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THE PROPER ROLE OF INTELLECTUAL PROPERTY IN CONTROLLING
COUNTERFEITING OF TOBACCO PRODUCTS IN THE EU



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Table of Abbreviations

AFA – application for action
 ACTC – Anti-Counterfeiting Trade Agreement
 NAFTA – North American Free Trade Agreement
 CETA – Comprehensive Economic and Trade Agreement
 DCFTA – Deep and Comprehensive Free Trade
 DSM – Dispute Settlement Mechanism
 EC – European Commission
 EU – European Union
 EUTM –EU trademark
 EUTM Regulation – EU Trade Mark Regulation (Regulation 2017/1001)
 FCTA – Framework Convention on Tobacco Control
 FTA – free trade agreement
 IP – intellectual property
 IPR – intellectual property right
 ITM – international trade mark
 NTM – national trade mark
 TMA – Trademarks Act
 USMCA – US-Mexico-Canada Agreement
 WHO – World Health Organization
 WTO – World Trade Organization

UK authorities

BF – Border Force
 CPS – Crown Prosecution Service
 CTSI – Chartered Trading Standards Institute
 HMRC – HM Revenue and Customs
 NCA – National Crime Agency
 PIPCU – Police Intellectual Property Crime Unit
 TSO – Trading Standards Officer

US authorities

ALJ – administrative law judge
 CBP – Customs and Border Protection
 DOJ – Department of Justice
 FBI – Federal Bureau of Investigation
 HIS – Homeland Security Investigations
 ICE – Immigration and Customs Enforcement
 IPEC – Intellectual Property Enforcement Coordinator
 IPR Center – National Intellectual Property Rights Coordination Center
 USITC – US International Trade Commission

1. Introduction

Trade in illicit tobacco – a term which includes trade in contraband, counterfeit and illicit whites (also referred to as ‘cheap whites’)¹ – has become a serious global problem due to its scale and the hazards which such products may cause. According to the statistics compiled by KPMG, such products accounted for 48.3 billion cigarettes and represented over 9 percent of total consumption in the European Union (EU) in 2016².

Trade in illicit tobacco is detrimental from many perspectives and to various different stakeholders. The negative consequences of illicit tobacco products include:

- » lost tax revenue for governments, in the form of unpaid taxes;
- » reduced effectiveness of public health policies;
- » threat to national security by providing a source of illegal income for organized crime and terrorist organizations;
- » threat to the sustainability of the legal supply chain;
- » impact on the legitimate industry’s business activities and revenues;
- » and threat to global security³.

The fight against illicit tobacco trading requires the active and coordinated involvement of a number of different stakeholders from both the public and private sector.⁴ Undoubtedly, legislation regarding illicit tobacco trading in specific jurisdictions play a significant and irreplaceable role in the elimination of such trading. In specific jurisdictions, such trading can violate several different pieces of legislation, such as laws specifically enacted for the protection of intellectual property rights (IPR), competition policies, criminal law, consumer protection law, tax law, food safety law, specific law regulating tobacco trading, customs law, etc. Important, but frequently forgotten, is that the success of combatting illicit tobacco trading often largely depends on the enforcement mechanism established by the relevant legislations in each jurisdiction.

Among the different forms of illicit tobacco trading and different types of legislation, this report concentrates on trade in counterfeit cigarettes and looks at the role that IPRs and their enforcement plays in controlling such trade in the EU. Stated differently, the report focuses on illicit tobacco trading in counterfeit cigarettes in EU and the role that IP laws and their enforcement could play in repressing such trade. More specifically, the report will:

- i. assess the proper role of IP law enforcement in fighting counterfeit cigarettes;
- ii. analyse whether the EU or other anti-counterfeit legislation and specific border enforcement mechanisms provide an adequate regulatory response to be implemented in these countries;
- iii. study other jurisdictions (most notably the US) to ascertain whether the EU could modify its approach and standards in order to more effectively combat counterfeit tobacco; and

1 For the purposes of this report ‘contraband’ is defined as genuine products smuggled across borders and sold illegally; counterfeit tobacco products are defined as copies of genuine products which are produced and sold illegally; and illicit whites do not violate intellectual property but rather are unknown brands, typically which are produced legally but smuggled across borders and lacking in genuine legal distribution network in the EU. See also US State Department, *The Global Illicit Trade in Tobacco: A Threat to National Security* (Dec 2015), <https://2009-2017.state.gov/documents/organization/250513.pdf> [access: 2020-03-06]. Contraband under US criminal law refers to large quantities of cigarettes that do not bear required state or local tax stamps. Counterfeit is defined under US criminal and health laws as tobacco products with unauthorized trademarks or trade names. Illicit whites are cigarettes legally produced in one jurisdiction for the sole purpose of being exported and illegally sold in a jurisdiction where they have no legitimate market. These cigarettes may not meet the health and manufacturing regulations of the destination country, or any applicable duties and taxes have been evaded.

2 *Project SUN – A study of the illicit cigarette market in the European Union, Norway and Switzerland 2016 Results* (3 Jul 2017), <https://home.kpmg/uk/en/home/insights/2017/07/project-sun-2016-results-illicit-cigarette-market.html> [access: 2020-03-06].

3 See eg *ibid*; Philip Morris International, *Fighting the Illicit Trade in Tobacco in the EU: Discussion Paper* (Jul 2016), <https://www.pmi.com/resources/docs/default-source/pmi-sustainability/fighting-the-illicit-trade-in-tobacco-in-the-eue07dd8b-c6c7468f696e2ff0400458fff.pdf?sfvrsn=0> [access: 2020-03-06]. For the detriment caused by illicit tobacco trading, see further US State Department, *The Global Illicit Trade in Tobacco: A Threat to National Security* (Dec 2015),

4 International Criminal Police Organization, *Counterfeiting Illicit Trade in Tobacco Products: A Guide for Policymakers* (Jun 2014), <https://www.cdc.gov/tobacco/stateandcommunity/pdfs/illicit-trade-report-121815-508tagged.pdf> [access: 2020-03-06].

- iv. propose recommendations on effective modification and implementation of these standards into the national system.

The report is structured as follows: following this introduction, Section 2 further defines the subject matter of illicit tobacco products addressed in this report – counterfeiting. Section 3 outlines the international framework, including the multilateral Agreement on Trade Related Aspects of Intellectual Property (TRIPS Agreement)⁵ and the Anti-Counterfeiting Trade Agreement (ACTA)⁶. Section 4 compares the approaches of the EU and US on the issue in bilateral and regional free trade agreements – these jurisdictions are at the forefront of efforts to combat counterfeiting and their measures have historically been used as models or adopted by others. Section 5 reviews the internal practice of the EU, with a focus on the United Kingdom. Section 6 provides an overview of the US domestic framework. Section 7 identifies relevant issues in EU legislation and possible regulatory responses. The final Section 8 offers some concluding remarks to further strengthen its intellectual property and related laws and regulations.

2. Defining trade in illicit tobacco products

Before delving into the examination of the relevant legal frameworks in those selected jurisdictions, the report first clarifies the definition of ‘counterfeit’ and defines what aspects of the relevant legal frameworks will be examined as it proceeds.

Counterfeiting is defined differently in different legal instruments. In both the TRIPS Agreement and the (failed but nevertheless instructive) ACTA, the term ‘counterfeit trademark goods’ is specifically referred to and defined⁷. Article 51, footnote 14(a) of the TRIPS Agreement provides:

‘counterfeit trademark goods’ shall mean any goods, including packaging, 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, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation;

Similarly, Article 5 of the ACTA reads:

[...] counterfeit trademark goods means any goods, including packaging, 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, and which thereby infringes the rights of the owner of the trademark in question under the law of the country in which the procedures set forth in Chapter II (Legal Framework for Enforcement of Intellectual Property Rights) are invoked.

The definitions in the two Agreements are rather similar, with the ACTA making reference to ‘the rights of the owner of the trademark in question under the law of the country in which the procedures set forth in Chapter II (Legal framework for enforcement of intellectual property rights) are invoked’, while the TRIPS Agreement refers to ‘the rights of the owner of the trademark in question under the law of the country of importation’. Consequently, the ACTA leaves the possibility that goods in transit can also be covered by the definition of ‘counterfeit trademark goods’, while under the TRIPS Agreement only goods infringing trademark laws of the country of importation may fall within the definition of ‘counterfeit trademark goods’. As will be discussed below, however, the term ‘country of importation’ is itself ambiguous and perhaps includes countries where the goods are transiting.

With regard to the EU, in 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 and repealing

5 Marrakesh Agreement establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994, Annex 1C: The TRIPS Agreement, https://www.wto.org/english/docs_e/legal_e/legal_e.htm#TRIPs [access: 2020-03-06].

6 Anti-Counterfeiting Trade Agreement (ACTA), https://www.mofa.go.jp/policy/economy/i_property/pdfs/acta1105_en.pdf [access: 2020-03-06].

7 TRIPS Agreement – footnote 14: *‘counterfeit trademark goods’ shall mean any goods, including packaging, 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, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.*

Council Regulation (EC) No 1383/2003, the term ‘counterfeit goods’ is defined to include not only goods which are ‘the subject of an act infringing a trade mark in the Member State where they are found’, but also those which are ‘the subject of an act infringing geographical indication in the Member State where they are found’⁸. However, the latter category is not always included in external agreements⁹.

In the US, according to Section 2320 trafficking in counterfeit goods or services in Chapter 113 Stolen property of title 18 Crimes and criminal procedure of the United States Code (18 USC § 2320), counterfeit goods or services refer to counterfeit trademark goods or services and do not concern geographical indications.

When discussing trafficking in counterfeit cigarettes, this report will adopt the definition of counterfeit trademark goods in the ACTA for the following two reasons: (1) the definition is similar to that in the TRIPS Agreement, which now represents the minimum standards required for international intellectual property; and (2) the definition explicitly covers counterfeit goods in transit, which is a crucial component to stemming the flow of counterfeit cigarettes to the EU.

Trafficking in counterfeit trademark goods can constitute both criminal and civil offense¹⁰. However, the legal provisions which make counterfeiting illegal are just the starting point. In order to successfully protect right-owners and their trademarks, efficient enforcement to combat counterfeiting trade is needed. The same is true in the trading in counterfeit tobacco products. Consequently, when deciding if the legal regime in one jurisdiction provides an adequate regulatory response to trading in tobacco products, it is not merely the law *per se* but also the enforcement mechanisms and their implementation in practice that shall come into the focus.

In totality, three main strategies are employed to combat for counterfeiting of trademarked products:

- » civil proceedings, where trademark right holders access the civil courts and if successful receive damages in the form of a monetary award;
- » criminal prosecution, including both public criminal prosecution and private criminal prosecution; and
- » border measures, which refer to administrative measures conducted by the customs authorities to avert cross-border movements of illicit tobacco products.

8 Regulation (EU) No 608/2013 of the European Parliament and of the Council of 12 June 2013 concerning customs enforcement of intellectual property rights and repealing Council Regulation (EC) No 1383/2003, <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32013R0608> [access: 2020-03-06].

Article 2: Definitions:

(5) ‘counterfeit goods’ means:

(a) goods which are the subject of an act infringing a trade mark in the Member State where they are found and bear without authorisation a sign which is identical to the trade mark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trade mark;

(b) goods which are the subject of an act infringing a geographical indication in the Member State where they are found and, bear or are described by, a name or term protected in respect of that geographical indication;

(c) any packaging, label, sticker, brochure, operating instructions, warranty document or other similar item, even if presented separately, which is the subject of an act infringing a trade mark or a geographical indication, which includes a sign, name or term which is identical to a validly registered trade mark or protected geographical indication, or which cannot be distinguished in its essential aspects from such a trade mark or geographical indication, and which can be used for the same type of goods as that for which the trade mark or geographical indication has been registered.

9 See e.g. Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part, <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A22014A0529%2801%29> [access: 2020-03-06]. Chapter 9 Intellectual property, Section 3, Enforcement of intellectual property rights, Sub-section 3 Other provisions,

Article 250 Border measures:

1. For the purposes of this provision, ‘goods infringing an intellectual property right’ means: (a) ‘counterfeit goods’, namely:

(i) goods, including packaging, bearing without authorisation a trade-mark which is identical to a trade-mark duly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trade-mark, and which thereby infringes the trade-mark holder’s rights;

(ii) any trade-mark symbol (logo, label, sticker, brochure, instructions for use or guarantee document), even if presented separately, on the same conditions as apply to the goods referred to in subparagraph (i);

(iii) packaging materials bearing the trade-marks of counterfeit goods, presented separately, on the same conditions as apply to the goods referred to in subparagraph (i).

10 Trafficking in counterfeit trademark goods is illegalized and criminalized in the TRIPS Agreement. The standard shall be adopted and maintained by all WTO Members.

The report examines the legal framework for IPR enforcement in the selected jurisdictions in terms of border measures and criminal prosecution which are conducted by state authorities, but does not discuss civil proceedings as this option depends on the autonomy of right holders as opposed to government action or response.

3. The International intellectual property rights standard

In order to enhance the IPR protection in national states, numerous international treaties have been signed in this field. By committing to the obligations included in these treaties, contracting states with different levels of economic development are obligated to protect IPRs to certain extent. While the states are still free to provide higher level of protection in their national laws, these treaties have set up the minimum standard in the sense that the protection provided by states are not allowed to be lower than the line drawn by the treaties. The same applies to IPR enforcement, a vital aspect of IPR protection.

As for the specific issue of counterfeiting, there exist two significant international treaties: the TRIPS Agreement and the ACTA. The former one is one of the WTO Agreements and applicable to all types of IPRs, while the latter one specializes in counterfeiting. This section will introduce them to reveal how they regulate the enforcement of IPRs related to counterfeiting.

