



**International Chamber of Commerce**

*The world business organization*

## Policy statement

### **ICC Comments on EC Green Paper on combating counterfeiting and piracy in the single market**

Commission on Intellectual and Industrial Property, 12 January 1999

#### [French version](#)

ICC welcomes the European Commission's initiative to examine the global situation relating to counterfeiting in the EU. As the Green Paper rightly recognizes, counterfeiting is a serious threat to legitimate commerce, as well as to public health and safety. For this reason, ICC set up its Counterfeiting Intelligence Bureau in 1985 to assist the international business community in combating this growing phenomenon. While substantive intellectual property laws have become more comprehensive and widespread, enforcement still remains the weak link to effective intellectual property protection in many countries.

ICC believes that the four approaches explored in the Green Paper - monitoring by the private sector, use of technical devices, sanctions and other means of enforcement, and administrative cooperation between competent authorities - are all important in tackling counterfeiting, and should be supported by the European Commission.

Below are more detailed responses to the questions asked in the Green Paper, based on the experience of the ICC Counterfeiting Intelligence Bureau (CIB) and on contributions by ICC members:

#### Nature and characteristics of the phenomenon

1. *Do you agree with the approach concerning the scope of this Green Paper or do you think that other acts should also be covered and, if so, which?*

We agree with the global approach taken in the Green Paper but suggest that protected geographical indications should also be taken into account.

*In which sectors or sub-sectors of industry do counterfeiting and piracy manifest themselves?*

There is virtually no industry which is unaffected by counterfeiting and piracy.

*What, in your opinion, are the causes of the phenomenon?*

The causes of counterfeiting include the following:

- a) huge profits can be made;
- b) the risk of being caught is low;
- c) deterrence is weak as fines and prison sentences are minimal;
- d) advances in technology give counterfeiters the tools to copy, eg colour copiers, scanners and recording devices; and
- e) the public perceives counterfeiting as being socially acceptable and the courts, as low grade "soft crime".

2. *[At what stages] do you encounter the phenomenon?*

Counterfeiting problems have primarily been encountered at the manufacturing and distribution stages.

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3. *Can you indicate, for each of the stages in question, in which Member State(s) or, where appropriate, in which region of a Member State of the European Community the phenomenon manifests itself?*  
Counterfeiting and piracy exists in all EU Member States. It is particularly prevalent in Italy, Greece, Spain, UK and Germany where there are both production and distribution facilities.
4. *Can you specify, in each case, the rights that are affected (trademark, design or model, patent, copyright or neighbouring right, "sui generis" right of the maker of a database, etc)? For each category of rights, specify, if appropriate, the right concerned.*  
The rights primarily infringed tend to be trademark, copyright and design rights, depending on the sector and product affected.
5. *Can you describe briefly the conditions under which such acts of counterfeiting and piracy are committed (distribution channels, permanent or seasonal nature, etc)?*  
Counterfeiting activities tend to vary from sophisticated production plants that are backed with significant financial resources to small back street operations. Counterfeiters use regular, as well as irregular, distribution channels to distribute counterfeit and pirated goods.

*As far as you are aware, are there any links between such acts and other forms of criminal activity, including organised crime?*

There is growing evidence to suggest strong links between organised criminals and counterfeiters. Evidence has also been shown of links between counterfeiting and terrorist groups.

## Economic analysis

6. *Do you have any accurate data on the scale of the counterfeiting and piracy phenomenon in the sectors concerned and, if so, which?*  
Relevant data is contained in the ICC Counterfeiting Intelligence Bureau's guide to protecting and enforcing intellectual property rights, "Countering Counterfeiting", and an OECD report on "The Economic Impact of Counterfeiting", which was prepared by the CIB (see annex).  
  
*Compared with the legitimate trade, for what proportion of all trade does the phenomenon account?*  
This is very difficult to quantify because of counterfeiting's clandestine nature but, overall, one might expect counterfeiting to account for 8-10% of legitimate trade.
7. *Can you furnish any accurate data on the economic and social consequences of the phenomenon in the sectors concerned:*  
See "Countering Counterfeiting" guide and OECD report cited above.

