

## Report Q208

In the name of the Dutch Group  
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### Border Measures and other means of Customs Intervention against Infringers

#### I. Analysis of current law and case law

1. *Do the laws of your country provide for border measures? If so, what is the legal basis?*

Yes, the laws of The Netherlands provide for border measures. The legal basis can be found in the following regulations, laws, decrees and guidelines:

- i. Council Regulation (EC) No 1383/2003 of 22 July 2003 *concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights* (hereinafter to be referred to as "**Anti-Piracy Regulation**" or "**APR**");
- ii. Commission Regulation (EC) No 1891/2004 of 21 October 2004 *laying down provisions for the implementation of Council Regulation (EC) No 1383/2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights* (hereinafter to be referred to as "**Implementing Regulation**" or "**IR**");
- iii. Dutch Royal Decree BCCP 2005/425 of 5 April 2005 Customs regulations infringement IP rights 2004, *Voorschrift Douanetaak inbreuk intellectuele eigendomsrechten 2004* (hereinafter to be referred to as the "**Customs Handbook**");
- iv. Public Prosecutor Office guide to intellectual property fraud 2005A022 of 1 February 2006, *Aanwijzing intellectuele-eigendomsfraude* (hereinafter to be referred to as "**PPO guide**");

2. *Do the laws of your country provide for other measures of customs intervention against infringers? If so, which ones and what is the legal basis?*

Under Dutch law Customs Authorities can – besides taking border measures – also seize goods based on their investigative powers for tracing criminal acts. A customs

officer is a special investigative officer<sup>1</sup> and as such has investigative tasks. More specifically, Dutch customs officers have been assigned investigative powers with regard to the criminal acts of article 337 of the Dutch Penal Code ("**DPC**"; *Wetboek van Strafrecht*), articles 31-35d Dutch Copyright Act (*Auteurswet*) and articles 21-31 of the Dutch Neighbouring Rights Act (*Wet op de naburige rechten*). Furthermore, based on article 17, paragraph 1 of the Economic Offences Act (*Wet Economische Delicten*) a customs officer is also a special investigative officer for criminal acts with regard to infringement of plant variety rights and designations of origin or geographical indications. In the event of a criminal act by infringement of other IP rights, Dutch Customs Authorities do not have an independent investigative power.

Provisions that lay down more specific rules for the actions of the Customs Authorities in case of criminal acts by infringement of IP rights have been implemented in the Customs Handbook, the PPO guide and the Public Prosecutor Office Directive for prosecution of intellectual property fraud (see also question 4).

Customs Authorities may act based on criminal law when they find amounts of possibly infringing goods on travellers and in cargo or mail shipments, provided the amount of goods is small and does not exceed a certain level (e.g. up to 25 audio or video discs). This is not an actual independent power of the Customs Authorities, but rather delegated from the Public Prosecutor's Office.

3. *Are border measures and other measures of customs intervention against (collectively referred to as "border measures") only available for pirated copyright and counterfeit trademark goods or also for goods infringing other IP rights? If so, for which types of IP rights are border measures available? Are border measures in particular available for goods infringing patents, plant variety rights, common law marks, unregistered design rights, or geographic indications?*

Border measures are available in the Netherlands for:

- a) "counterfeit goods": goods, including packaging, bearing without authorisation a trademark identical to the trademark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the trademark-holder's:
  - i) registered Benelux trademark, or
  - ii) registered Community trademark.
  
- b) "pirated goods": goods which are or contain "copies" made without the consent of the holder of
  - i) a copyright;
  - ii) or related right:
    - right of the performing artist in a performance
    - right of the phonogram producer in a phonogram
    - right of the film producer in a first print of a film
    - right of broadcasting organisation in a programme
  - iii) or design right, regardless of whether it is registered in national law:
    - Benelux registered design right;
    - Community registered design right;

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<sup>1</sup> Article 2 of the *Besluit buitengewoon opsporingsambtenaar Belastingdienst/Douane 2007*.

- Community unregistered design right;
- c) goods which in the Netherlands infringe:
- (i) a Dutch patent;
  - (ii) the Dutch part of a European patent;
  - (iii) a supplementary protection certificate granted on the basis of Regulation 1768/92 (medicinal products);
  - (iv) a supplementary protection certificate granted on the basis of Regulation 1610/96 (plant protection products);
  - (v) a Dutch plant variety right;
  - (vi) a Community plant variety right;
  - (vii) a designation of origin or geographical indication as protected under Regulation 510/2006 (agricultural products and foodstuffs), Regulation 2008/110 (spirit drinks) and Regulation 1493/1999 as amended by Council Regulation 479/2008 (wine).