It is worth mentioning that there is an international treaty negotiated under the World Health Organization (WHO) which deals with counterfeiting as a form of illicit trade in tobacco products – that is, the WHO Framework Convention on Tobacco Control (FCTC)¹¹. The FCTC was adopted by the World Health Assembly on 21 May 2003 and entered into force on 27 February 2005. The primary focus of the FCTC is on minimizing tobacco usage and increasing regulations to further curtail the advertisement and promotion of tobacco products. However, the FCTC does require contracting parties to address the issue of counterfeit cigarettes, but does not mention IPR protection or enforcement. More specifically, Article 15 of the FCTC (entitled: Illicit trade in tobacco products) reads:

1. *The Parties recognize that the elimination of all forms of illicit trade in tobacco products, including smuggling, illicit manufacturing and counterfeiting, and the development and implementation of related national law, in addition to subregional, regional and global agreements, are essential components of tobacco control. [...]*
4. *With a view to eliminating illicit trade in tobacco products, each Party shall: [...]*
 - (b) *enact or strengthen legislation, with appropriate penalties and remedies, against illicit trade in tobacco products, including counterfeit and contraband cigarettes;*
 - (c) *take appropriate steps to ensure that all confiscated manufacturing equipment, counterfeit and contraband cigarettes and other tobacco products are destroyed, using environmentally-friendly methods where feasible, or disposed of in accordance with national law;*

The FCTC does not explicitly obligate contracting parties to take measures in that respect to combat counterfeit products. Accordingly, it does not compose part of the international framework for anti-counterfeiting and IPR.

3.1. Agreement on trade related aspects of intellectual property rights (TRIPS)

The TRIPS Agreement is Annex 1C of the Marrakesh Agreement establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994 and coming into effect on 1 January 1995. Notably, unlike many other international treaties for IPR protection, the compulsory application and the binding effect of the TRIPS Agreement for WTO members are backed up by the Dispute Settlement Mechanism (DSM) of the WTO. In other words, any WTO member can bring a claim to the Dispute Settlement Body (DSB) of the WTO that another Member has failed to protect IPRs in accordance with the minimum

11 The World Health Organization Framework Convention on Tobacco Control, <https://apps.who.int/iris/bitstream/handle/10665/42811/9241591013.pdf?sequence=1> [access: 2020-03-06].

standards required in the TRIPS Agreement. The DSB can and has found several Members' legislation to be inconsistent with the TRIPS Agreement¹².

The TRIPS Agreement is to date the most comprehensive and widely signed multilateral agreement on intellectual property. It has wide coverage and includes copyright and related rights; trademarks including service marks; geographical indications including appellations of origin; industrial designs; patents including the protection of new varieties of plants; the layout-designs of integrated circuits; and undisclosed information including trade secrets and test data.

The TRIPS Agreement establishes the minimum standard of protection that Members shall adopt or maintain in respect of IPRs in their jurisdictions. Members may, however, implement higher levels of protection in their national laws than that which is required by the TRIPS Agreement, provided that such protection does not contravene the provisions of the Agreement, such as the MFN treatment under Article 4, the provisions of enforcement of IPRs under the Part III, in particular, Article 41 with respect to general obligation¹³.

In the TRIPS Agreement, Part I sets out the general provisions and basic principles and Part II addresses each intellectual property right in succession. Part III of the TRIPS Agreement develops a legal framework for IPR enforcement by providing international standards regarding general obligations (Section 1), civil and administrative procedures and remedies (Section 2), provisional measures (Section 3), specific requirements related to border measures (Section 3), and specific requirements related to border measures (Section 4). In summary,

Part III of the agreement sets out the obligations of member governments to provide procedures and remedies under their domestic law to ensure that intellectual property rights can be effectively enforced, by foreign right holders as well as by their own nationals. Procedures should permit effective action against infringement of intellectual property rights but should be fair and equitable, not unnecessarily complicated or costly, and should not entail unreasonable time-limits or unwarranted delays. They should allow for judicial review of final administrative decisions. There is no obligation to put in place a judicial system distinct from that for the enforcement of laws in general, nor to give priority to the enforcement of intellectual property rights in the allocation of resources or staff.

The civil and administrative procedures and remedies spelled out in the text include provisions on evidence of proof, injunctions, damages and other remedies which would include the right of judicial authorities to order the disposal or destruction of infringing goods. Judicial authorities must also have the authority to order prompt and effective provisional measures, in particular where any delay is likely to cause irreparable harm to the right holder, or where evidence is likely to be destroyed. Further provisions relate to measures to be taken at the border for the suspension by customs authorities of release, into domestic circulation, of counterfeit and pirated goods. Finally, parties should provide for criminal procedures and penalties at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. Remedies should include imprisonment and fines sufficient to act as a deterrent¹⁴.

Moreover, the TRIPS Agreement also makes specific reference to 'counterfeit trademark goods' in several provisions of Part III in relation to higher standards of protection:

12 See WTO, *Dispute Settlement*, https://www.wto.org/english/tratop_e/dispu_e/dispu_e.htm [access: 2020-03-06].

13 See Article 1 Nature and scope of obligations:

Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement. Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.

See also N. Zhang, *Goods in Transit: Enforcement of IP Rights by Customs Officers*, 'Asia Pacific Law Review' 2012, vol. 20, issue 257, pp. 261-263.

14 Agreement on trade related aspects of intellectual property rights, including trade in counterfeit goods, https://www.wto.org/english/docs_e/legal_e/ursum_e.htm#nAgreement [access: 2020-03-06].

[Part III Section 2: Civil and administrative procedures and remedies]

Article 46 Other remedies

In regard to ‘counterfeit trademark goods’, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce. [...]

Article 51 Suspension of release by customs authorities

Members shall, in conformity with the provisions set out below, adopt procedures to enable 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. [...]

[Part III Section 4: Special requirements related to border measures]

Article 59 Remedies

In regard to counterfeit trademark goods, the authorities shall not allow the re-exportation of the infringing goods in an unaltered state or subject them to a different customs procedure, other than in exceptional circumstances. [...]

[Part III Section 5: Criminal procedures]

Article 61

Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed wilfully and on a commercial scale.

Provisions in the TRIPS Agreement for IPR enforcement in general are applicable in the specific case of counterfeiting. Besides, there are also provisions referring and applicable to trademark counterfeiting in particular in terms of remedies, border measures and criminal procedures, which set up higher and stricter standards for enforcement.

As has been mentioned above, the TRIPS Agreement established the minimum standard for IPR protection for WTO members. And it will be revealed in the following sections that, the standards for IPR protection and enforcement in certain international treaties as well as in certain jurisdictions such as the EU and the US have surpassed that one in the TRIPS Agreement. With the efforts made at both international and national levels, IPR protection and enforcement have been enhanced globally, which have contributed a lot to the elimination of counterfeit tobacco products. But the relevance of TRIPS Agreement has been diminished, largely thanks to the DSM of the WTO.

3.2. Anti-Counterfeiting Trade Agreement (ACTA)

The ACTA was a multilateral effort focusing on effective IPR enforcement in order to fight more efficiently against the growing problem of counterfeiting and piracy¹⁵. The plan to negotiate the Agreement was first developed in 2006 and supported by numerous countries thereafter. After years of efforts, the final version of the Agreement was signed in 2011 by Australia, Canada, Japan, Morocco, New Zealand, Singapore, South Korea, and US. In 2012, Mexico, the EU and 22 countries which are member states of the EU also signed the Agreement. However, only Japan has ratified the treaty so it is not in force as the

15 For background information concerning the negotiation and conclusion of the Agreement, see M. Blakeney, *Intellectual Property Enforcement: A Commentary on the Anti-Counterfeiting Trade Agreement (ACTA)*, Elgar Elgar Publishing, Cheltenham 2012, pp. 27-79.

effective condition requires the Agreement to be ratified by 6 countries¹⁶. Despite the EU being one of the leaders of the negotiations and obtaining much of what they sought in the treaty, the European Parliament rejected the ACTA on 4 July 2012, which meant the treaty cannot be ratified in the EU¹⁷. This rejection effectively killed the agreement.

The ACTA contains six chapters¹⁸ and 45 articles. Half of the text concerns the development of a legal framework for IPR enforcement¹⁹ in respect of civil enforcement²⁰, border measures²¹, criminal enforcement²² and IPR enforcement in the digital environment²³. The international standard for enforcing IPRs included in ACTA is higher and more comprehensive than that in the TRIPS Agreement²⁴, but in many respects simply mirrors FTAs entered into by the negotiating parties²⁵.

This section introduces the international standard for IPR protection and enforcement with a focus on counterfeiting. While the TRIPS Agreement sets up minimum standard for the enforcement of all types of IPRs, it refers to counterfeiting in particular in several provisions to establish a stricter and higher standard for enforcement. In the meanwhile, the ACTA, on the one hand, targets at anti-counterfeiting, on the other hand, includes more detailed and stricter standards for enforcement. However, the TRIPS Agreement is still of much more relevance internationally considering the large WTO membership and the compulsory DSM of the WTO. The international standards set out above are really just the starting point, as countless regional and bilateral treaties have been entered into which contain provisions on IPRs. To provide examples of some of the more modern trends in international IP treaty-making and better understand IPR enforcement in the context of illicit trade in counterfeit, the next section reviews the FTA practice of the EU and the US.

4. Free trade agreements: EU and US practice

The TRIPS Agreement has established minimum standards concerning IPR protection for WTO Members, but allows Members to provide protection beyond the standard mandated in the Agreement – so called TRIPS-plus – which may expand the duration, scope and depth of protection. Both the EU and US seek to negotiate for TRIPS-plus standards, including the standards for IPR enforcement especially in the case of counterfeiting, in their free trade agreements (FTAs). Such practice is quite important for the elimination of illicit trade in counterfeit products including counterfeit cigarettes. Alongside the rapid increase

16 Article 39: Signature

This Agreement shall remain open for signature by participants in its negotiation, and by any other WTO Members the participants may agree to by consensus, from 1 May 2011 until 1 May 2013.

Article 40: Entry into force

1. *This Agreement shall enter into force thirty days after the date of deposit of the sixth instrument of ratification, acceptance, or approval as between those Signatories that have deposited their respective instruments of ratification, acceptance, or approval.*

2. *This Agreement shall enter into force for each Signatory that deposits its instrument of ratification, acceptance, or approval after the deposit of the sixth instrument of ratification, acceptance, or approval, thirty days after the date of deposit by such Signatory of its instrument of ratification, acceptance, or approval.*

17 Public perceptions and sentiments largely influenced the decision of the European Parliament: ‘*Critics worry the agreement would favour the interests of large companies at the expense of citizens’ rights and see its possible application in the online sphere as a threat to people’s privacy and human rights. In addition the negotiations have been denounced for a perceived lack of transparency as civil society groups and developing countries have not been involved*’. European Parliament, *Everything you need to know about ACTA* (18 Jul 2012), <http://www.europarl.europa.eu/sides/getDoc.do?type=IM-PRESS&reference=20120220FCS38611&format=XML&language=EN> [access: 2020-03-06].

18 Chapter 1: Initial provisions and definitions; Chapter 2: Legal framework for enforcement of intellectual property rights; Chapter 3: International cooperation; Chapter 4: Enforcement practices; Chapter 5: Institutional arrangements; Chapter 6: Final provisions.

19 See Chapter 2: Legal framework for enforcement of intellectual property rights, arts 6-27.

20 Chapter 2 Section 2: Civil enforcement, arts 7-12.

21 Chapter 2 Section 3: Border measures, arts 13-22.

22 Chapter 2 Section 4: Criminal enforcement, arts 23-26.

23 Chapter 2 Section 5: Intellectual property rights enforcement in the digital environment, art 27.

24 See further, M.E. Kaminski, *An Overview and the Evolution of the Anti-Counterfeiting Trade Agreement*, ‘Albany Law Journal of Science & Technology’ 2011, vol. 21, is. 3, pp. 385-444, <http://www.albanylawjournal.org/Documents/Articles/21.3.385-Kaminski.pdf> [access: 2020-03-06]; S.K. Sell, *TRIPs Was Never Enough: Vertical Forum Shifting, FTAs, ACTA, and TPP*, ‘Journal of Intellectual Property Law’ 2011, vol. 18, is. 2, pp. 447-478, <https://digitalcommons.law.uga.edu/jipl/vol18/iss2/5> [access: 2020-03-06].

25 See further, M. Blakeney, *Intellectual Property Enforcement*.

of globalization and cross-border trade, the fight against counterfeiting in one country not only depends on its own efforts, but also the efforts of others such as exporting states and transit states. By signing FTAs including IPR provisions with other countries, the US and the EU are trying to export their own regimes to other countries. While these efforts occur most often with countries having less developed systems of IP protection and enforcement, they also are part of FTAs with developed countries. In this regard, the EU and US seek not only to export their own systems but also to harmonise regimes between and among trading partners. Regardless of economic status, countries entering into FTAs with the EU and the US are obliged to accept conditions which impact on counterfeiting on the domestic level as well as border measures to combat counterfeiting of products crossing into or out of the borders.

This section will discuss selected FTAs assigned by the EU and the US to reveal the different approaches the jurisdictions take in exporting their respective IPR enforcement regimes.

4.1. European Union

When negotiating and signing FTAs with its trading partners, the EU puts great emphasis on the protection and enforcement of IPRs, including border enforcement. This is reflected in a 2014 document issued by the European Commission entitled Strategy for the protection and enforcement of intellectual property rights in third countries²⁶. The Strategy includes ten action points:

- » Ensure regular interaction with all stakeholders to raise awareness and guide policy;
- » Enhance data collection and reporting, so as to improve the understanding of the role of IPR and the impact of infringement; conduct regular surveys in order to maintain a list of ‘priority countries’ for focused EU efforts;
- » Ensure a strong and coherent role for the EU in international IPR fora in line with the Lisbon Treaty;
- » Continue multilateral efforts to improve the international IPR framework, including by encouraging further ratification of existing treaties; promote ratification of relevant IPR treaties by all EU Member States;
- » Ensure that IPR chapters in bilateral trade agreements offer adequate and efficient protection for right-holders and address key weaknesses in partner countries’ IPR systems while calibrating commitments to third countries’ level of development;
- » Ensure the Commission can make recourse to dispute settlement mechanisms or other remedies where the EU’s rights under international agreements are infringed;
- » Continue and where possible enhance ‘IP Dialogues’ with key third countries; leverage high-level trade and political dialogues to ensure progress on identified IPR issues;
- » Provide and promote awareness of appropriate IP-related technical assistance programmes to third countries, including on the possible use of IP flexibilities; leverage the expertise of relevant international organisations in implementing technical assistance programmes;
- » Establish a stronger relationship between the Commission, Member States and EU business to directly support economic operators in overcoming concrete difficulties on IP issues; enhance networking and coordination of actions between EU and Member States representations in third countries;
- » Aim at better coherence between IPR and other policies, e.g. consider restricting participation or funding in specific EU-funded programmes in sufficiently serious and clearly targeted cases, and to improve coherence between the Commission and Member States in third countries in this goal;
- » Continue assistance to right-holders (through projects such as IPR Helpdesks) and consider their possible expansion; consider further posting of IPR experts to key EU delegations.