## Legal analysis

8. *In general, what in your experience is the main problem encountered with the existing legal arsenal for fighting counterfeiting and piracy?*  
The main problems are: slow, ineffective and cumbersome enforcement procedures in some EU countries; inadequate resources available to carry out effective enforcement; lack of will to enforce, often due to the perception that this is a soft crime and therefore not a priority; and sanctions too weak to be a deterrent.
9. *In your view, is the national, Community and international substantive legislation on intellectual property up to the task of preventing counterfeiting and piracy in the Single Market? Please distinguish, if necessary, between the intellectual property rights in question.*

Lack of harmonization in some aspects of intellectual property law (e.g. criminal provisions to enforce trademark laws) hinders enforcement.

10. *Are, in your opinion, the national, Community and international provisions concerning measures and procedures for enforcing intellectual property rights up to the task of preventing and punishing infringements in the Single Market?*

11. *Are the measures and procedures applied effective from a practical point of view?*

A brief report on the implementation of TRIPS enforcement procedures carried out by ICC (ref. no 450/845, 16 June 1997) showed that the principal enforcement problems faced by right holders in certain EU countries stemmed from the slow pace of enforcement proceedings, the low level of costs and damages awarded by courts, and difficulties in obtaining rapid ex parte injunctions.(see annex).

It would greatly improve the situation to have specialized intellectual property courts in all member-states, with judges experienced in intellectual property disputes and sensitive to the social and economic impact of counterfeiting. Another helpful measure would be to allow rightholders to join criminal proceedings as third parties (as in France, as "parties civiles") which would allow them to obtain timely information, and possibly damages.

EC Regulation no. 3295/94 concerning the release for free circulation of counterfeit and pirated goods introduced important new powers to tackle counterfeiting. Industry has, however, considered since the beginning that the exemption for small quantities of goods of a non-commercial nature contained in travellers' personal luggage should be deleted. This exemption not only sends a message to consumers that the purchase and importation of counterfeit goods is legitimate but also provides a loophole for the import of counterfeits through the "distribution capillaire" system.

A way to reinforce the efficacy of customs in this area would be to make counterfeiting a customs offence in all member-states. Legislation in some countries e.g. Sweden does not permit customs officers to transmit information on counterfeiters to rightholders. Customs officers should be authorized in all member states to transmit such vital information to rightholders.

12. *In the case of goods manufactured lawfully outside the Community but imported into the Community without the consent of the rightholder in the Community ("parallel imports"), are the means at the latter's disposal of enforcing his intellectual property right in your view sufficient?*

No comment

13. *In your area of activity, if you have the choice between a number of intellectual property rights in judicial proceedings, which in your experience affords the most effective protection? Please distinguish, if necessary, between the countries concerned.*

The choice of rights available will obviously depend on the sector and the products in question. However, an action for trademark infringement is often found to be the most effective .

## Possible solutions

14. *In your area of activity, is there a market monitoring system for detecting cases of counterfeiting and piracy? If so, does it function satisfactorily?*  
ICC's CIB operates a monitoring system for manufacturers in the clothing and sportswear industries which works well.

*If not, what improvements should in your view be made? Should these improvements be sought at Community level? If so, why?*

*If there is no market monitoring system in your sector, do you think that the introduction of such a system would contribute effectively to the fight against counterfeiting and piracy in the Single Market? If so, should the system be introduced at Community level, and why?*

Such systems are best operated by the industries concerned. Before there is any involvement at Community level in such systems, the possible added value of such involvement should be carefully evaluated. However, Community involvement in monitoring would be welcome. The Community also need to ensure that enforcement agencies such as the Trading Standards Authorities in the UK and other similar bodies throughout the Community who monitor markets, have adequate power and resources to carry out effective enforcement action.

15. *Do you think that promoting the activities of professional organisations, such as public awareness campaigns or the gathering and dissemination of information, is likely to improve the fight against counterfeiting and piracy in the Single Market? Would a Community initiative in this sphere be appropriate?*

Raising public awareness is vital and is a seriously neglected area. There is a continuous need to make consumers aware of the damage done by counterfeiting and Community action and assistance in this area would be most welcome.