Border measures are not available in the Netherlands for goods that infringe topographies rights (on the basis of national legislation after Council Directive 87/54/EEC of 16 December of 1986 on the legal protection of topographies of semiconductor products), goods that infringe a database right, goods that are manufactured on the basis of a violation of trade secrets and goods that can be considered a slavish imitation.

Also, we note that in the Netherlands border measures are not available for common law marks. Article 2, paragraph 1 under a (i) of the APR refers to trademarks "validly registered in respect of the same type of goods". In addition, article 19, paragraph 1 of the Benelux Treaty on Intellectual Property provides that regardless of the nature of the action instituted, no one may judicially claim protection for a symbol which is considered a trademark unless he has registered it. Although this provision is not applicable to well-known marks protected by Article 6bis Paris Convention, we note that article 19, paragraph 1 of the Benelux Treaty on Intellectual Property does not provide for any border measures.

*Is actual registration of the IP rights required or is an application to register sufficient?*

It is not possible to base border measures on a mere application for a registration. Actual registration is required. However, for the sake of clarity, we note that it is possible to base border measures on some unregistered rights, such as unregistered community design rights (see above).

*Does unfair competition, passing off or the like give rise to border measures?*

There is no legal basis in the Netherlands for border measures on the basis of unfair competition, passing off or the like.

For trademarks specifically, the definition of counterfeit goods under the APR implies that border measures based on unfair competition or passing off are excluded from the scope of the APR. Counterfeit goods are defined in article 2, paragraph 1 under a of the APR as:

*“goods, including packaging, bearing without authorisation a trademark identical to the trademark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trademark and which thereby infringes the trademark-holder’s rights (...).”*

This definition leaves no room for action against use of trademarks on other types of goods, for which the trademark has not been registered. Passing off or unfair competition can thus not give rise to border measures. This is confirmed by the preliminary ruling of the District Court of Rotterdam in the *Adidas et al. v. China Shipping* case<sup>2</sup>. The court ruled that certain goods that had been detained based on Adidas’ trademark rights did not fall within the scope of the APR. The trademarks were not registered for the classes of these detained goods and could therefore not serve as a basis for customs action.

4. *Are border measures available for parallel imported goods?*

No, border measures are not available for parallel imported goods. This is specifically provided in article 3 paragraph 1 of the APR, which excludes goods that have been manufactured with the consent of the right holder.

In practice, however, a right-holder can have goods detained or suspended under the APR based on a suspicion of infringement, which goods in the end turn out to be parallel imported goods. In the *Beecham Group et al. v. Andacon* case<sup>3</sup> currently pending before the European Court of Justice (“**ECJ**”) the ECJ has been requested to give a preliminary ruling on whether an IP right-holder can use information obtained from the Customs Authorities based on article 9, paragraph 3 APR for civil actions against parallel imported goods like prejudgment seizure and sequestration. In his Opinion of 8 April 2008, AG R-J Colomer advised that this should be possible, allowing the right holder to use information obtained through the APR route in its combat against parallel import.

*Are border measures available for goods contained in a travellers’ private luggage?*

Article 3, paragraph 2 of the APR provides that where a traveller’s personal baggage contains goods of a non-commercial nature within the limits of the duty-free allowance and there are no material indications to suggest the goods are part of commercial traffic, these goods are to be considered outside the scope of the APR.

Under Dutch law, article 337 DPC prohibits the import of goods that infringe IP rights (to the extent described under question 2). Article 337 under 2 DPC contains an "own use" exception. For further interpretation, the Dutch Public Prosecutor's Office issued a prosecution directive<sup>4</sup>, which defines the scope of "own use". The Customs Handbook stipulates that this scope of "own use" coincides with "the limits of duty-free allowance" of article 3, paragraph 2 of the APR.<sup>5</sup>

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<sup>2</sup> *District Court of Rotterdam*, 22 August 2006, KG ZA 06-591.

<sup>3</sup> *ECJ Beecham Group et al v. Andacon*, C-132/07.

<sup>4</sup> Public Prosecutor Office Directive for prosecution of intellectual property fraud 2005R013 of 1 February 2006 (*Richtlijn voor strafvordering intellectuele eigendomsfraude*).

<sup>5</sup> Customs Handbook, p. 58.

This boils down to the following "own use" limitation regarding the import of infringing goods:

<b>Infringing goods</b>	<b>Allowed for "own use"</b>
Watches	3 items
Perfume/Eau de Toilette	1-250 ml.
Audio/video carriers (like DVD)	3 items
Data carriers (like software DVD)	--
Other goods	3

With regard to audio/video carriers specifically we note that a DVD carrying three different films counts for three items.