Thus, the EU is clear that it wants to use FTAs as an important tool to improve IPR protection and enforcement in third countries – the EU explicitly seeks to negotiate for ‘adequate and efficient protection

26 Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee – Trade, growth and intellectual property - strategy for the protection and enforcement of intellectual property rights in third countries, SWD(2014) 204, 1 Jul 2014, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=SWD:2014:204:FIN&from=EN> [access: 2020-03-06].

for right-holders and address key weaknesses in partner countries'. On the other hand, the EU recognises differences in levels of development conditions the above negotiating objective by 'calibrating commitments to third countries' level of development'. As it is often the case, the countries with lower levels of development that are the sources of counterfeits, the latter phrase would seem to severely hamper the former.

The EU has followed this guidance and negotiates for differing commitments depending on the level of development of the negotiating partner. This section uses the examples of FTAs signed by EU with Georgia and Canada to demonstrate the EU's approach to exporting its regime through the FTAs. Georgia is selected as an example country as it is a country in transition, major source country of IP infringing cigarettes shipped to EU and the FTA is relatively recent. Meanwhile, Canada is an advanced country and the FTA in question is one of the most recent FTA signed by the EU and therefore representative of the EU's latest negotiating framework. These two FTAs can give us clues regarding how EU uses its FTAs to promote IPR enforcement in fighting counterfeiting products.

4.1.1. EU-Georgia association agreement

The EU and Georgia signed the new association agreement²⁷ on 27 June 2014 entering into force on 1 July 2016²⁸. It includes the Deep and Comprehensive Free Trade Areas (DCFTA), which contains regulations on the IPRs. Rules on IPRs can be found in Chapter 9 of the association agreement. Different from the TRIPS Agreement and the ACTA, Section 3 Enforcement of intellectual property rights of the chapter only sets up rules regarding civil enforcement (Sub-Section 1 Civil measures, procedures and remedies), liability of intermediary service providers (Sub-Section 2 Liability of intermediary service providers), and border measures (Article 200 in Sub-Section 3 Other provisions), without regulating criminal enforcement. The only article on border measures mainly focuses on cooperation, information exchange, and effective border enforcement of IPRs without including strict and detailed commitments. More specifically, the provision addresses the following:

1. *Without prejudice to Article 75 of this Agreement and to Annex XIII to this Agreement, this Article establishes the general principles of this Agreement governing the enforcement of intellectual property rights by customs authorities and the obligations of the customs authorities of the Parties to engage in cooperation.*
2. *When implementing border measures for the enforcement of intellectual property rights the Parties shall ensure consistency with their obligations under GATT 1994 and the TRIPS Agreement.*
3. *The provisions on border measures in this Article are of procedural nature. They set out the conditions and procedures for action by the customs authorities where goods suspected of infringing an intellectual property right are, or should have been, under customs control. They shall not affect in any way the substantive law of the Parties on intellectual property.*
4. *To facilitate the effective enforcement of intellectual property rights, the customs authorities shall adopt a range of approaches to identify shipments containing goods suspected of infringing intellectual property rights. These approaches include risk analysis techniques based, inter alia, on information provided by rights holders, intelligence gathered and cargo inspections.*
5. *The Parties agree to effectively implement Article 69 of the TRIPS Agreement in respect of international trade in goods suspected of infringing intellectual property rights. For that purpose, the Parties shall establish and notify contact points in their customs administrations and shall be ready to exchange data and information on trade in such goods affecting both Parties. They shall, in particular, promote the exchange of information and*

27 Council decision of 16 June 2014 on the signing, on behalf of the European Union, and provisional application of the association agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part (2014/494/EU), OJ of EU 2014, vol. 57, L 261, https://eeas.europa.eu/sites/eeas/files/association_agreement.pdf [access: 2020-03-06].

28 Association agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part, delegation of the European Union to Georgia, which entered into force on July 1 2016, Ibid.

cooperation between customs authorities with regard to trade in counterfeit trademark goods and pirated copyright goods. Without prejudice to the provisions of Protocol II on Mutual Administrative Assistance in Customs Matters to this Agreement customs authorities shall, where appropriate, exchange such information swiftly and with due respect to data protection laws of the Parties.

6. *The customs authorities of each Party shall cooperate, upon request or upon their own initiative, to provide relevant available information to the customs authorities of the other Party, in particular for goods in transit through the territory of a Party destined for (or originating in) the other Party.*
7. *The Sub-Committee referred to in Article 74 of this Agreement shall establish the necessary practical arrangements concerning the exchange of data and information referred to in this Article.*
8. *Protocol II on Mutual Administrative Assistance in Customs Matters to this Agreement shall be applicable in respect to breaches of intellectual property rights, without prejudice to forms of cooperation resulting from the application of paragraphs 5 to 7 of this Article.*
9. *The Sub-Committee referred to in Article 74 of this Agreement shall act as the responsible Sub-Committee to ensure the proper functioning and implementation of this Article.*

Despite its name, therefore, the DCFTA is rather shallow and does not require Georgia to adopt what could be referred to as ‘best practice’ IP regulatory and enforcement practices.

4.1.2. Comprehensive Economic and Trade Agreement

The Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada came into force provisionally on 21 September 2017²⁹. Very different from the EU-Georgia association agreement, CETA includes longer, stricter and more detailed rules on border enforcement of IPRs in Chapter 20: Intellectual property, Section D: Border measures. Article 20.43 in Section D gives a definition to counterfeit trademark goods (paragraph 1)³⁰ and also clarifies that [t]he references to the infringement of intellectual property rights in this Section shall be interpreted as referring to instances of counterfeit trademark goods, pirated copyright goods or counterfeit geographical indication goods (paragraph 2). Furthermore, the article states in the following paragraphs that:

4. *Each Party shall adopt or maintain procedures with respect to import and export shipments under which a right holder may request its competent authorities to suspend the release of, or detain, goods suspected of infringing an intellectual property right.*
5. *Each Party shall adopt or maintain procedures with respect to import and export shipments under which its competent authorities may act on their own initiative to temporarily suspend the release of, or detain, goods suspected of infringing an intellectual property right, in order to provide an opportunity to right holders to formally request assistance under paragraph 4.[...]*
7. *Each Party may adopt or maintain the procedures referred to in paragraphs 4 and 5 with respect to transshipments and shipments in customs transit.*

Thus, trademark counterfeiting is one of the few instances where the border measures can be applied to suspend the release or retain the suspected goods. CETA also sets up standards for remedies where the competent authorities of each Party decide, after the initiation of the procedures described in Article 20.43, that the suspected goods infringe a IPR:

29 The Comprehensive and Economic Trade Agreement, <https://ec.europa.eu/trade/policy/in-focus/ceta/ceta-chapter-by-chapter> [access: 2020-03-06].

30 *Counterfeit trademark goods means any goods, including packaging, bearing, without authorisation, 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, and which infringes the rights of the owner of the trademark in question under the law of the Party in which the border measures procedures are applied.*

Article 20.48 Remedies

1. *Each Party shall provide that its competent authorities have the authority to order the destruction of goods following a determination referred to in Article 20.47³¹ that the goods are infringing. In cases where such goods are not destroyed, each Party shall ensure that, except in exceptional circumstances, such goods are disposed of outside the channels of commerce, in such a manner as to avoid any harm to the right holder.*
2. *In respect of counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce.*
3. *Each Party may provide that its competent authorities have the authority to impose administrative penalties following a determination referred to in Article 20.47 that the goods are infringing.*

Other articles Section D: Border measures relate to application by the right holder (Article 20.44), provision of information from the right holder (Article 20.45), security or equivalent assurance (Article 20.46) and specific cooperation in the area of border measures (Article 20.49).

4.2. United States

In contrast to the EU, US FTAs provide for strong IP protection and border measures regardless of the developmental status of the partner country. This section uses examples from the recently (re-)negotiated US–Mexico–Canada Agreement (USMCA)³² and the Phase I trade agreement negotiated between the US and China.

4.2.1. US-Mexico-Canada agreement

In regards to US practice, it is instructive to look at the recently negotiated USMCA, which is a renegotiation and upgrading of the longstanding North American Free Trade Agreement (NAFTA). This agreement contains not only the advanced economy of Canada but also a developing country in Mexico. The main difference which will become evident is that the US approaches negotiations with developed and developing countries in the same manner; that is to say, the US seeks to negotiate for comprehensive IP laws, enforcement and border measures and to export its regime to all partner countries.

Regulations on IPRs can be found in Chapter 20: Intellectual property rights, which includes Section J: Enforcement. With regard to civil judicial proceedings concerning trademark counterfeiting, the Agreement sets up higher standard than the TRIPS Agreement for remedies including damages and destruction in Article 20.82: Civil and administrative procedures and remedies, as well as particular provisional measures in Article 20.83: Provisional measures.

In regards to civil and administrative procedures and remedies, Article 20.82 reads in part:

5. *At least in cases of copyright or related rights infringement and trademark counterfeiting, each Party shall provide that, in civil judicial proceedings, its judicial authorities have the authority to order the infringer, at least in cases described in paragraph 3, to pay the right holder the infringer's profits that are attributable to the infringement. [...]*
7. *In civil judicial proceedings with respect to trademark counterfeiting, each Party shall also establish or maintain a system that provides for one or more of the following:*
 - (a) *pre-established damages, which shall be available on the election of the right holder; or*
 - (b) *additional damages. [...]*

31 *Article 20.47: Determination as to infringement*

Each Party shall adopt or maintain procedures by which its competent authorities may determine, within a reasonable period after the initiation of the procedures described in Article 20.43, whether the suspect goods infringe an intellectual property right.

32 Agreement between the United States of America, the United Mexican States, and Canada of 30 November 2018 (text 13 Dec 2019), <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between> [access: 2020-03-06].

12. Each Party shall provide that in civil judicial proceedings:

- (a) at least with respect to pirated copyright goods and counterfeit trademark goods, its judicial authorities have the authority, at the right holder's request, to order that the infringing goods be destroyed, except in exceptional circumstances, without compensation of any sort; [...]
- (c) in regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed is not sufficient, other than in exceptional circumstances, to permit the release of goods into the channels of commerce.

Provisional Measures contained in Article 20.83 include the following:

In civil judicial proceedings concerning copyright or related rights infringement and trademark counterfeiting, each Party shall provide that its judicial authorities have the authority to order the seizure or other taking into custody of suspected infringing goods, materials, and implements relevant to the infringement, and, at least for trademark counterfeiting, documentary evidence relevant to the infringement.

According to Article 20.84: Special requirements related to border measures, in the case of counterfeit or confusingly similar trademark goods, the IP right holder shall be allowed to submit an application to suspend the release of or to detain the suspected goods³³. At the same time, the right holder needs to provide adequate evidence to establish a *prima facie* case of the IPR infringement as well as sufficient information to help border authorities recognize suspected goods [Article 20.84 (2)]. There is also a 'reasonable security or equivalent assurance' clause [Article 20.84 (3)]. Moreover, this Article also regulates the disclosure of certain information to the right holder after the suspension of release or the detainment of the suspected goods [Article 20.84 (4)]. Notably, the border measures in this Section apply not only to suspected counterfeit trademark goods entering or exiting the territory of any Party but also those in transit [Article 20.84 (5)]. In addition, the Section also sets up rules on the determination of infringement as well as remedies including destruction in case of infringement [Article 20.84 (7)(8)]. It is noteworthy that NAFTA did not require *ex officio* authority for customs officials to stop suspected counterfeit goods while USMCA does so³⁴.

Article 20.84: Criminal procedures and penalties also includes particular rules for counterfeit trademark goods, that is, provisional measures and remedies of forfeiture or destruction. More specifically, sub-paragraph 6(c) provides that each Party shall provide

- (c) *that its judicial or other competent authorities have the authority to order the seizure of suspected counterfeit trademark goods or pirated copyright goods, any related materials and implements used in the commission of the alleged offense, documentary evidence relevant to the alleged offense, and assets derived from, or obtained through the alleged infringing activity. If a Party requires identification of items subject to seizure as a prerequisite for issuing a judicial order referred to in this subparagraph, that Party shall not require the items to be described in greater detail than necessary to identify them for the purpose of seizure; [...]*
- (e) *that its judicial authorities have the authority to order the forfeiture or destruction of:*
 - (i) *all counterfeit trademark goods or pirated copyright goods,*
 - (ii) *materials and implements that have been predominantly used in the creation of pirated copyright goods or counterfeit trademark goods, and*
 - (iii) *any other labels or packaging to which a counterfeit trademark has been applied and that have been used in the commission of the offense,*

33 Chapter 20, footnote 94: *For the purposes of this Article: (a) 'counterfeit trademark goods' means goods, including packaging, bearing without authorization a trademark that is identical to the trademark validly registered in respect of those goods, or that cannot be distinguished in its essential aspects from such a trademark, and that thereby infringes the rights of the owner of the trademark in question under the law of the Party providing the procedures under this Section.*

34 United States–Mexico–Canada trade fact sheet modernizing NAFTA into a 21st century trade agreement, <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/fact-sheets/modernizing> [access: 2020-03-06].

In cases in which counterfeit trademark goods and pirated copyright goods are not destroyed, the judicial or other competent authorities shall ensure that, except in exceptional circumstances, those goods are disposed of outside the channels of commerce in such a manner as to avoid causing any harm to the right holder. Each Party shall further provide that forfeiture or destruction under this subparagraph and subparagraph (d) occur without compensation of any kind to the defendant.

4.2.2. US-China Phase One trade deal

The US-China Phase I trade agreement – officially entitled: Economic and trade agreement between the Government of the United States of America and the Government of the People’s Republic of China³⁵ – was signed on 15 January 2020 after months of negotiations. In a sign of how serious the US takes the issue of IPRs, the chapter is the very first chapter of the agreement. Chapter 1: Intellectual property has ten sections³⁶. The sections relate to counterfeiting, border measures and criminal proceedings are as follows: Section E: Piracy and counterfeiting on e-commerce platforms; Section G: Manufacture and export of pirated and counterfeit goods; and section I: Judicial enforcement and procedure in intellectual property cases.