*In this connection, what do you think, for example, of the setting-up of a central database or a strengthening of existing databases, subject to the rules on protection?*

A central database would be useful but may be difficult to set up given the difficulty of collecting information from a variety of sources. Community assistance in relation to existing databases would be useful, however.

*Are you of the opinion that any Community initiatives aimed at encouraging the formation or amalgamation of such organisations would be likely to improve the fight against the phenomenon?*

Existing organisations need to work together closely and Community assistance to encourage this would be helpful.

16. *How, in your opinion, might reciprocal cooperation and information exchange between the authorities and professional organisations be strengthened? For example, is in your experience the conclusion of memoranda of understanding between the authorities and professional organisations in these areas likely to make a useful contribution to the fight against the phenomenon?*

Close collaboration between the authorities, professional organizations, and rightholders is essential to achieve optimum effectiveness of enforcement. Memoranda of Understanding are certainly useful in cementing cooperation between parties.

17. *In your experience, is the scope for action in the field by professional organisations involved in the fight against counterfeiting and piracy sufficient for them to combat the phenomenon effectively?*

18. *In your experience, do such professional organizations play a big enough role in proceedings?*

19. *In your experience, which national or international bodies or which professional organisations are the most effective in combating counterfeiting and piracy?*

Both sectoral and cross-sectoral anti-counterfeiting organizations have roles to play in the fight against counterfeiting and should be encouraged. Well-resourced sectoral organizations, such as the Business Software Alliance, and the Motion Picture Association, have been able to take effective enforcement action, while cross-sectoral organizations, such as ICC's CIB and AIM, have been able to present a more global perspective.

## The use of technical devices

20. *Do you have recourse to specific technical devices to protect your industrial property rights? If so, which?*

*Do the devices afford effective protection? If not, what problems arise? How much do they cost?*

Technical devices play a valuable role in product protection and authentication, and are generally cost-effective. Their value and use would depend on the product and sector concerned.

21. *In your view, is the legal protection of these devices sufficient to prevent activities enabling or facilitating the unauthorised infringement, manipulation or neutralisation of the devices?*

22. *As far as the role of the authorities is concerned, do you think that standardisation of the rules for the protection of technical devices would be an adequate response to unlawful activities?*  
No comment.

23. *To the extent that you think that the use of technical devices might help protect your intellectual property rights:*

*What in your opinion, should be the ideal nature and functions of a technical device capable of meeting your needs?*

*Could you describe the ideal scenario in which a technical device meeting your needs might be used?*

*Do you consider it desirable that technical protection devices should be standardised? If so, at what level? If not, why not?*

The technical devices need to fulfil a variety of different criteria. In particular, the best devices need to have overt and covert security features, must be inexpensive and incapable of being compromised.

24. *Given that the TRIPS Agreement, which has been implemented in the Member States, provides for the introduction of criminal procedures and penalties to be applied in certain cases, do you think that further improvements are needed to ensure compliance with intellectual property rights in the Single Market?*

We refer to our response to question 11 above, and to the ICC report on implementation on TRIPS enforcement provisions.

25. *In the interests of uniform application of the law in the single market, does the introduction, on top of national penalties, of penalties at Community level strike you as an effective means of combating counterfeiting and piracy in the single market?*

26. *If not, what other means could be employed?*

Counterfeiting flourishes and will continue to flourish in those countries in the Single Market where enforcement is lax or minimal. Sufficiently high financial penalties must be imposed to

reduce the profit incentive motivating counterfeiters.

More must be done to discourage consumers from buying counterfeit goods, for example by removal of the personal allowance for importing counterfeit goods, as is the case in France. Closure of shops would undoubtedly have a deterrent effect but would not affect street traders.

27. *Given that the TRIPS Agreement, as implemented in the Member States, provides for the introduction of effective, dissuasive measures and procedures, do you think that further improvements should be made to ensure that intellectual property rights are respected in the Single Market?*

Yes, tougher fines and longer terms of imprisonment would have a deterrent effect. Any recycling of counterfeit and pirated goods should only be done with caution and appropriate safeguards to prevent the goods from returning to commercial channels.