*Are there any other goods excluded by your border measures legislation?*

Yes, article 3, paragraph 1, final sentence of the APR excludes from the scope of the APR goods that have been manufactured or are protected by another IP right referred to in article 2, paragraph 1 of the APR under conditions other than those agreed with the right-holder. An example could be goods produced outside the scope of a license agreement.

5. *Who is entitled to file an application for customs action?*

Article 5, paragraph 1 of the APR provides right-holders with the opportunity to apply in writing to the competent customs department for action by the Customs Authorities when goods are found in one of the situations referred to in article 1, paragraph 1 of the APR.

Right-holders are defined in article 2, paragraph 2 under a and b of the APR as:

- a) the holder of a trademark, copyright or related right, design right, patent, supplementary protection certificate, plant variety right, protected designation of origin, protected geographical indication and, more generally, any right referred to in paragraph 1; or
- b) any other person authorized to use any of the IP rights mentioned in point (a), or a representative of the right-holder or authorized user.

The vast majority of the applications for action is filed by the right-holder or their representative(s). The representative may either be a natural person or a company. A power of attorney, which evidences the authorization to act, is required by the Customs Authorities.

In the event that the application is filed by a person authorized to use the right, Dutch Customs Authorities will require proof of such authorization, such as a license agreement. In case of a license agreement, Customs Authorities will then check if this agreement provides for a sufficient basis for the application by the licensee. If the license agreement does not cover this, the Customs Authorities will require a power of attorney by the licensor in order for the application to be granted.

*Is there a centralised system for managing multiple applications for customs action through a single contact point?*

Article 5, paragraph 2 of the APR stipulates that each Member State shall designate the customs department competent to receive and process the applications for action. For the Netherlands this is the Dutch Central Customs Administration, also known as Customs North Groningen (*Douane Groningen-Noord*). They have mandated the 'Department IPR' to decide on the merits of any filed applications of action.<sup>6</sup>

*What are the conditions for border measures? In particular, what level of evidence for alleged infringement and other information is required by customs authorities regarding the application for customs action? To which extent are customs authorities willing to receive training by the right-holder?*

As stated in article 5, paragraph 5 of the APR, an application for action must always contain proof that the applicant holds the rights on which said application is based.

In case of registered rights this proof of ownership can be a copy of the registration with the relevant IP office or a copy of registration from the database of the Dutch or an international IP office.

For unregistered IP rights, such as copyright and unregistered design rights, any evidence of authorship or of the applicant's status as original right-holder should be submitted.<sup>7</sup> In practice Dutch Customs Authorities also accept pictures of the original product that has been infringed as evidence.

All relevant and vital information which enables the Customs Authorities to identify the goods relating to an application for action, as mentioned in article 5, paragraph 5 of the APR, must be provided by the right-holder, as this assists the Customs Authorities in their task.

Customs Authorities also use a risk analysis in order to decide which shipment to inspect, involving at least the following factors:

- wrongful/strange description of goods;
- wrong/strange code of goods;
- unusual country of origin;
- sender/receiver unusual and already known;
- unusual payment method (cash);
- bad quality of layout and printing of the bill;
- unrealistic customs worth;
- unusual method and route of transport;
- unusual bad quality of packaging;
- different trademarks in one shipment;
- quality and degree of finish bad or unusual;
- lack of specific details such as labels, holograms or other (hidden) details, and

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<sup>6</sup> Customs Handbook, p. 37.

<sup>7</sup> Implementing Regulation, article 2

- other important details, such as the intermediary, previous shipments and experiences.<sup>8</sup>

Although Dutch Customs Authorities are well-informed and often have knowledge of new products, rightful owners, manufacturers and distribution routes, they also act on the basis of intuition and experience.<sup>9</sup>

Customs Authorities are willing to accept a certain education from right-holders regarding the appearance of their products and their IP rights and so-called “risk countries”. For example, the right-holder can send them an enforcement guide with explanation on how to identify infringing products. What also happens is that Customs Authorities participate in training days organized by right holders in a certain field, such as medicine or tobacco, to educate them in the particulars and specifics of their goods.

*Do customs authorities generally require the provision of a security to protect the owner, holder or importer of the allegedly infringing goods? If so, will such security depend on the type of IP rights?*

Custom Authorities do not require the provision of a security to protect the owner, holder or importer of the allegedly infringing goods.

Based on article 6 of the APR the Customs Authorities do require a declaration from the right-holder accepting liability towards the persons involved for the situations mentioned in that article.