Section E requires the parties to combat online infringement and counterfeiting in the online environment as well as on major e-commerce platforms. In Section G, Article 1.19: Counterfeit goods with health and safety risks³⁷ sets up the obligation to ‘ensure sustained and effective action to stop the manufacture and distribution of counterfeit products with a significant impact on public health or personal safety’. And counterfeit cigarettes can be covered by the article since they do cause severe health risks. The following Article 1.20 deserves special attention as it sets up obligation to destroy counterfeit goods in border measures, civil judicial procedures and criminal procedures. These are particularly strong obligations, and worth reproducing in full:

Article 1.20: Destruction of counterfeit goods

1. *With respect to border measures, the Parties shall provide that:*
 - (a) *goods that have been suspended from release by its customs authorities on grounds that they are counterfeit or pirated, and that have been seized and forfeited as pirated or counterfeit, shall be destroyed, except in exceptional circumstances;*
 - (b) *the simple removal of a counterfeit trademark unlawfully affixed shall not be sufficient to permit the release of the goods into the channels of commerce; and*
 - (c) *in no event shall the competent authorities have discretion, except in exceptional circumstances, to permit the exportation of counterfeit or pirated goods or to subject such goods to other customs procedures.*
2. *With respect to civil judicial procedures, the Parties shall provide that:*
 - (a) *at the right holder’s request, goods that have been found to be pirated or counterfeit shall be destroyed, except in exceptional circumstances;*
 - (b) *at the right holder’s request, its judicial authorities shall order that materials and implements that have been predominantly used in the manufacture or creation of*

35 Economic and trade agreement between the Government of the United States of America and the Government of the People’s Republic of China, <https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china/phase-one-trade-agreement/text> [access: 2020-03-06].

36 Section A: General obligation; Section B: Trade secrets and confidential business information; Section C: Pharmaceutical-related intellectual property; Section D: Patents; Section E: Piracy and counterfeiting on e-commerce platforms; Section F: Geographical indications; Section G: Manufacture and export of pirated and counterfeit goods; Section H: Bad-faith trademarks; Section I: Judicial enforcement and procedure in intellectual property cases; Section J: Bilateral cooperation on intellectual property protection.

37 1. *The Parties shall ensure sustained and effective action to stop the manufacture and distribution of counterfeit products with a significant impact on public health or personal safety.*

2. *Measures China shall take include significantly increasing the number of enforcement actions within three months after the date of entry into force of this Agreement, and publishing data online on the measurable impact of these actions each quarter, beginning within four months after the date of entry into force of this Agreement.*

3. *The Parties shall endeavor, as appropriate, to strengthen cooperation to combat counterfeit goods that pose health and safety risks.*

such pirated or counterfeit goods be, without compensation of any sort, promptly destroyed or, in exceptional circumstances and without compensation of any sort, disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements;

- (c) *the simple removal of a counterfeit trademark unlawfully affixed shall not be sufficient to permit the release of goods into the channels of commerce; and*
 - (d) *at the right holder's request, its judicial authorities shall order a counterfeiter to pay right holders the profits from infringement or damages adequate to compensate for the injury from the infringement.*
3. *With respect to criminal procedures, the Parties shall provide that:*
- (a) *its judicial authorities, except in exceptional cases, shall order the forfeiture and destruction of all counterfeit or pirated goods and any articles consisting of a counterfeit mark to be affixed to goods;*
 - (b) *its judicial authorities, except in exceptional cases, shall order the forfeiture and destruction of materials and implements that have been predominantly used in the creation of pirated or counterfeit goods;*
 - (c) *forfeiture and destruction shall occur without compensation of any kind to the defendant; and*
 - (d) *its judicial or other competent authorities shall keep an inventory of goods and other material proposed to be destroyed, and these authorities shall have the discretion to temporarily exempt these materials from the destruction order to facilitate the preservation of evidence on notice by the right holder that it wishes to bring a civil or administrative case against the defendant or any third-party infringer.*
4. *The United States affirms that existing U.S. measures afford treatment equivalent to that provided for in this Article.*

Article 1.21³⁸ is likewise especially relevant as it focuses on border enforcement against counterfeit and pirated goods that are exported or in transit. Article 1.22: Enforcement at physical markets includes the obligation to ‘take sustained and effective action against copyright and trademark infringement at physical markets’. Section I mainly concerns civil judicial proceedings³⁹, but it also refers to criminal enforcement in Article 1.26: Transfer from administrative enforcement to criminal enforcement and obliges China to require the administrative authorities to transfer a case for criminal enforcement if there is ‘reasonable suspicion’ of a criminal IPR violation.

What should now be clear is that the US approach to identifying and setting out IP infringements and avenues for enforcement is far more comprehensive than the EU. Such approach can help to avoid the export and transportation of counterfeit products to the US by obligating its partner countries to protect and enforce IPRs in a stricter and more effective way. In this regard, the EU should consider following the American approach and negotiating for more substantial, comprehensive and instructive IP-related provisions in its FTAs.

³⁸ Article 1.21: Border enforcement actions

1. *The Parties shall endeavor to strengthen enforcement cooperation with a view to reducing the amount of counterfeit and pirated goods, including those that are exported or in transit.*

2. *China shall provide a sustained increase in the number of trained personnel to inspect, detain, seize, effect administrative forfeiture, and otherwise execute customs' enforcement authority against counterfeit and pirated goods, with an emphasis on counterfeit and pirated goods that are exported or in transit. Measures China shall take include significantly increasing training of relevant customs enforcement personnel within nine months after the date of entry into force of this Agreement. China also shall significantly increase the number of enforcement actions beginning within three months after the date of entry into force of this Agreement, and publishing online quarterly updates of enforcement actions.*

3. *The Parties agree to carry out cooperation with respect to border enforcement as appropriate.*

³⁹ Section I covers issues including deterrent-level penalties (Article 1.27), enforcement of judgements (Article 1.28), enforcement of copyright and related rights (Article 1.29), document authentication (‘consularization’) (Article 1.30), and witness testimony (Article 1.31).

5. The EU domestic practice

According to the Report on the EU customs enforcement of intellectual property rights: Results at the EU border, cigarettes are the top category for detained articles and account for 15.6% of the overall amount of detained articles. Cambodia and Georgia were the two major source states. Moreover, in 2018, the majority of articles (i.e. 88 % in number and 95 % in value) were detained by customs due to suspected infringement of trade mark, including EU trade mark (EUTM), international trade mark (ITM) or national trade mark (NTM). While the Report did not elaborate on what types of IPR were suspected of being infringed in regards to the seized cigarettes, it is likely that alleged trademark infringement including counterfeiting is the primary reason for the detainment.

For this reason, the EU stresses the importance of comprehensive and coordinated enforcement efforts:

It is essential to improve framework conditions for business to innovate and to reduce the damage to its legitimate interests caused by counterfeiters taking advantage of the investments, efforts and brand reputation of right-holders. The fight against international organisations engaged in fraud and organised crime, often searching for easy gains and economic benefits from the trade in counterfeit and pirated goods, also requires specific attention, as well as the risks that counterfeit and pirated goods may cause to consumers and end-users.

A comprehensive IPR legal framework must be combined with effective enforcement. Business and consumers rely heavily on the responsiveness of enforcement authorities. Customs play a key role in enforcement: once IPR infringing goods have entered the Single market, they are much more difficult to interrupt. Coordinating and planning European customs activities to combat IPR infringements related to cross-border trade is paramount⁴⁰.

This section focuses on the IPR enforcement regarding anti-counterfeiting in the EU using the UK as a case study. The UK is one of the leading jurisdictions with regard to IP enforcement and often at the forefront of measures to combat counterfeiting. Moreover, although the UK has exited the EU, in the current transition period it still applies EU Regulations and complies its national law with EU Directives⁴¹. Thus, the case of the UK also reflects how the EU addresses counterfeiting with IPR enforcement and how its approach is applied in its Member States.

This section first introduces the overall legislative framework in the EU and UK (Section 5.1), with a special focus on border measures (Section 5.2) and criminal proceedings (Section 5.3).

5.1. Legislative framework

In the EU Member States, there are mainly two types of enforceable trademarks: trademarks registered domestically and EUTM. Taking UK as an example, UK registered marks are enforceable throughout the UK and the Isle of Man, while the EUTM can gain protection all over the EU, including the UK.

Provisions relating to infringement of EUTM, including counterfeiting, are contained in the codified Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark (EUTM Regulation)⁴². And the national law of the UK regarding trade mark protection is the Trademarks Act 1994 (TMA)⁴³, which has latest been amended by the Trade Mark Regulations⁴⁴. This domestic Regulation which came into force on 14th January 2019⁴⁵ implements the Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate

40 Council conclusion on the EU customs action plan to combat IPR infringements for the years 2018 to 2022, 2019/C 24/05, 9 Oct 2018, [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XG0121\(01\)&rid=9](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XG0121(01)&rid=9) [access: 2020-03-06].

41 S. Shorthose, *Brexit: English Intellectual Property Law Implications* (Jan 2020), <https://www.twobirds.com/en/news/articles/2016/uk/brexit-english-intellectual-property-law-implications> [access: 2020-03-06].

42 Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark (codification) Text with EEA relevance, OJ EU 2017, L 154/1, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1001&from=EN> [access: 2020-03-06].

43 Trade Marks Act 1994, <http://www.legislation.gov.uk/ukpga/1994/26/contents> [access: 2020-03-06].

44 The Trade Marks Regulations 2018, <http://www.legislation.gov.uk/uksi/2018/825/contents> [access: 2020-03-06].

45 See the Trade Marks Regulations 2018, Regulation 1. Ibid.

the laws of the Member States relating to trade marks⁴⁶. The TMA includes provisions covering trademark infringement as well as criminal offences relating to anti-counterfeiting. More specifically, trading in counterfeit goods can cause infringement under Section 10(1) of the TMA⁴⁷ and can constitute criminal offence according to Section 92 of the TMA⁴⁸.

Moreover, the 2017 EUTM Regulation and the 2015 Trade Marks Directive introduce a significant amendment that the border measures to enforce IPRs shall also cover goods in transit:

Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the registered trade mark, the proprietor of that registered trade mark shall also be entitled to prevent all third parties from bringing goods, in the course of trade, into the Member State where the trade mark is registered, without being released for free circulation there, where such goods, including the packaging thereof, come from third countries and bear without authorisation a trade mark which is identical with the trade mark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trade mark.

The entitlement of the trade mark proprietor pursuant to the first subparagraph shall lapse if, during the proceedings to determine whether the registered trade mark has been infringed, initiated in accordance with Regulation (EU) No 608/2013, evidence is provided by the declarant or the holder of the goods that the proprietor of the registered trade mark is not entitled to prohibit the placing of the goods on the market in the country of final destination⁴⁹.

46 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 (recast) Text with EEA relevance, OJ EU 2015 L 336/1, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015L2436&from=EN> [access: 2020-03-06].

47 10. - (1) *A person infringes a registered trade mark if he uses in the course of trade a sign which is identical with the trade mark in relation to goods or services which are identical with those for which it is registered.* See also Article 9(2)(a) of the EU Trademark Regulation, Article 10 of the Trademark Directive: *In order to determine whether a sign and a mark are identical, the ECJ has said that the court must compare the overall impression created by them, including their visual, aural and conceptual similarities (Lloyd Schuhfabrik Meyer & Co GmbH v Klijsen Handel BV, Case C-342/97).*

The ECJ has also held that, where a sign differs from a trade mark only in insignificant details which would not be noticed by the average purchaser, that sign may be deemed to be identical for the purposes of assessing whether it infringes a registered trade mark (LTJ Diffusion v Sadas Verbaudet, Case C-291/00).

48 92. - (1) *A person commits an offence who with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor-*

(a) applies to goods or their packaging a sign identical to, or likely to be mistaken for, a registered trade mark, or

(b) sells or lets for hire, offers or exposes for sale or hire or distributes goods which bear, or the packaging of which bears, such a sign, or

(c) has in his possession, custody or control in the course of a business any such goods with a view to the doing of anything, by himself or another, which would be an offence under paragraph (b).

(2) A person commits an offence who with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor-

(a) applies a sign identical to, or likely to be mistaken for, a registered trade mark to material intended to be used-

(i) for labelling or packaging goods,

(ii) as a business paper in relation to goods, or

(iii) for advertising goods, or

(b) uses in the course of a business material bearing such a sign for labelling or packaging goods, as a business paper in relation to goods, or for advertising goods, or

(c) has in his possession, custody or control in the course of a business any such material with a view to the doing to anything, by himself or another, which would be an offence under paragraph (b).

(3) A person commits an offence who with a view to gain for himself or another, or with intent to cause loss to another, and without the consent of the proprietor-

(a) makes an article specifically designed or adapted for making copies of a sign identical to, or likely to be mistaken for, a registered trade mark, or

(b) has such an article in his possession, custody or control in the course of a business,

knowing or having reason to believe that it has been, or is to be, used to produce goods, or material for labelling or packaging goods, as a business paper in relation to goods, or for advertising goods.

See also *Intellectual Property Crime – Trademarks – Criminal Offences Contrary to the Trade Marks Act 1994 (TMA) & Elements of the Affence*, <https://www.cps.gov.uk/legal-guidance/intellectual-property-crime> [access: 2020-03-06].

49 Art 10(4) 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 (recast) - Text with EEA relevance, OJ EU 2015 L 336/1; see also art 9(4) Directive (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union

The above provision entitles the proprietor of a trade mark to prevent traders from bringing counterfeit goods into a Member State where that mark is protected even if the goods are not to be released for free circulation, unless evidence is provided by the declarant or the holder of the goods that the proprietor of the EU trade mark is not entitled to prohibit the placing of the goods on the market in the country of final destination⁵⁰.

Another related piece of EU legislation is Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, which focuses on the judicial enforcement of IPRs in civil proceedings. The Directive requires Member States to provide for effective, proportionate and dissuasive measures, procedures and remedies, and aims to approximate legislative systems of Member States to ensure a high, equivalent and homogeneous level of protection in the internal market. However, despite its vital importance, it is not within the purview of this report. Thus, the Directive will not be discussed in detail.

The European Commission has also adopted a series of measures to promote IPR protection and enforcement. An example here is the aforementioned 2014 Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee – towards a renewed consensus on the enforcement of intellectual property rights: An EU action plan (action plan on IPR enforcement)⁵¹, together with the Strategy for the protection and enforcement of intellectual property rights in third countries. The Action Plan on IPR Enforcement sets out ten specific actions providing for new enforcement policy tools to respond to the economic harm resulting from commercial scale IP infringements – ‘For the first time [the action plan] also stresses the need for all stakeholders involved in the value chain for any IP intensive product – including right-holders themselves – to apply due diligence to avoid infringements’⁵².

