the other it is the responsibility of those involved in the private contract to see out that Customs act in their interest and protect their contracts. The latter cannot be considered a social covenant and must therefore be seen as an arrangement where the IPR holder is liable to face the costs incurred. Indeed to ask the state to deal with goods not harmful to the public means to transfer private interests into the sphere of state affairs.

There is obviously a grey area in that goods can be both a danger to public health and also the subject of a private contract. In this case *at the most* we could say that dealing with counterfeit goods at the border should be a negotiation between the holders of the private contract, the rights holder, and the Customs acting on behalf of the state. *At the least* the responsibility should be shared between those who are involved in the private contract and the rights holders. This is the range of actions and responsibilities that should define the limits of what is possible when dealing with counterfeit items at the border and is essentially controlled by how much danger or detriment there is to the public, the private contract being the constant while the element of public risk being the variable factor.

We can also see this in the light of who benefits from the detention, destruction and storage of the goods. If the goods are a danger to public health, or threaten to undermine the collection of duties and taxes, it is in the public interest that the goods are detained or destroyed and in this case it is understandable that costs are incurred on behalf of the public. If the benefit in detaining and destroying the counterfeit goods falls to the rights holder only (for example of CD's, DVD's, fashion items, etc.) then it is in the interests of the rights holder that the goods are detained, destroyed or kept in storage. These costs are then incurred on behalf of the rights holders, who should foot them and, if appropriate, seek compensation from the perpetrators of the illicit transaction. The forwarder, who, as we have ascertained, receives no benefit from the detention, destruction or storage of those goods, should certainly not be made to pay for this destruction or storage, for there is no connection between the forwarder, logistics service providers or other third party provider and the infringement of the IPR's.

Conclusion

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This position paper has shown that

Forwarders or other logistics service providers

A) are in no position to check the genuine authenticity of the goods and there is no room to manoeuvre for them when extra costs are incurred in the form of storage or destruction fees;
B) cannot physically check the goods as their contracts do not allow the opening of packages;
C) receive information that does not allow for any 'educated guess' of the possibility of counterfeit goods;
D) are not able to recognise whether goods are contravening any Intellectual Property Rights (often only the rights holders themselves can make that recognition);
E) are not legally or physically able to have cognisance of the authenticity of goods, hence no risk assessment is possible for them.

On the assumption that an interest in case may attract a certain degree of legitimacy, it must be noted that forwarders, unlike rights holders

- receive no benefits for the seizure, forfeiture and destruction of counterfeit goods, hence should not be expected to pay for the cost of these, nor be required to accept any additional liability over and above their typical business liabilities;
- do not ask for the service of Customs for the seizure, forfeiture and destruction of counterfeit goods, in order to uphold a private contract, and so should not be expected to pay for service that was not required by them.

Forwarders provide as much data that is asked of them, they do this knowing that this data is important for good Risk Management procedures. However providing data is as far as forwarders can and should go as regards IPR infringements at the border. Asking Freight Forwarders or other third party logistics service providers to get involved, in excess of the above due diligence, in the protection of the public (when dealing with publicly harmful counterfeit goods) or being responsible for a private contract of which they (or Customs for that matter) are not party to is neither reasonable nor legally well grounded.

CLECAT is thankful for this opportunity to submit its views and remains at the entire disposal of the Commission and other institutional interlocutors, should there be a need to clarify or explain the points made above or should it be appropriate to expand this discussion in other areas that might show connection with transport, logistics or Customs services.

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