*May the customs authorities take ex officio measures? If so, what is the practical relevance of ex officio action in your country?*

Article 4 of the APR provides the Customs Authorities with two possibilities: they can either act on the basis of an application for action by the right-holder or *ex officio*. In practice, Dutch Customs Authorities use both methods to impose border measures, although we note that the amount of *ex officio* actions is small compared to the amount of applications for action. When deciding whether or not to take *ex officio* action, Dutch Customs Authorities use the risk analysis discussed above.

In both situations the Customs Authorities create a situation which enables the right-holder to start civil proceedings or to come to a settlement with the infringer. Under circumstances the Customs Authorities can also act *ex officio* based on criminal law<sup>10</sup>, e.g. with regard to small amounts of infringing goods (see also question 2).

Infringement on the IP rights mentioned in article 2, paragraph 1 under c of the APR, such as patents and plant variety rights, can normally not be discovered from a visual inspection of the goods or from the characteristics of the goods. Therefore, *ex officio* action by the Customs Authorities for those IP rights is hardly possible. In practice Dutch Customs Authorities will not act *ex officio* based on an application for patents,

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<sup>8</sup> Customs Handbook, Appendix 1.

<sup>9</sup> Vrins, O., Schneider, M. *Enforcement of intellectual property rights through border measures*, Oxford University Press, 2006, p. 789.

<sup>10</sup> Customs Handbook, p. 13

plant variety rights and the other IP rights mentioned in article 2, paragraph 1 under c of the APR.<sup>11</sup>

*Are customs authorities liable in case of wrongful ex officio detention?*

Article 19, paragraph 2 of the APR states that the Custom Authorities may be liable for their activities carried out in the course of their profession in accordance with the APR, but only if the national laws of the Member State provide so. The liability of Dutch Customs Authorities is governed by Dutch civil and administrative law. Compensation will only be awarded if the damage was caused by an unlawful act which can be attributed to customs, based on article 6:162 of the Dutch Civil Code. A request for compensation is directed to the State; the Minister of Finance is therefore authorized to deal with such claims.<sup>12</sup> Additionally, Dutch Customs Authorities cannot be held liable towards right-holders for failing to instigate an *ex officio* procedure as this procedure is purely optional and not binding on the Customs Authorities of Member States.

6. *Are customs authorities properly equipped to identify goods which infringe patents, plant variety rights, common law marks, unregistered design rights, geographic indications or the like?*

The APR defines the threshold for detention of goods in that these goods must be "suspected of infringing an intellectual property right". With respect to the requirements of the applications for action the Implementing Regulation stipulates that the information provided by the right-holder should be as detailed as possible to allow the Customs Authorities to identify suspect consignments simply and effectively using risk analysis principles. It is on the basis of this information that the Customs Authorities are enabled to identify "suspected consignments". Furthermore, particularly in *ex officio* actions, identification takes place on the basis of "visual inspection". For identification of suspected consignments with respect to IP rights for which visual inspection is insufficient, the Customs Authorities offices are equipped with laboratories (for sample analysis). This is unique in the European Union: other customs authorities in the European Union do not have such laboratories at their disposal.

7. *Is only the right-holder or also the owner, holder or importer of the allegedly infringing goods notified once the customs authorities detain goods?*

Article 9, paragraph 2 of the APR provides that the Customs Authorities shall inform the right-holder and the declarant or holder of the goods. In practice the right-holder and the declarant are informed.

*How can the alleged infringer obtain information about the status of border measures and what information is provided by customs authorities to the alleged infringer?*

The alleged infringer is not directly informed by the Customs Authorities when allegedly infringing goods have been detained or placed under suspension. Customs

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<sup>11</sup> Customs Handbook, p. 26

<sup>12</sup> Customs Handbook, p. 76.