On 29 November 2017, the Commission adopted a comprehensive IP package where it ‘addressed issues related to judicial enforcement, and looked more broadly at the potential and added value of industry-led initiatives, the roles of public authorities and how to fight IP infringements within the EU, at our borders and internationally’⁵³. The goal of the package was to ‘further improve the application and enforcement of IPRs within the EU Member States, at our borders and internationally’⁵⁴. The package includes:

- » Communication entitled A balanced IP enforcement system responding to today’s societal challenges, composed of four main sections which set out:
 - (1) *measures to make it easier for IP stakeholders to benefit from a homogeneous, fair and effective judicial enforcement system in the EU. Together with the Directive on the enforcement of Intellectual Property Rights guidance, this includes actions and recommendations to further enhance judicial capacity and predictability in the EU;*
 - (2) *actions to support industry-led initiatives to combat IP infringements, such as voluntary agreements with intermediaries and steps to better protect supply chains against counterfeiting;*

trade mark (codification) Text with EEA relevance, OJ EU 2017, L 154/1. See further, recital 22 of the 2015 Directive and recital 16 of the 2017 Regulation.

50 Before the amendment comes into force, following the ECJ’s rulings in *Class International* (Approximation of laws) Case C-405/03, [2005] ECR I-8735 and *Montex Holdings* (Free movement of goods), Case C-281/05 ECR I-10881, the customs enforcement of IPRs does not cover counterfeit goods in transit. For more on goods in transit, see B. Mercurio, ‘*Seizing Pharmaceuticals in Transit: Analysing the WTO Dispute that Wasn’t*’ *International and Comparative Law Quarterly* 2012, vol. 61, is. 2, pp. 389-426.

51 Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee towards a renewed consensus on the enforcement of intellectual property rights: An EU action plan COM(2014)392, (1 Jul 2014), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52014DC0392> [access: 2020-03-06].

52 European Commission, *Enforcement of intellectual property rights – frequently asked questions*, 1 Jul 2014 https://ec.europa.eu/commission/presscorner/detail/en/MEMO_14_449 [access: 2020-03-06].

53 European Commission, *Intellectual property*, https://ec.europa.eu/growth/industry/intellectual-property_en [access: 2020-03-06].

54 Communication from the Commission to the Institutions – A balanced IP enforcement system responding to today’s societal challenges, COM(2017)707 (29 Nov 2017), <https://ec.europa.eu/docsroom/documents/26581> [access: 2020-03-06].

- (3) *initiatives to strengthen the capacity of custom and other authorities to enforce IP rights;*
 - (4) *measures to strengthen efforts to fight IP infringements at a global scale, by promoting best practices and stepping up co-operation with third countries*⁵⁵.
- » Communication entitled: Guidance on certain aspects of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights, whose objective is ‘to facilitate the Directive’s interpretation and application by competent judicial authorities and other parties involved in the enforcement of IPR in proceedings before those authorities’⁵⁶.
 - » An evaluation report⁵⁷ and study⁵⁸ on the Directive on the enforcement of IPR, which concludes that ‘the Directive still fit for purpose overall’⁵⁹.
 - » Overview report on the functioning of the Memorandum of understanding on the sale of counterfeit goods via the internet⁶⁰.

The above measures adopted by the EC are not legislation and thus do not regulate border measures and criminal proceedings. Nevertheless, they are still a significant component of the efforts by the EU to combat IPR infringements, including counterfeiting. In particular, the Communication entitled: A balanced IP enforcement system responding to today’s societal challenges includes initiatives to strengthen the capacity of custom and other authorities to enforce IP rights.

In addition, on 9 Oct 2018, the Council of Europe adopted Council conclusion on the EU customs action plan to combat IPR infringements for the years 2018 to 2022⁶¹, aiming to help customs authorities of Member States to combat IPR infringements. The strategic objectives of this action plan are the following:

- » Ensuring effective customs enforcement of IPR throughout the Union: developing tools for proper and efficient implementation of the EU Regulation; enhancement of COPIS (an EU-wide anti-counterfeit and anti-piracy information system containing all applications for action and all detentions) and exploiting the full functionality of COPIS; engaging right-holders & stakeholders; annual publication of statistics.
- » Tackling major trends in trade of IPR infringing goods: developing tailor-made approaches for parcel and postal traffic; strengthening Customs Risk Management.
- » Tackling trade of IPR infringing goods throughout the international supply chain: strengthening cooperation with key source, transit and destination countries; support capacity building in candidate and neighbouring countries on IPR enforcement.
- » Strengthening cooperation with the European Observatory on infringements of IPRs and law enforcement authorities: partnership with the European Observatory on infringements of IPRs; improving mutual understanding and cooperation between customs, police and judicial authorities; tackling trade of IPR infringing goods throughout the international supply chain.

55 Ibid.

56 Communication from the Commission to the Institutions on Guidance on certain aspects of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights, COM(2017)708 (29 Nov 2017), <https://ec.europa.eu/docsroom/documents/26582> [access: 2020-03-06].

57 IPR enforcement directive evaluation post RSCC, SWD(2017)431 (29 Nov 2017); Executive summary. SWD(2017)432 (29 Nov 2017), <https://ec.europa.eu/docsroom/documents/26601> [access: 2020-03-06].

58 C. Spain, J. Ravet, A. Radauer, V. Peter, A. Gkogka, P. Markianidou, *Support Study for the ex-post Evaluation and ex-ante Impact Analysis of the IPR Enforcement Directive (IPRED)*, European Commission, Brussels 2017, <https://op.europa.eu/en/publication-detail/-/publication/1e3b2f41-d4ba-11e7-a5b9-01aa75ed71a1> [access: 2020-03-06].

59 SWD(2017)432.

60 Overview of the functioning of the Memorandum of understanding on the sale of counterfeit goods via the internet, SWD(2017)430 (29 Nov 2017), <https://ec.europa.eu/docsroom/documents/26602> [access: 2020-03-06].

61 Notices from European Union institutions, bodies, offices and agencies Council conclusions on the EU customs action plan to combat IPR infringements for the years 2018 to 2022, OJ EU 2019, C 24/3 [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XG0121\(01\)&rid=9](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XG0121(01)&rid=9) [access: 2020-03-06].

This Action plan directly relates to border enforcement of IPRs, which is vital for combatting IPR infringements in the EU considering the significant expansion of cross-border trades. Again, it is not legislation setting up rules for border measures implemented by customs authorities of Member States. Border measures will be introduced in detail in the following section.

5.2. Border measures

The EU regulations regarding the customs enforcement of IPRs can be found in the Council Regulation (EU) 608/2013 concerning customs enforcement of intellectual property rights and repealing Council Regulation (EC) No. 1383/2003. The customs authorities' power to detain and seize goods suspected of infringing an IPR derive from this Regulation. 1 January 2014 (see IP/11/630 and MEMO/11/327). This regulation changed the procedure for when customs can seize and destroy goods suspected of infringing IPRs. More specifically, the Regulation provided customs the right to destroy goods suspected of infringing an IPR, without the need to initiate a legal proceeding to determine the existence of an infringement. The Regulation also added a provision for the simplified destruction of small consignments at the request of the right-holder in cases where infringement occurs.

In the UK, HM Revenue and Customs (HMRC) is the customs authority responsible for national policy governing IP rights enforcement at the UK external border. Border Force (BF) is the law enforcement command within the Home Office responsible for carrying out the frontier interventions that implement this policy, under the terms of a Partnership Agreement between the Commissioners of HMRC and the Home Office⁶².

In accordance with Article 1.4, the EU Regulation 608/2013 mentioned above does not apply to goods of a non-commercial nature contained in travellers' personal luggage. However, the exemption does not apply to the situation where the goods were purchased online and then posted to the EU. The case that established the precedent is *Martin Blomqvist v Rolex SA and another*, Case C-98/13. In this case:

[T]he ECJ considered a referral from the Danish Court regarding the interpretation of the previous Customs Regulation (1383/2003). The proceedings in Denmark were brought by Mr Blomqvist, who was fighting against the destruction of a counterfeit Rolex watch which he had purchased online from a Chinese website and which had been seized by customs authorities under the Customs Regulation, when it arrived in Denmark. One of the key issues referred to the ECJ was whether there had been «use in the course of trade» of an identical mark within the meaning of the Trade Marks Directive (2008/95/EC), sufficient to constitute trade mark infringement within a member state. The ECJ ruled that there had been use of the mark in the EU in the course of trade, and thus infringement. Rolex was, therefore, entitled to protection, under the Customs Regulation, at the time of entry of the watch into the EU. In this regard there is no material difference between Regulation 1383/2003 and Regulation 608/2013⁶³.

The finding is welcome news for rights holders since the growing trend for consumers to purchase products online has made counterfeit products purchased online and posted to the EU a big problem.

The Regulation has also established rules regarding application for action (AFA) in order to enhance co-operation between right-holders and customs administrations for more effective IPR enforcement (Articles 3-16). Trademark owners who require customs to take action at the UK border only should complete a National IPRs AFA; while EUTM owner can apply for Customs action in two or more Member States by submitting a completed EU AFA⁶⁴. The appropriate forms are set out in Commission Implementing Regulation (EU) No 1352/2013 of 4 December 2013 establishing the forms provided for in Regulation (EU) No 608/2013 of the European Parliament and of the Council concerning customs enforcement of intellectual property rights. In the UK, the AFA forms shall be sent to the HMRC with post or courier services or via email⁶⁵. The European Commission has also published the Manual for the

62 Notice 34: intellectual property rights (17 Jul 2019), <https://www.gov.uk/government/publications/notice-34-intellectual-property-rights/notice-34-intellectual-property-rights> [access: 2020-03-06].

63 S. Adams, *Working with UK Customs*, Practical Law, [https://uk.practicallaw.thomsonreuters.com/4-521-9162?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&bhcp=1](https://uk.practicallaw.thomsonreuters.com/4-521-9162?transitionType=Default&contextData=(sc.Default)&firstPage=true&bhcp=1) [access: 2020-03-06].

64 Notice 34.

65 Ibid.

Completion of Applications for Action and Extension Requests for the reference of applicants. Besides, the industry can also send ‘red alert’ form to notify customs about urgent, specific information, or ‘new trend’ form to notify customs about new trends, to the relevant contact point⁶⁶.

If the goods suspected of infringing IPRs are covered by a decision granting an application, they shall be detained once identified; as for those not covered by a decision granting an application, the customs authorities may detain them. In both cases, the customs authorities may provide the holder of the decision⁶⁷ or the potential decision holder⁶⁸ with information regarding the actual or estimated quantity of goods, their actual or presumed nature and images thereof before suspending the release of or detaining the goods [Articles 17 (2) and 18 (2)]. In addition, the customs authorities may ask the holder of the decision⁶⁹ or the potential decision holder to provide certain information during this period [Articles 17 (2) and 18 (2)]. After the suspension of release or detention of goods, the declarant or the holder of such goods as well as the holder of the decision or the potential decision holder shall be notified [Articles 17 (3) and 18 (3)]. However, in the latter circumstances where there is no decision of granting an application, the potential decision holder should be able to be identified by the customs authorities and shall submit an application and get the decision, otherwise the goods will be released or no longer detained [Article 18 (4)].

Notably, the holder of the decision is entitled to information including ‘the names and addresses of the consignee, the consignor and the declarant or the holder of the goods, of the customs procedure and of the origin, provenance and destination of the goods whose release has been suspended or which have been detained’ after the suspension of the release or detention of the suspected goods [Articles 17 (4) and 18 (5)]. Both the holder of the decision and the declarant or the holder of the goods can inspect the detained goods. The former may also receive the samples representing the goods upon request (Article 19). While the holder of the decision can have access to certain information regarding the suspected goods, its usage is allowed only for certain purposes⁷⁰.

After the suspension of release or detention of the goods suspected of infringing IPRs, such goods will be destroyed without determination whether any IPR has been violated ‘under the responsibility of the holder of the decision’ [Article 23 (2)] if:

- (a) *the holder of the decision has confirmed in writing to the customs authorities, within 10 working days, or three working days in the case of perishable goods, of notification of the suspension of the release or the detention of the goods, that, in his conviction, an intellectual property right has been infringed;*
- (b) *the holder of the decision has confirmed in writing to the customs authorities, within 10 working days, or three working days in the case of perishable goods, of notification of the suspension of the release or the detention of the goods, his agreement to the destruction of the goods;*
- (c) *the declarant or the holder of the goods has confirmed in writing to the customs authorities, within 10 working days, or three working days in the case of perishable goods, of notification of the suspension of the release or the detention of the goods, his*

66 European Commission, *Defend your rights*, https://ec.europa.eu/taxation_customs/business/customs-controls/counterfeit-piracy-other-ipr-violations/defend-your-rights_en [access: 2020-03-06].

67 Holder of the decision means the holder of a decision granting an application.

68 Potential decision holder refers to any person or entity potentially entitled to submit an application concerning the alleged infringement of the intellectual property rights.

69 Article 2.13 ‘holder of the decision’ means the holder of a decision granting an application.

70 *Article 21 Permitted use of certain information by the holder of the decision.*

Where the holder of the decision has received the information referred to in Article 17(4), Article 18(5), Article 19 or Article 26(8), he may disclose or use that information only for the following purposes:

(a) to initiate proceedings to determine whether an intellectual property right has been infringed and in the course of such proceedings;

(b) in connection with criminal investigations related to the infringement of an intellectual property right and undertaken by public authorities in the Member State where the goods are found;

(c) to initiate criminal proceedings and in the course of such proceedings;

(d) to seek compensation from the infringer or other persons;

(e) to agree with the declarant or the holder of the goods that the goods be destroyed in accordance with Article 23(1);

(f) to agree with the declarant or the holder of the goods of the amount of the guarantee referred to in point (a) of Article 24(2).

agreement to the destruction of the goods. Where the declarant or the holder of the goods has not confirmed his agreement to the destruction of the goods nor notified his opposition thereto to the customs authorities, within those deadlines, the customs authorities may deem the declarant or the holder of the goods to have confirmed his agreement to the destruction of those goods⁷¹.