28. *What do you think of the idea of extending in the European Community, in order to combat counterfeiting and piracy, legal measures and procedures which exist in certain Member States or even at Community level in specific areas and which are known to be effective?*

As with pollution, where the principle is that "the polluter must pay", the same principle should, so far as possible, be applied to punish and deter counterfeiters. Measures allowing seizure of counterfeit goods where a good prima facie case can be made out are very effective and should be available, as far as possible, in every Member State.

29. *Is in your opinion the publication of judgements a suitable, effective means of combating counterfeiting and piracy?*

*If so, in what manner should such publication take place?*

Publication will only act as a real deterrent to legitimate operators. Its value as an effective means of combating counterfeiting and piracy is likely to be only limited, although the reporting of severe sanctions could demonstrate to potential infringers and to the public a real determination to punish counterfeiters.

30. *Is in your opinion the requirement that the infringer furnish certain information (right of information) an appropriate weapon in the fight against counterfeiting and piracy?*

*If so, under what conditions should the requirement be enforced?*

Yes, this can be a vital weapon in fighting infringement and steps to widen this power should be taken so far as possible.

31. *What experience have you had of court proceedings aimed at putting an end to infringements and seeking redress for the damage suffered, where the acts in issue in the single market were committed or have effects in one or more other Member States?*

32. *Have you encountered any practical problems with products made in a Member State which, before being placed on the market for the first time in the Community, crossed the territory of another Member State where they infringed an intellectual property right? If so, please give details. In your opinion, could the problems have been resolved by a clarification of the law applicable?*

ICC/CIB members will comment directly.

33. *In criminal matters, do you think that national law protects you sufficiently against acts of counterfeiting and piracy committed in another country?*

No comment.



## Administrative cooperation between competent authorities

34. *Do you consider that the establishment of a single contact point in each Member State for all questions to do with the fight against counterfeiting and piracy in the Single Market, which would act as an interface with business professionals and with the departments responsible for prevention and punishment in the other Member States, would be likely to facilitate the exchange of information in this field?*

*Do you think that the setting-up of a coordination group composed of national contact persons and Commission representatives, the main task of which would be to consider any questions to do with the fight against counterfeiting and piracy in the Single Market, would be likely to improve the fight against the phenomenon?*

Establishing single contact points could be a useful measure as long as the role, competence and added value of such contact points are well determined.

35. *Does such cooperation as already exists between the national authorities responsible for combating counterfeiting and piracy in the Single Market function satisfactorily?*  
A Community framework for cooperation would be a useful initiative.

36. *What role might the Commission play in the functioning of such cooperation?*

37. *Have you encountered any obstacles to the production in administrative or judicial proceedings of evidence obtained lawfully in another Member State? If so, did the Hague Convention on the taking of evidence abroad in civil or commercial matters help overcome those difficulties? If not, how in your opinion could the difficulties have been resolved?*

38. *What other measures might, in your opinion, be envisaged with a view to strengthening administrative cooperation to combat the phenomenon in the Single Market?*  
No comment.

39. *Would in your opinion the introduction by the authorities, in conjunction with the professional bodies concerned, of training modules for the staff entrusted with the task of combating counterfeiting and piracy in the Single Market help to improve the fight against the phenomenon?*

*If so, at whom should it be targeted in particular and how?*

40. *More generally, is in your view the enhancing of the training of the officials responsible for combat ing counterfeiting and piracy in the Single Market, including the exchanging of personnel between Member States, likely to improve the fight against counterfeiting and piracy in the Single Market?*

Training in recognition and enforcement of means against counterfeit and pirated goods is a vital requirement and should be targeted towards customs officials and other officials involved in enforcement. Judges should also be educated in the social and economic consequences of counterfeiting. Greater awareness and the ability to recognise and enforce measures against counterfeit and pirated goods can only improve the fight against the phenomenon.

41. *Do you think that the production and updating of a practical guide for national authorities is likely to improve the fight against the phenomenon?*

A practical guide for national authorities would be useful. ICC's CIB has published a guide to combating counterfeiting for businesses and would be pleased to assist in preparing such a guide for national authorities if invited to do so.

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