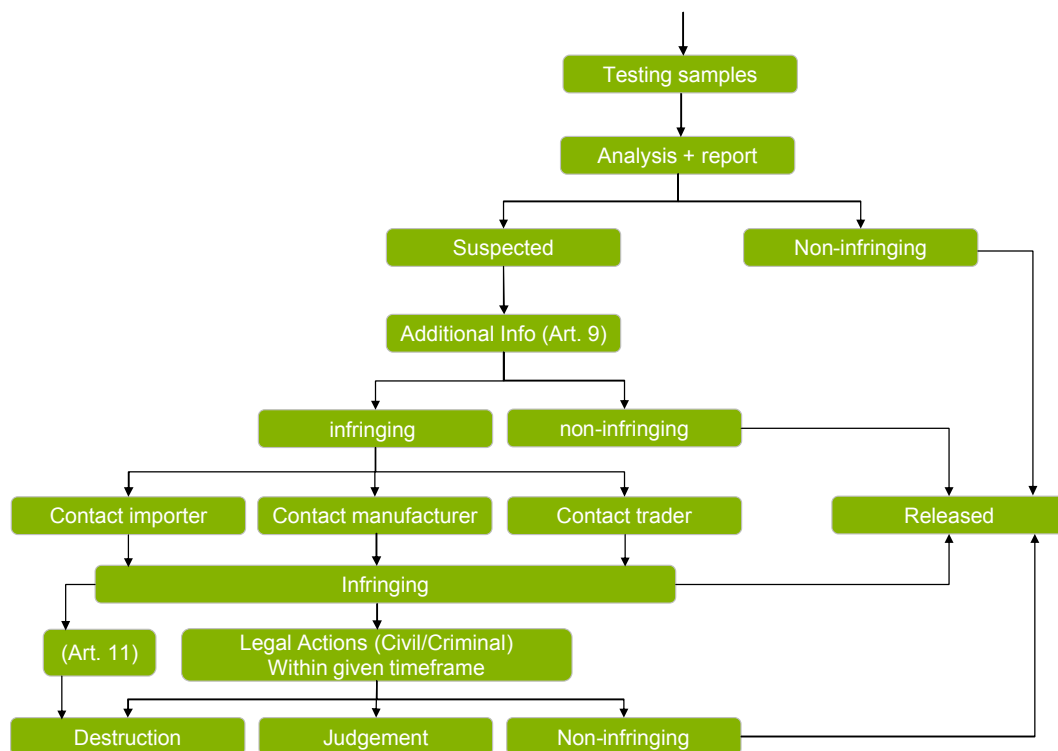
Authorities will notify the declarant of the goods and assume the alleged infringer will then be notified as well.

Should the alleged infringer wish to obtain information and contact the Customs Authorities, the Customs Authorities will adopt the role of intermediary. They will provide the alleged infringer with the name and contact details of the right-holder and will then refer him to the right-holder for further information.

8. *What happens after notification? Briefly describe the procedure following notification.*

After notification, the Customs Authorities shall inform the right-holder at his request and if known of the names and addresses of the consignee, consignor, the declarant or the holder of the goods and the origin and provenance of the goods suspected of infringing an IP right (article 9, paragraph 3 of the APR).

The Customs Authorities give the right-holder the opportunity to inspect goods whose release has been suspended or which have been detained. The right-holder can also request a sample of the goods for the purpose of analysis. From that point on, the procedure as laid out in the scheme below is followed.



The right-holder must initiate proceedings to establish whether the suspended goods indeed infringe his IP right within ten working days after notification. An extension by another ten working days may be granted provided the right-holder can demonstrate that he has taken some form of action against the declarant, holder, or owner of the goods. In case of detention or suspension of perishable goods this period is limited to three days and cannot be extended.

*Is the inspection of the allegedly infringing goods following notification usually carried out by the right-holder or by an expert?*

Examination of the goods is done by the right-holder. Also, other persons involved are allowed to inspect the goods, including Customs Authorities themselves.

*Does your border measures legislation provide for a simplified procedure allowing the destruction of the goods without there being any need to determine whether IP rights have been infringed? If so, in which cases? Are samples of the goods preserved for evidence purposes?*

Based on article 11 of the APR Member States may provide for a simplified procedure allowing destruction of the goods without there being any need for a civil procedure to determine whether IP rights have been infringed. Article 11 of the APR has not been implemented in any specific law in the Netherlands. Customs Authorities do however apply the article 11 procedure referring to the general provisions of Dutch civil law and the instructions in the Customs Handbook. This basis is questionable.

Two kinds of settlements are possible:

1. The settlement with written declaration: in a settlement with written declaration, the right-holder provides the Customs Authorities within ten working days with a written settlement that the declarant, the holder or the owner of the goods agrees with the destruction of the goods.
2. The settlement with presumed abandonment: the approval for destruction is presumed to be given if the declarant, the holder or the owner of the goods does not explicitly oppose the destruction of the goods within the term of ten working days. In such case the right-holder still has to notify the Customs Authorities that a settlement with presumed acceptance has been obtained.

The destruction of the goods is carried out at the expense and under the responsibility of the right-holder. In case of settlement with presumed abandonment, samples of the goods must be preserved by the Customs Authorities for six months for evidence purposes. After six months these goods are destroyed.

*If proceedings must be issued to determine whether the goods infringe IP rights, are both civil and criminal proceedings available to determine infringement? What are the advantages and disadvantages of the respective proceedings?*

Under the APR, the law in force in the Member State within the territory of which the goods are detained or suspended applies when deciding whether or not these goods infringe an IP right under national law. In the Netherlands, in principle, both civil and criminal proceedings are possible.