If point (a) and point (b) cannot be satisfied, the goods shall be released unless the customs authorities have been notified that the proceedings to determine whether an intellectual property right has been infringed have been initiated [Article 23 (1)]. On the other hand, if point (c) is not met, that is, the declarant or the holder of the goods has not confirmed or has not been deemed to have confirmed his agreement to the destruction, the holder of the decision shall initiate proceedings to determine whether an intellectual property right has been infringed, otherwise the goods will be released [Article 23 (3) (5)]. The Regulations also set up time limits for taking those actions as well as special time limits in the case of perishable goods⁷².

Another possibility faced by suspected counterfeit goods whose release has been suspended or which have been detained is to be destroyed under the procedure for the destruction of goods in small consignments. There are five preconditions for the initiation of the procedure:

- (a) the goods are suspected of being *counterfeit* or pirated goods;
- (b) the goods are not perishable goods;
- (c) the goods are covered by a decision granting an application;
- (d) the holder of the decision has requested the use of the procedure set out in this Article in the application; and
- (e) the goods are transported in small consignments⁷³.

Moreover, it is also necessary to notify the declarant or the holder of the goods⁷⁴, and have their agreement⁷⁵ or deemed agreement⁷⁶ to the destruction of the goods. With such agreement, the customs authorities shall destroy the goods and upon request and as appropriate, provide the holder of the decision with certain information regarding the destroyed goods⁷⁷; without such agreement, the

71 Article 23(1).

72 See Article 23.

73 Article 26(1) ‘small consignment’ means a postal or express courier consignment, which:

(a) contains three units or less; or

(b) has a gross weight of less than two kilograms.

For the purpose of point (a), ‘units’ means goods as classified under the Article 2(19) Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff if unpackaged, or the package of such goods intended for retail sale to the ultimate consumer.

74 Article 26(3): *The customs authorities shall notify the declarant or the holder of the goods of the suspension of the release of the goods or their detention within one working day of the suspension of the release or of the detention of the goods. The notification of the suspension of the release or the detention of the goods shall include the following information:*

(a) *that the customs authorities intend to destroy the goods;*

(b) *the rights of the declarant or the holder of the goods under paragraphs 4, 5 and 6.*

Article 26(4): *The declarant or the holder of the goods shall be given the opportunity to express his point of view within 10 working days of notification of the suspension of the release or the detention of the goods.*

75 Article 26(5): *The goods concerned may be destroyed where, within 10 working days of notification of the suspension of the release or the detention of the goods, the declarant or the holder of the goods has confirmed to the customs authorities his agreement to the destruction of the goods.*

76 Article 26(6): *Where the declarant or the holder of the goods has not confirmed his agreement to the destruction of the goods nor notified his opposition thereto to the customs authorities, within the period referred to in paragraph 5, the customs authorities may deem the declarant or the holder of the goods to have confirmed his agreement to the destruction of the goods.*

77 Article 26(7): *The destruction shall be carried out under customs control. The customs authorities shall, upon request and as appropriate, provide the holder of the decision with information about the actual or estimated quantity of destroyed goods and their nature.*

customs authorities shall immediately notify the holder of the decision⁷⁸, who can choose to initiation of proceedings to determine the existence of IPR infringement otherwise the goods will be released⁷⁹.

According to the Report on the EU Customs Enforcement of Intellectual Property Rights the following results are registered at the EU Border:

In 82.9% of the detention procedures started by customs, the goods were destroyed after the owner of the goods and the right-holder agreed on destruction. In 3.9 % of the detentions, a court case was initiated to determine the infringement and, in 2.8 %, the goods were dealt with as part of criminal proceedings.

77 % of the detained articles were destroyed or were subject to court proceedings. However, 22 % of the detained articles were released because the right-holder did not respond to the notification sent to them by customs (8 %), or the articles were eventually found to be original goods (14 %), or there was no infringement situation (0.3 %).

The Regulation has also made clear it is the holder of the decision who shall reimburse the relevant costs⁸⁰.

5.3. Criminal proceeding

Criminal prosecutions can in some circumstances be an alternative to risky and sometimes costly civil litigation against counterfeiters. According to Section 92(6) of the Trade Marks Act, a person guilty of an offence under this section is liable:

- a. on summary conviction to imprisonment for a term not exceeding six months or a fine not exceeding the statutory maximum, or both;
- b. on conviction on indictment to a fine or imprisonment for a term not exceeding ten years, or both.

78 Article 26(8): *Where the declarant or the holder of the goods has not confirmed his agreement to the destruction of the goods and where the declarant or the holder of the goods has not been deemed to have confirmed such agreement, in accordance with paragraph 6, the customs authorities shall immediately notify the holder of the decision thereof and of the quantity of goods and their nature, including images thereof, where appropriate. The customs authorities shall also, upon request and where available to them, inform the holder of the decision of the names and addresses of the consignee, the consignor and the declarant or the holder of the goods, of the customs procedure and of the origin, provenance and destination of the goods whose release has been suspended or which have been detained.*

79 Article 26(9): *The customs authorities shall grant the release of the goods or put an end to their detention immediately after completion of all customs formalities where they have not received information from the holder of the decision on the initiation of proceedings to determine whether an intellectual property right has been infringed within 10 working days of the notification referred to in paragraph 8.*

80 Article 29 Costs:

1. Where requested by the customs authorities, the holder of the decision shall reimburse the costs incurred by the customs authorities, or other parties acting on behalf of customs authorities, from the moment of detention or suspension of the release of the goods, including storage and handling of the goods, in accordance with Article 17(1), Article 18(1) and Article 19(2) and (3), and when using corrective measures such as destruction of goods in accordance with Articles 23 and 26. [...]

3. The holder of a decision granting a Union application shall provide and pay for any translation required by the competent customs department or customs authorities which are to take action concerning the goods suspected of infringing an intellectual property right.

<p>Crown Prosecution Service (CPS)</p>	<p>The Crown Prosecution Service (CPS) prosecutes criminal cases that have been investigated by the police and other investigative organisations in England and Wales. The CPS is independent, and it takes decisions independently of the police and government. The CPS:</p> <ul style="list-style-type: none"> » decides which cases should be prosecuted; » determines the appropriate charges in more serious or complex cases, and advises the police during the early stages of investigations; » prepares cases and presents them at court; and » provides information, assistance and support to victims and prosecution witnesses⁸¹.
<p>Police Intellectual Property Crime Unit (PIPCU)</p>	<p>The Police Intellectual Property Crime Unit (PIPCU) is a department of the City of London Police, the national lead force for fraud. It was established in 2013 with the responsibility to investigate and deter serious and organised intellectual property crime in the United Kingdom⁸².</p>
<p>Chartered Trading Standards Institute (CTSI)</p>	<p>The Chartered Trading Standards Institute (CTSI) is a not-for-profit membership organisation founded in 1881 to support and represent trading standards professionals in the UK and abroad⁸³.</p>
<p>National Trading Standards</p>	<p>National Trading Standards is responsible for gathering important intelligence from around the country to combat rogue traders and tackle a number of priorities. These priorities currently include mass marketing and internet scams to other enforcement issues that go beyond local authority boundaries. National Trading Standards is different to the support provided by local trading standards services and the Chartered Trading Standards Institute. It works closely with these partners to help it in its goals, but its remit is focused solely on leading investigations into trading standards offences⁸⁴.</p>
<p>Trading Standards</p>	<p>Trading standards is the local government service that works to protect consumers and support legitimate business⁸⁵. Trading standards services enforce the law in a number of subject areas including intellectual property (for example, counterfeiting). Trading Standards Officers (TSOs) are given investigatory powers under Schedule 5 to the Consumer Rights Act 2015. TSOs also have a range of additional powers dependent upon the legislation they are enforcing. These include the power to require traders to produce documents relating to their business and powers to seize and detain goods and documents in certain circumstances⁸⁶. Consumers can report suspected IP crime to local Trading Standards by contacting Citizens Advice.⁸⁷ Trading Standards will decide whether to investigate the problem. If they do, they might contact the consumers for more information and evidence. Depending on what they find out, they might take action to stop the trader from acting unfairly. For example they might educate the trader about the law or take legal action against them to stop them from trading completely⁸⁸.</p>

81 About CPS, <https://www.cps.gov.uk/about-cps> [access: 2020-03-06].

82 City of London Police, *About PIPCU* (24 Jan 2018), <https://www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/pipcu/Pages/About-PIPCU.aspx> [access: 2020-03-06].

83 *About CTSI*, <https://www.tradingstandards.uk/about-ctsi> [access: 2020-03-06].

84 *What we do*, <http://www.nationaltradingstandards.uk/what-we-do> [access: 2020-03-06].

85 See further, Whales Heads of Trading Standards, *About trading standards*, <https://www.tradingstandardswales.org.uk/about> [access: 2020-03-06]; *About Trading Standards Scotland*, <https://www.tsscot.co.uk/what-we-do/about-tss> [access: 2020-03-06].

86 *Trading standards: Powers, enforcement & penalties*, <https://www.businesscompanion.info/en/quick-guides/miscellaneous/trading-standards-inspections-and-powers>, [access: 2020-03-06].

87 *Defend your intellectual property*, <https://www.gov.uk/defend-your-intellectual-property> [access: 2020-03-06].

88 *Reporting to Trading Standards* (11 November 2019), <https://www.citizensadvice.org.uk/consumer/get-more-help/report-to-trading-standards> [access: 2020-03-06].

In UK, private criminal prosecutions can also be an option with less costs compared to civil litigation and more control by right-holders compared to public criminal prosecutions⁸⁹. Additionally, in recent years, government budget cuts have reduced the number of public criminal prosecutions involving counterfeiting, so that private criminal prosecutions are comparatively more available⁹⁰. ‘Reasons to consider private prosecutions include: where the target is known to be deeply involved in counterfeiting and some other criminal activity (such as fraud); where the prosecution will lead to identifying the «ring-leader»; or where the police or Trading Standards have gathered good evidence but do not have the resources to continue to prosecution.’

In this section, the legal regime regarding the IPR enforcement related to counterfeiting in the EU and the UK has been explored. The 2017 EUTM Regulation protects EUTM, while the 2015 Trade Marks Directive has harmonized the domestic protection of national trade marks in individual Member States. As for border measures, the 2013 EU Regulation on customs enforcement of IPR is implemented by customs authorities of Member States. In the post-Brexit era, the UK still applies the EU law temporarily at the current stage, thus, the BF of the UK still enforces the IPRs at its border in accordance with the 2013 Regulation. Moreover, the section also discusses the criminal proceedings in the UK related to counterfeiting.

It can be seen that the EU has developed very detailed and practical border measures for IPR enforcement, which have efficiently and largely eliminated illicit trade in counterfeit products including cigarettes. In addition, the domestic criminal proceedings in the UK are also vital for combatting counterfeit crime with various governmental agencies participating in the proceedings. In the following section, the approach of the USA regarding IPR enforcement in terms of border measures and criminal proceedings related to counterfeiting will be discussed. By comparing the EU/UK regime with the US regime, the report aims to explore what lessons the former could take from the latter to further promote IPR enforcement in combatting illicit trade in counterfeit products including cigarettes.

6. Other jurisdictions: the case of USA

This section focuses on the IPR enforcement regime of the US, which is also a leading jurisdiction for IPR protection. Again, the legislative framework, border measures and criminal proceedings will be discussed in the following parts.

6.1. Legal framework

With regard to the anti-counterfeiting regime in the US, there are two fundamental federal statutes: the Lanham Act (15 USC § 1051) and the Trademark Counterfeiting Act 1984 (18 USC § 2320). The former one addresses the establishment of trademark rights, as well as the civil enforcement regarding trademark. Pursuit to 15 USC § 1114 - Remedies; infringement; innocent infringement by printers and publishers:

1. *Any person who shall, without the consent of the registrant—*
 - (a) *use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or*
 - (b) *reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods*

89 They are usually brought by major organisations with multiple counterfeiting issues, for example music-industry groups acting for multiple rights-holders. This can be cost effective because the group will probably act for multiple claimants in a large number of cases. For a typical rights-holder acting alone and dealing with a limited number of issues, this is unlikely to be a cost-effective solution, unless dealing with a known persistent offender. See S. Adams, *Resourcing an Effective Anti-Counterfeiting Strategy*, [https://uk.practicallaw.thomsonreuters.com/8-519-8600?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&bhcp=1](https://uk.practicallaw.thomsonreuters.com/8-519-8600?transitionType=Default&contextData=(sc.Default)&firstPage=true&bhcp=1) [access: 2020-03-06].

90 S. Adams, *UK Anti-Counterfeiting Strategy*, [https://uk.practicallaw.thomsonreuters.com/6-519-2859?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&bhcp=1](https://uk.practicallaw.thomsonreuters.com/6-519-2859?transitionType=Default&contextData=(sc.Default)&firstPage=true&bhcp=1) [access: 2020-03-06].

or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,
shall be liable in a civil action by the registrant for the remedies hereinafter provided.

The Trademark Counterfeiting Act makes trafficking in counterfeit goods a federal criminal offence. The subsections (a) and (f) of the Trademark Counterfeiting Act stipulates that:

(a) Offenses.—Whoever intentionally—

- (1) traffics in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services,*
- (2) traffics in labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature, knowing that a counterfeit mark has been applied thereto, the use of which is likely to cause confusion, to cause mistake, or to deceive, [...]*

or attempts or conspires to violate any of paragraphs (1) through (4) shall be punished as provided in subsection (b).

(f) Definitions.—For the purposes of this section—

(1) the term «counterfeit mark» means—

(A) a spurious mark—

- (i) that is used in connection with trafficking in any goods, services, labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or nature;*
- (ii) that is identical with, or substantially indistinguishable from, a mark registered on the principal register in the United States Patent and Trademark Office and in use, whether or not the defendant knew such mark was so registered;*
- (iii) that is applied to or used in connection with the goods or services for which the mark is registered with the United States Patent and Trademark Office, or is applied to or consists of a label, patch, sticker, wrapper, badge, emblem, medallion, charm, box, container, can, case, hangtag, documentation, or packaging of any type or nature that is designed, marketed, or otherwise intended to be used on or in connection with the goods or services for which the mark is registered in the United States Patent and Trademark Office; and*
- (iv) the use of which is likely to cause confusion, to cause mistake, or to deceive.*

Accordingly, not only those who intentionally traffic in counterfeit goods commit an offense, but also those who attempt or conspire to do so.