In most cases, however, infringement is established by means of civil proceedings that are initiated by the right-holder. It is generally agreed upon that an interim injunction does not suffice, but that the right holder will have to initiate proceedings on the merit.

An important advantage of civil proceedings is that the right-holder has a large arsenal of ancillary claims available against possible infringers which can be found in both civil legislation and specific IP legislation. The right-holder can file the following ancillary claims:

- Prohibition on infringing activities;
- Cancellation and removal of the registered and infringing right or of a right which was granted wrongly;
- Compensation;
- Contribution of profit;
- Revindication of infringing goods or destruction thereof;
- Recall of infringing goods;
- Publication of the decision or prohibition to write a letter to purchasers to inform them of the decision;
- Order to name the purchasers of the infringing goods and/or the quantities sold to them;
- Imposition of a penalty.

Disadvantages of a civil claim are that such a claim may lack efficiency in case it is not possible to determine the identity and domicile or residence of the infringer. Also the costs made by the right-holder may not be in proportion to the damage suffered or the execution of a judicial decision to pay compensation is not possible.

A criminal claim is possible in case of trademark and design right infringement (Article 337 DPC), in case of copyright infringement (Articles 31-35d of the Dutch Copyright Act, *Auteurswet*), in case of infringement of neighbouring rights (Articles 21-31 of the Dutch Neighbouring Rights Act, *Wet op de naburige rechten*) and in case of patent infringement (Article 79 of the 1995 Dutch Patent Act, *Rijksoctrooiwet 1995*).

The advantage of criminal proceedings is that the costs are not nearly as high as for civil proceedings. However, an important disadvantage of a criminal claim is that the right-holder is very much dependent on the public prosecutor for prosecuting the infringement, especially when considering that IP infringement is not high on the priority list of the public prosecutor. Moreover, the right-holder cannot file ancillary claims as in civil proceedings. Furthermore, evidence may difficult to collect and possible suspects may be difficult to locate and hear.

*What is the impact of a nullity action seeking to invalidate IP rights on the application for customs action?*

Under Dutch law a nullity action *per se* seeking to invalidate an IP right does not render such right unenforceable. The IP right remains in full force until it is declared invalid by the court. Initiating proceedings to establish the nullity of an IP right does therefore not impact the detainment or suspension of goods under the APR. If the IP right is declared invalid, the suspended or detained goods can no longer be held to infringe this nullified right. Once this has been established the customs authorities shall therefore release the goods to the declarant, owner or holder of the goods.

*May customs authorities release goods suspected of infringing IP rights on provision of a security by the owner, holder or importer of such goods? If so, will such release depend on the type of IP rights?*

Article 14 of the APR provides that the declarant, owner, importer, holder or consignee of the goods suspected of infringing design rights, patents, supplementary protection certificates or plant variety protection shall be able to obtain the release of the goods or make an end to their detention on provision of a security.

Three conditions must be met in order for the goods to be released. The competent customs department must have received notice of the right-holder within the period of ten working days that proceedings have been initiated to establish whether an IP right has been infringed. Furthermore, precautionary measures must not have been authorised by the competent authority before the expiry of the time limit of ten working days. Finally, all customs formalities must have been completed.

We note that this article has not specifically been implemented in the Customs Handbook. Furthermore, Dutch Customs Authorities have indicated that they do not apply article 14 of the APR.

9. *If goods are found to infringe IP rights, may a right-holder oppose*
- *exportation of infringing goods from your country;*
  - *infringing goods in transit;*
  - *placement of infringing goods in a free trade zone or free trade warehouse?*

Article 16 of the APR stipulates what is to be done with goods that are found to infringe an IP right. This provision basically prohibits any further trade in these goods. This includes entry of the goods in the Community customs territory, release for free circulation, (re-)exportation, placement under a suspensive procedure or in a free zone or free warehouse, and removal of the goods from the Community customs territory. Article 16 of the APR also applies to goods in transit that have been found to infringe an IP right as meant in the APR. With regard to establishing whether or not goods in transit infringe an IP right we note the following.

Dutch courts apply a so-called legal fiction. In order to establish infringement, goods in transit should be regarded by way of fiction as goods which have been produced in the Netherlands. Under the previous version of the APR article 6, paragraph 2 under b was considered to be the basis of this legal fiction. The Dutch Supreme Court confirmed this in its ruling in the *Philips v. Princo* case<sup>13</sup>. In the – new, current version of the – APR the provision of article 6, paragraph 2 under b was not included anymore. However, lower Dutch courts have decided that for the current version of the APR the legal fiction still applies based this on the eighth recital of the APR<sup>14</sup>. The Supreme Court has so far not confirmed this. However, until a case finds its way to the Supreme Court, parties assume that the legal fiction applies based on the decisions of the lower courts.