In conclusion, trafficking in counterfeit cigarettes can constitute both civil infringements and federal criminal offenses. Moreover, registration of a trademark with the US Patent and Trademark Office is one of the preconditions to making successful claims regarding civil infringements and federal criminal offenses arising out of trafficking in counterfeit goods under US law.

6.2. Border measures

This part focuses on the border measures taken by the US to enforce IPRs, especially to combat counterfeiting. While the US Customs and Border Protection (CBP) is in charge to implementing border measures and can be seen as the counterpart of the BF in the UK, there is another American federal agency – US International Trade Commission (USITC) which plays a role in enforcing IPR and combatting counterfeiting at the American border. If the USITC finds certain imports infringe a valid and enforceable US patent, copyright, registered trademark, or mask work, it may issue orders excluding the products from

entry into the United States and/or directing the violating parties to cease and desist from certain actions. The CBP enforces exclusion orders issued by the ITC.

6.2.1. US Customs and Border Protection

CBP has the authority to examine, inspect and search vessels, vehicles, cargo, baggage and persons entering the United States for any breach of US law (19 USC §§ 1581, 1582). Moreover, pursuant to 19 USC § 1595a(c)(2)(C), CBP may seize and forfeit merchandise that meets the criteria for criminal seizure for violation of the applicable criminal copyright or trademark statute. ‘The determination to initiate criminal prosecution for a violation of an intellectual property right law is made by the United States Department of Justice through the United States Attorney for the jurisdiction where the violation occurs’⁹¹.

After successful registration of their trademarks with the US Patent & Trademark Office, trademark owners are suggested to record their US trademark with the CBP at the expense of \$190 per class of goods in order to take advantage of its powers to detain and seize counterfeit goods under 19 CFR 133.21. The application to record shall include the following information (19 CFR 133.2 Application to record trademark):

- (a) *The name, complete business address, and citizenship of the trademark owner or owners (if a partnership, the citizenship of each partner; if an association or corporation the State, country, or other political jurisdiction within which it was organized, incorporated, or created);*
- (b) *The places of manufacture of goods bearing the recorded trademark;*
- (c) *The name and principal business address of each foreign person or business entity authorized or licensed to use the trademark and a statement as to the use authorized; and*
- (d) *The identity of any parent or subsidiary company or other foreign company under common ownership or control which uses the trademark abroad*⁹².

In accordance to 19 CFR 133.21(a), a ‘counterfeit mark’ is a spurious mark that is identical with, or substantially indistinguishable from, a mark registered on the Principal Register of the US Patent and Trademark Office. CBP may detain any article of domestic or foreign manufacture imported into the United States that bears a mark suspected of being a counterfeit version of a mark that is registered with the US Patent and Trademark Office and is recorded with CBP.

In such cases, within five business days from the date of a decision to detain suspect merchandise, CBP will notify the importer in writing of the detention as well as that CBP may disclose or have previously disclosed certain information to the owner of the mark to help determine whether the detained merchandise bears counterfeit marks [19 CFR § 133.21(b)(2)(i)]. Where the importer does not provide information within the seven business day response period, or the information provided is insufficient for CBP to determine that the merchandise does not bear a counterfeit mark, CBP may proceed with the disclosure of information appearing on detained merchandise and/or its retail packaging, including unredacted photographs, images or samples, to the owner of the mark and will notify the importer of such disclosure [19 CFR § 133.21(b)(2)(ii)].

Upon a determination by CBP that an article of domestic or foreign manufacture imported into the United States bears a counterfeit mark, CBP will seize such merchandise and, in the absence of the written consent of the owner of the mark, forfeit the seized merchandise in accordance with the customs laws [19 USC § 1526 (e); 19 CFR § 133.21(e)].

Upon receiving a seizure notice, an importer may choose to do one of the following:

- » Request administrative forfeiture proceedings as provided under 19 USC § 1607 and 19 CFR § 162.45;

91 *Enforcement of Intellectual Property Rights* (August 2012), https://www.cbp.gov/sites/default/files/assets/documents/2017-Feb/enforce_ipr_3_0.pdf [access: 2020-03-06].

92 19 CFR Part 133, <https://www.law.cornell.edu/cfr/text/19/part-133> [access: 2020-03-06]. Subpart A - Recordation of trademarks also includes regulations regarding effective date, term, and cancellation of trademark recordation and renewals (19 CFR 133.4), change of ownership of recorded trademark (19 CFR 133.5), change in name of owner of recorded trademark (19 CFR 133.6), and renewal of trademark recordation (19 CFR 133.6).

- » File a claim and cost bond requesting that CBP immediately refer the case to the United States Attorney for court action;
- » File a petition for administrative relief with the Port Director of CBP pursuant to 19 USC § 1618 and 19 CFR § 171.11; or
- » Tender an offer in compromise to the Commissioner of Customs through the Fines, Penalties, and Forfeitures at the port of seizure pursuant to 19 USC § 1617 and 19 CFR § 161.5⁹³.

After forfeiting goods bearing counterfeit marks, the owner of the mark may provide written consent to the importer allowing the importation of the seized merchandise in its condition [19 CFR § 133.21(g)] otherwise CBP shall destroy them, or dispose of them after obliterating the counterfeit marks in case such goods are safe and the trademark owners agree⁹⁴.

Moreover, in accordance with 19 CFR § 133.27, CBP, besides any other penalty or remedy authorized by law, may impose a civil fine on any person who directs, assists, or aids and abets the importation of counterfeit goods for sale or public distribution resulting in a seizure of the merchandise. For the first seizure of such merchandise, the fine shall be no more than the domestic value the merchandise would have had if it were genuine, based upon the manufacturer's suggested retail price at the time of seizure. For second and subsequent violations, the fine shall not be more than twice such value.

Where administratively feasible and appropriate, CBP is authorized to seize merchandise bearing a mark that is counterfeit of a federally registered trademark that is not recorded with CBP pursuant to 19 USC § 1595a(c)(2)(C) for a violation of 18 USC § 2320⁹⁵.

When addressing articles suspected of bearing counterfeit marks, one critical issue is when and how to disclose certain information to certain parties. The legislation has very detailed and practical rules in that respect to balance different interests and different concerns and these rules can be found in the form below.

⁹³ *CBP Enforcement of Intellectual Property Rights* (August 2012).

⁹⁴ 19 USC § 1526(e): *After forfeiture, CBP shall destroy the merchandise. Alternatively, if the imported merchandise is safe, poses no health hazard, and the trademark owner consents, CBP may obliterate the counterfeit mark where feasible and dispose of the seized goods by (1) delivering the merchandise to any Federal, State, or local government agency, (2) donating the merchandise to a charitable institution, or (3) selling the merchandise at public auction provided more than 90 days have passed since the date of forfeiture, and no Federal, State, or local government agency or charitable institution has a need for such merchandise.*

⁹⁵ *CBP Enforcement of Intellectual Property Rights* (August 2012).

Information disclosure by CBP after presenting the merchandise for examination under 19 CFR 133.21 - articles suspected of bearing counterfeit marks.

To whom	Subject	Timing	Legal provision
Owner of the mark	Information appearing on detained merchandise and/or its retail packaging, including unredacted photographs, images or samples.	The importer does not provide information within the seven business day response period, or the information provided is insufficient for CBP to determine that the merchandise does not bear a counterfeit mark.	19 CFR § 133.21 (b)(2)(ii); 19 CFR § 133.21 (b)(3). See further, conditions for the disclosure in 19 CFR § 133.21 (c).
Owner of the mark	Limited importation information, including: (i) The date of importation; (ii) The port of entry; (iii) The description of the merchandise; (iv) The quantity; and (v) The country of origin of the merchandise.	Where CBP does not disclose this information prior to issuance of the notice of detention, it will do so concurrently with the issuance of the notice of detention, unless the information is unavailable in which case CBP will release the information as soon as possible after issuance of the notice of detention.	19 CFR § 133.21 (b)(4)
Owner of the mark	Images, or a sample of the suspect merchandise or its retail packaging (including labels), provided that identifying information has been removed, obliterated, or otherwise obscured.	At any time.	19 CFR § 133.21 (b)(5)
Importer	Unredacted photographs, images, and samples of imported merchandise suspected of bearing a counterfeit mark.	At any time.	19 CFR § 133.21 (d)
Owner of the mark	Comprehensive importation information, including: (1) The date of importation; (2) The port of entry; (3) The description of the merchandise from the notice of seizure; (4) The quantity as set forth in the notice of seizure; (5) The country of origin of the merchandise; (6) The name and address of the manufacturer; (7) The name and address of the exporter; and (8) The name and address of the importer.	Within 30 business days from the date of the notice of the seizure.	19 CFR § 133.21 (e)
Owner of the mark	Photographs, images, or a sample of the seized merchandise and its retail packaging, in its condition as presented for examination.	At any time following a seizure of merchandise bearing a counterfeit mark under this section, and upon receipt of a proper request from the owner of the mark.	19 CFR § 133.21 (f)

As for IPR enforcement at the border, the collaborations of the business is also quite important. The following form shows how the business can cooperate with CBP to protect their IPRs including trademarks and combat counterfeiting.

Intellectual property rights enforcement: How business can partner with CBP to protect their rights

e-Recordation ⁹⁶	Following registration of a trademark with the U.S. Patent & Trademark Office, a right holder may record its right (trademark or copyright) with CBP to gain protection at the US border. While CBP regulations provide for the submission of written recordation applications, an applicant may also avail themselves of CBP's on-line recordation system as an alternative method of filing via the Intellectual Property e-Recordation, an on-line recordation system. The web-based tool: <ul style="list-style-type: none"> » Eliminates paper applications and the need for supporting documents (including registration certificates); » Allows right holders to upload images of the protected rights; » Reduces time from filing of the application to enforcement by field personnel; and » Allows for on-line payment by credit card or by submission of a check or money order after the filing of the application.
Intellectual Property Rights Search Database ⁹⁷	The database contains CBP recorded trademarks, trade names, and copyrights which are available for viewing by right holders and the public. These recordations can be retrieved based on simple or complex search characteristics using keywords and Boolean operators.
e-Allegations ⁹⁸	Businesses and rights owners are encouraged to submit allegations of infringing shipments or conduct to CBP. CBP uses this information to target these activities and may refer cases for criminal investigations.
Product identification guides ⁹⁹	These guides, produced by rights owners, help CBP make infringement determinations at the port. All guides submitted to CBP are placed on CBP's internal websites and linked to the e-Recordation system. This provides extensive information about recorded intellectual property rights to the field to assist with infringement determinations.
Product training sessions ¹⁰⁰	Many companies also provide product identification training to CBP personnel at ports of entry. This allows companies to interact face to face with the officers and import specialists who will inspect shipments and look for IPR infringements.

6.2.2. US International Trade Commission

According to Tariff Act of 1930, Section 337: Investigations of unfair practices in import trade (19 USC §1337), the USITC is authorized to determine whether there is unfair competition in the importation of products into, or their subsequent sale in, the United States. Section 337 declares the infringement of a US register trademark to be an unlawful practice in import trade.

Section 337 investigations require formal evidentiary hearings in accordance with the Administrative Procedure Act (5 U.S.C. 551 et seq.). The hearings are held before an administrative law judge (ALJ). Parties to these investigations include complainants, respondents, and the USITC attorney representing the public interest. Following the evidentiary hearing, the ALJ issues an initial determination on all issues related to violations of section 337. The Commission may review and adopt, modify, or reverse the ALJ's decision. If the Commission does not review the initial determination, it becomes the USITC's decision. If a violation is found, the USITC may issue orders barring the importation of certain products into the United States. In addition to requesting long-term relief, complainants also may move for temporary relief

⁹⁶ Ibid.

⁹⁷ Ibid.

⁹⁸ *Intellectual Property Rights Enforcement: How Businesses Can Partner with CBP to Protect their Rights* (Jan 2017), https://www.cbp.gov/sites/default/files/assets/documents/2017-Jan/ipr_guide.pdf [access: 2020-03-06].

⁹⁹ Ibid.

¹⁰⁰ Ibid.

pending final resolution of the investigation based on a showing of, among other things, irreparable harm in the absence of such temporary relief.

When: After receipt of a complaint alleging, under oath, a violation of section 337, the USITC determines whether the complaint satisfies the requirements of the Commission's rules and an investigation should be instituted. Following institution, the USITC conducts an investigation to determine whether the statute has been violated.

Duration: The USITC is required to conclude its investigation at the earliest practicable time, and must, within 45 days after an investigation is instituted, establish a target date for issuing its final determination.

Finding: If the accused imports are determined to infringe a valid and enforceable U.S. patent, copyright, registered trademark, or mask work, the USITC may issue orders excluding the products from entry into the United States and/or directing the violating parties to cease and desist from certain actions. ... USITC orders are effective when issued and become final 60 days after issuance unless disapproved for policy reasons by the U.S. Trade Representative within that 60-day period. Appeals of USITC determinations may be taken to the U.S. Court of Appeals for the Federal Circuit. Violators of USITC section 337 orders are liable for civil penalties of up to \$100,000 a day or twice the value of the imported articles. (For further information, see section 337 of the Tariff Act of 1930, 19 U.S.C. 1337.)¹⁰¹

The CBP enforces exclusion orders issued by the ITC.

6.3. Criminal prosecution

To commence criminal enforcement of trademark counterfeiting in the United States, the trademark owner can report the crime to various state and federal law enforcement authorities, such as the Federal Bureau of Investigation (FBI) and the National Intellectual Property Rights Coordination Centre (IPR Centre). It is also critical for the trademark owners to cooperate with US law enforcement authorities afterwards and provide necessary evidence to prove especially the validity of the owner's trademark rights and that the goods being sold have infringed such trademark rights.

Penalties imposed on a person convicted of trafficking in counterfeit trademark goods are as follows:

- (A) if an individual, shall be fined not more than \$2,000,000 or imprisoned not more than 10 years, or both, and, if a person other than an individual, shall be fined not more than \$5,000,000; and*
- (B) for a second or subsequent offense, if an individual, shall be fined not more than \$5,000,000 or imprisoned not more than 20 years, or both, and if other than an individual, shall be fined not more than \$15,000,000.*

The penalties will increase in case of resulting in serious bodily injury or death, or trafficking in counterfeit military goods or services and counterfeit drugs, both of which are rather irrelevant in the case of trafficking in counterfeit cigarettes.