The use of the legal fiction in the Netherlands has been cause for much debate among scholars and legal professionals. Goods which in their country of origin and destination do not infringe IP rights can still be detained by customs and found to infringe an IP right in the Netherlands as meant in the APR based on this fiction. The

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<sup>13</sup> Supreme Court, 19 March 2004, NJ 2007/585, *Philips v. Princo*.

<sup>14</sup> District Court of The Hague, 13 July 2005, 02/2947, *Philips v. Furness* and District Court of The Hague, 18 July 2008, IER 2008/83, *Sosecal v. Sisvel*.

ruling of the ECJ in *Montex v. Diesel*<sup>15</sup> was regarded by many as the end of the legal fiction. However, a lower Dutch court has recently ruled that the ECJ's ruling in *Montex v. Diesel* did not influence the application of the legal fiction in the Netherlands.

10. *If goods are found to infringe IP rights, do the judicial or customs authorities of your country generally order the destruction of the goods or do they have the authority to dispose of the goods outside commercial channels (e.g. to charity)?*

Based on articles 11 and 13 of the APR, there are two different procedures that can be followed which can lead to the destruction of goods: court proceedings and the so called 'simplified procedure'.

Goods can be destroyed based on the simplified procedure of article 11 of the APR (see Question 8). In this case, the right-holder must notify the Customs Authorities of the intention to destroy the goods. Dutch Customs Authorities will generally confirm to the right-holder that it is allowed to destroy the products. The right-holder will then notify a company which is specialized in the destruction of goods. This company will destroy the goods under supervision of the Customs Authorities. The destruction company will file the application to destroy the goods. This application is based on the correspondence between the right-holder and the Customs Authorities.

If goods are found to infringe an IP right in court proceedings the Dutch judicial authorities generally order the destruction of the infringing goods. The destruction of the goods takes place under supervision of the Customs Authorities. With regard to the destruction, article 17 of the APR stipulates that the Member States must adopt measures that allow the national competent authorities to destroy the infringing goods in such a way that the persons concerned will be deprived of any economic gains from the transaction. In this respect, simply removing the trademarks shall not be deemed sufficient.

The Dutch judicial authorities can also order the Customs Authorities to dispose of the goods outside commercial channels. However, we are not aware of cases in which the Dutch courts have done this. Moreover, Customs Authorities will as a rule not dispose of the goods outside commercial channels by means of donating the goods to charity.

A last, mostly theoretical, option is that the goods are forfeited to the exchequer once they have been found to infringe an IP right.

Regarding the destruction process, we note that Dutch customs legislation does not specify how 'destruction of goods' is to be defined, nor does it contain any practical rules regarding the destruction procedure.

For the purpose of Dutch customs legislation goods are considered to be destroyed when they have been rendered useless for their intended objective. It must furthermore be impossible to restore the goods to their original condition. Possible

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<sup>15</sup> ECJ 9 November 2006 C-281/05, *Montex Holdings v. Diesel Spa*.

waste and remainders of goods after destruction should be recycled, again under supervision of the Customs Authorities.<sup>16</sup>

*May the competent authorities also order the infringer to give the names of his accomplices, upstream or downstream in the channels of production and distribution?*

Article 8 of the (2004/48) European Enforcement Directive (“**Enforcement Directive**”) states that Member States shall ensure that, in the context of proceedings concerning an infringement of an IP right and in response to a justified and proportionate request of the claimant, the competent judicial authorities may order that information on the origin and distribution networks of the goods or services which infringe an IP right be provided by the infringer and/or any other person. Although national Dutch IP legislation already contained provisions with the obligation for infringers to provide details about the producers of infringing goods, and the distribution channels, the Netherlands has implemented article 8 of the Enforcement Directive in article 1019f of the Dutch Code of Civil Procedure. This provision enables the Dutch Courts to order the infringer (regardless of the IP right in question) to supply the Court with information regarding the production, manufacturing and distribution of the infringing goods, provided that the infringer was found either in possession of the infringing goods on a commercial scale or to be using the infringing services on a commercial scale or was found to be providing on a commercial scale services used in infringing activities.

11. *May judicial or customs authorities order the applicant to pay the owner, holder or importer of goods appropriate compensation for any injury caused by wrongful detention?*

Yes. In the Netherlands, the judicial authorities have the power to order any person who commits an unlawful act against another which can be imputed to him, to repair the damage which the other person suffers as a consequence thereof (Article 6:162, paragraph 1 of the Dutch Civil Code). Except where there is a ground of justification, the following acts are deemed to be unlawful: a) the violation of a right, b) an act or omission violating i) a statutory duty or ii) a rule of unwritten law pertaining to proper social conduct.

*What is considered appropriate compensation and does it include attorney fees or other expenses?*

We are not aware of case law which deals with the issue of appropriate compensation. However, the general principles of Dutch civil law will be applicable. Although this has not yet been decided by the courts, in our view, it could very well be argued that this is a case relating to the (wrongful) enforcement of intellectual property rights and therefore, the losing party will be ordered to pay the reasonable and proportionate legal costs and other expenses incurred by the winning party (Article 1019h of the Dutch Code of Civil Procedure).

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<sup>16</sup> Customs Handbook, p. 64

## II. Proposals for adoption of uniform rules

1. *Do you think that the adoption of uniform rules and best practice of customs authorities in the area of border measures and better coordination between countries and at an international level are desirable to improve enforcement?*

Yes, better coordination will definitely improve the system of border measures. The more customs authorities work together at an international level, the higher the likelihood that customs will be able to seize goods. As more goods will be seized by customs authorities on a global scale, enforcement of IP rights will obviously be improved. The annual statistics of customs seizures in the European Union demonstrate this. These statistics have continued to improve, as the European Union has intensified its coordination efforts.

2. *What should the scope of border measures be? Do you think that border measures should be available also for goods infringing IP rights for which your national law currently does not provide border measures? If so, which IP rights? Should unfair competition give rise to border measures? Which goods should be excluded by border measures legislation?*

No, we see no need for an expansion of the scope of the APR to include other IP rights as it already covers a broad spectrum of IP rights.

What we do see in this respect is a need for harmonisation of the criteria for infringement. Under Dutch (and European) law, a discrepancy currently exists between the infringement criteria of the APR and of the specific IP legislation. An example is the fact that under the APR the use of a trademark on other types of goods is not considered to be infringement, while it is under specific trademarks law. This discrepancy leads to uncertainty and difference in interpretation.

3. *What rules should apply in relation to the lodging and processing of applications for customs action? Should there be a centralised system for managing multiple applications for customs action through a single contact point? Should there be uniform rules on the provision of information by the applicant? What should the required level of evidence for alleged infringement be? Should there be uniform rules on the provision of information by the customs authorities?*

We consider the current system (as explained in the questions under I) to be properly working for right-holders.

However, we note that further improvements are desirable, most notably in the field of the exchange of information. We recommend implementing a uniform information system and a uniform electronic application throughout the European Union and possibly also other countries outside the European Union. This would greatly ease the process of filing for an application and exchanging information with Customs Authorities in different Member States. Furthermore, we note that under the current system, the application for customs action must be refiled entirely after one year. We recommend that instead prolongation of the application, for example by means of a simple electronic form, would be possible.

4. *What rules should apply in relation to the procedure following notification?  
Should there be a simplified procedure allowing the destruction of the goods without there being any need to determine whether IP rights have been infringed?  
Should there be uniform rules on the examination of the goods by the right-holder, security and compensation in the case of wrongful detention of goods and disposal of infringing goods?*

We note that there is currently no legal basis in Dutch law allowing for a simplified procedure. Article 11 of the APR is only optional and as discussed in question 8, has not been implemented in Dutch law. However, the Customs Authorities do apply the article 11 procedure referring to the general provisions of Dutch civil law and the instructions in the Customs Handbook. We note that this situation is undesirable, as it leads to lack of clarity and uncertainty. We therefore recommend implementing the simplified procedure in Dutch law.

Under article 6 of the current APR, the costs of storage and destruction of the allegedly infringing goods and all other costs arising from the seizure of the goods must be born by the right-holder. Article 6 of the APR can be read in a number of ways, but in practice the right-holder will be held responsible for all these costs. We recommend that article 6 of the APR will be clarified and that the costs of storage and destruction of the goods be for the risk of the owner/sender of the goods.

We further note that under the APR the national courts in the Member States are designated to rule on the question of infringement of IP rights. In the United States (“**US**”), infringement of IP rights and the consequences thereof is established by the International Trade Commission (“**ITC**”) in proceedings in accordance with a special procedural system. Appeal cases are handled by the Court of Appeals for the Federal Circuit. We would consider it worthwhile to execute a study to the relative effectiveness of the European system versus the US system.

#### **Additional issue**

5. With regard to the situation of seizure of goods in transit to countries outside the European Union, we note that currently there is no common practice in Europe. Clarification of the situation vis-à-vis such goods is desirable, e.g. as to whether or not a legal fiction should be applied.