In addition to the penalties, the court shall also order the person convicted of trafficking in counterfeit trademark goods forfeit to the United States Government the following property:

- (A) Any article, the making or trafficking of which is, prohibited under 18 USC § 2320 (a);*
- (B) Any property used, or intended to be used, in any manner or part to commit or facilitate the commission of an offense referred to in subparagraph (A).*
- (C) Any property constituting or derived from any proceeds obtained directly or indirectly as a result of the commission of an offense referred to in subparagraph (A).*

¹⁰¹ US International Trade Commission, *Understanding investigations of intellectual property infringement and other unfair practices in import trade (Section 337)*, https://www.usitc.gov/press_room/us337.html [access: 2020-03-06].

Afterwards, law enforcement authorities will destroy or otherwise dispose of the above seized property [18 USC § 2323 (b)].

Besides, when a person is convicted of an offense under 18 USC § 2320 (a), the court shall at the same time order the person to pay restitution to any victim of the offense (including trademark owners), pursuant to 18 USC § 3556, 3663A, and 3664 [18 USC § 2323 (c)].

The form below lists the federal agencies in charge of IPR enforcement in the United States in terms of both border measures and criminal proceedings.

List of federal agencies responsible for enforcing intellectual property rights in the United States

The US Department of Justice (DOJ)	DOJ prosecutes intellectual property rights crimes on behalf of the United States. The DOJ Computer Crime and Intellectual Property Section is responsible for implementing DOJ's national strategies in combating computer and intellectual property crimes worldwide. In pursuing all these goals, CCIPS attorneys regularly run complex investigations, resolve unique legal and investigative issues raised by emerging computer and telecommunications technologies; litigate cases; provide litigation support to other prosecutors; train federal, state, and local law enforcement personnel; comment on and propose legislation; and initiate and participate in international efforts to combat computer and intellectual property crime ¹⁰² .
The Federal Bureau of Investigation (FBI)	The FBI investigates criminal counterfeiting, piracy, and other federal crimes. Intellectual property crime, such as copyright piracy, trademark counterfeiting, or Internet fraud, like any other crime, should be reported to appropriate law enforcement investigative authorities at the local, state, federal, or international levels, depending on the scope of the crime. Citizens or companies aware of federal crimes should report them to local offices of the FBI. The FBI has offices throughout the United States ¹⁰³ .
The US International Trade Commission (USITC)	USITC investigates claims regarding intellectual property rights violations by imported goods, including allegations of patent and trademark infringement. Section 337 (19 USC § 1337) declares it unlawful to import items that infringe utility and design patents, as well as registered and common law trademarks, and registered copyrights. USITC provides information on Section 337. USITC will conduct an investigation (Section 337 investigation) and if it determines that the imports violate Section 337, it may issue an exclusion order barring counterfeit or pirated products from entry into the United States, as well as a cease and desist order directing the violating parties to cease certain actions. CBP enforce the exclusion orders ¹⁰⁴ .
National Intellectual Property Rights Coordination Center (IPR Center)	The US Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI) led the IPR Center stands at the forefront of the United States Government's response to global intellectual property theft and enforcement of its international trade laws. The mission of the IPR Center is to ensure national security by protecting the public's health and safety, the US economy, and our war fighters, and to stop predatory and unfair trade practices that threaten the global economy. To accomplish this goal, the IPR Center brings together 23 partner agencies, consisting of 19 key federal agencies, Interpol, Europol and the governments of Canada and Mexico in a task-force setting. The task force structure enables the IPR Center to effectively leverage the resources, skills, and authorities of each partner and provide a comprehensive response to IP theft. The IPR Center is led by an ICE-HSI Director with Deputy Directors from HSI and CBP ¹⁰⁵ . It is also encouraged to report violations of intellectual property rights, including counterfeiting and piracy, to the IPR Center ¹⁰⁶ .

102 U.S. Department of Justice Computer Crime initiative (22 Jul 2016), <https://www.stopfakes.gov/article?id=U-S-Department-of-Justice-Computer-Crime-Initiative> [access: 2020-03-06].

103 Ibid.

104 Ibid.

105 National Intellectual Property Rights Coordination Center, *About Us*, <https://www.iprcenter.gov/about-us> [access: 2020-03-06].

106 *Intellectual Property Rights Seizure Statistics: Fiscal Year 2017* (26 Feb 2018), <https://www.cbp.gov/sites/default/files/assets/documents/2019-Apr/FY%202017%20Seizure%20Stats%20Booklet%20-%200508%20Compliant.pdf> [access: 2020-03-06].

<p>US Customs and Border Protection (CBP)</p>	<p>CBP is the primary federal agency responsible for securing America’s borders. This includes the protection of intellectual property rights, which guards against the infringement of US patents, copyrights, and trademarks. At the border, CBP is authorized to exclude, detain and/or seize imported merchandise that infringes federally registered and recorded trademarks and copyrights and/or is covered by an exclusion order issued by the US International Trade Commission¹⁰⁷.</p>
<p>The US Intellectual Property Enforcement Coordinator (IPEC)</p>	<p>IPEC serves in the Executive Office of the President and is charged with developing and implementing the Administration’s overall strategy for enforcement of intellectual property¹⁰⁸.</p>

This section introduces the legislative framework, border measures and criminal proceedings of the US for IPR enforcement, especially in the case of counterfeiting. It is noteworthy that there exist differences between the EU regime and the US regime, and the former may be able to take lessons from the latter to enhance IPR enforcement and eliminate counterfeiting. Specific recommendations will be come up with in the next section, bearing in mind all the discussion in this section and the sections above.

7. Recommendations for possible regulatory responses

Both the EU and the US have high standards of IP protection and enforcement. There is nothing inherently more beneficial or detrimental of one over the other. As illustrated below, the US, however, appears to be directed by a more coherent approach to the issue, in particular in regards to border enforcement.

7.1. Free Trade agreements

When entering into Free Trade Agreements (FTAs) with developed countries the EU negotiates for a high level of IP protection and detailed border measures to curb and serve as a deterrent to counterfeiting. When negotiating with developing countries, the obligations are not as strong, and often hortatory in nature. Since most counterfeit tobacco products enter the EU from developing countries, this approach does not seem sensible. The objective should be to raise standards of protection and enforcement in potential source countries. This is the approach of the US, which seeks to negotiate for standard protocols and high levels of protection and enforcement from developed and developing countries.

It would seem obvious that the EU should foremost amend its negotiating strategy and negotiate for binding obligations from all partner countries.

7.2. Customs Authorities

According to the border measures adopted by the EU, customs authorities have no mandate to determine whether an IPR has been infringed after suspending the release or detaining the suspected goods. Thus, they can only destroy such goods only after getting the confirmation by the decision holder as well as the agreement or deemed agreement by declarant or the holder of the goods to the destruction. On the contrary, the USCBP can determine whether an article of domestic or foreign manufacture imported into the United States bears a counterfeit mark; if so, CBP will seize such merchandise and, in the absence of the written consent of the owner of the mark, forfeit the seized merchandise in accordance with the customs laws [19 USC § 1526 (e); 19 CFR § 133.21(e)]. In addition, CBP can also impose civil fine in accordance with 19 CFR § 133.27 on any person who directs, assists, or aids and abets the importation of counterfeit goods for sale or public distribution resulting in a seizure of the merchandise.

The EU provisions appear to lag those of the US – with expanded seizure and destruction powers only being granted in a Regulation dating from 2013. As Section 5.2 above details, the process remains cumbersome and inefficient. In order to more effectively combat counterfeits and prevent the release of such goods onto the market the EU may seek to expand the powers of the customs authorities in line with the US CBP.

107 *Intellectual Property Rights Enforcement: How Businesses Can Partner with CBP to Protect their Rights*.

108 *Intellectual Property Enforcement Coordinator (IPEC)* (26 Jul 2016), <https://www.stopfakes.gov/article?id=Intellectual-Property-Enforcement-Coordinator-IPEC> [access: 2020-03-06].

7.3. Special strategies adopted by CBP

The EU has adopted action plans and attempted to upgrade its laws within the recent past, but at least publicly still appears to lag behind in regards to proactive steps to prevent counterfeits from entering the territory. The on-the-ground effort appears reactionary rather than proactive.

On the contrary, the US CBP would seem to be at the forefront in experimenting with ways to curtail the flow of counterfeits into and out of the US. In this regard, the CBP identified IPR as a Priority Trade Issue (PTI)¹⁰⁹ and accordingly adopts a ‘multi-layered, risk-based approach¹¹⁰’ regarding the border enforcement of IPR. In this regard, numerous special strategies have been adopted to help assist with and promote efficient enforcement:

- » Using its Mobile Intellectual Property Enforcement Team, a special task force of top IPR enforcement experts within CBP, to conduct IPR enforcement operations to prevent the entry of counterfeit goods into the US¹¹¹;
- » Deploying IPR Strike Units, audit-centered teams, focusing on real-time enforcement and improving compliance¹¹²;
- » Expanding the border through post-import audits of companies that have been caught bringing fake goods into the US¹¹³;
- » Using technology to help target shipments with suspected counterfeit products, enhance information exchange, and develop web-based tools such as e-Recordation and e-Allegation, etc¹¹⁴.

This is not to suggest that the EU adopt verbatim everything the US is doing but only that it would seem they can take lessons from the above strategies and be more proactive.

7.4. Collaboration by CBP

When enforcing IPRs and combatting counterfeiting at the US border, CBP pays great attention to collaboration and engagement with other stakeholders. More specifically, it works with:

- » right holders of trademarks through e-Registration, e-Allegation, Product Identification Guides, and Product Training Sessions;
- » the IPR Center;
- » the investigative arm of the DHS and the ICE, to combat criminal organizations that illegally exploit American trade;
- » foreign counterparts to ‘conduct joint customs IPR enforcement operations, share effective enforcement practices, and exchange information on violations to identify illicit trade trafficking’;¹¹⁵
- » the Office of the US Intellectual Property Enforcement Coordinator¹¹⁶.

Some of agencies CBP partner with have been discussed above, but the point here is to again emphasise a proactive and holistic approach to enforcement. Such collaboration and engagement has led to efficient border enforcement of IPRs and helped to restrict the flowing of counterfeit goods into the US. It is suggested that the EU should also focus more on collaboration regarding the border enforcement of IPRs,

109 PTIs represent high-risk areas that can cause significant revenue loss, harm the US economy, or threaten the health and safety of the American people. CBP focuses its actions and resources around PTIs to better direct an effective trade facilitation and enforcement approach.

110 *Intellectual Property Rights Brochure* (15 Jun 2016), <https://www.cbp.gov/trade/document/publications/intellectual-property-rights-brochure> [access: 2020-03-06].

111 *Intellectual Property Rights Enforcement Updates* (16 May 2017), <https://www.cbp.gov/document/fact-sheets/intellectual-property-rights-enforcement-updates> [access: 2020-03-06].

112 See *Intellectual Property Rights Brochure* (15 Jun 2016).

113 *Fact Sheet on CPB Intellectual Property Rights* (Dec 2016), <https://www.cbp.gov/sites/default/files/assets/documents/2016-Dec/2015%20IPR%20Fact%20Sheet%20Update%20Final.pdf> [access: 2020-03-06].

114 *Ibid.*

115 See *Intellectual Property Rights Brochure* (15 Jun 2016).

116 *Ibid.*

especially with IPR holders, its trading partners and among different agencies in order to more effectively combat counterfeits.

7.5. USITC

According to Tariff Act of 1930, Section 337: Investigations of Unfair Practices in Import Trade (19 USC §1337), if the USITC is empowered to receive complaints alleging a violation of section 337 including the infringement of a US registered trademark and conduct investigations to determine whether the rules have been breached. If there is an affirmative finding, the USITC can issue exclusion orders to CBP to exclude, detain and/or seize products which are determined to infringe such trademark. In this regard, the USITC provides the holders of registered trademarks with more possibility to prevent the importation of counterfeit products, even before such products arrive at the US border.

The EU and its Member States do not have an agency with similar powers. While it is not suggested that the EU adopt a similar agency, it should consider adopting the powers that the US grants to the CPB.

8. Concluding remarks

The report concentrates on trade in counterfeit cigarettes and looks at the role that IPRs and their enforcement plays in controlling such trade in the EU and the US. It first introduces illicit trade in counterfeit cigarettes and the concept of counterfeiting. Then it looks at the international regime for IPR protection and enforcement. More specifically, at multilateral level, the TRIPS Agreement and the ACTA are relevant; at regional and bilateral levels, the FTA practice of the EU and the US also has a bearing on IPR enforcement and preventing counterfeiting. By coming into FTAs with other states, especially those with poorer IPR regime and involved in illicit trade in counterfeit products, the US and the EU decrease the chances to import counterfeit products exported and transported from these states. Then the report looks at that the IPR enforcement regimes including border measures and criminal proceedings in the EU/UK and the UK respectively. Differences exist between the EU regime and the US regime, and the former may be able to take lessons from the latter to enhance IPR enforcement and eliminate counterfeiting. Specific recommendations are made accordingly in a number of areas, most notably border measures and related procedures.

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Abstract

Trade in illicit tobacco – a term which includes trade in contraband, counterfeit and illicit whites (also referred to as ‘cheap whites’) – has become a serious problem across the global due to its scale and the hazards which such products may cause. Among the different forms of illicit tobacco trading and different types of legislation, this report concentrates on trade in counterfeit cigarettes and looks at the role that IPRs and their enforcement plays in controlling such trade in the EU. Stated differently, the report focuses on illicit tobacco trading in counterfeit cigarettes in EU and the role that IP laws and their enforcement could play in repressing such trade. More specifically, the report will:

- i. assess the proper role of IP law enforcement in fighting counterfeit cigarettes;
- ii. analyse whether the EU or other anti-counterfeit legislation and specific border enforcement mechanisms provide an adequate regulatory response to be implemented in these countries;
- iii. study other jurisdictions (most notably the US) to ascertain whether the EU could modify its approach and standards in order to more effectively combat counterfeit tobacco;
- iv. and propose recommendations on effective modification and implementation of these standards into the national system.

The report outlines the international framework, including the multilateral Agreement on trade related aspects of intellectual property (‘TRIPS Agreement’) and the anti-counterfeiting Trade Agreement (ACTA), compares the approaches of the EU and US on the issue in bilateral and regional free trade agreements, reviews the relevant legislation and internal practice of the EU, with a focus on the United Kingdom, and provides an overview of the US domestic framework. The report concludes with recommendations for the EU to adopt certain measures to further strengthen its laws and regulations.