

Contributing firm
Zaki Hashem & Partners



Authors

Nermien Al-Ali and **Robert Mihail**

Legal framework

As a civil law country, Egypt's IP protection and anti-counterfeiting laws are all embodied in codified legislation. The courts apply the legislation with a view to adhering as much as possible to the letter of the law and to the legislature's intent, as detailed in the explanatory memorandum that is usually published with enacted laws. Egyptian laws that are focused on or include anti-counterfeiting measures are, among others:

- the Intellectual Property Protection Law (82/2002) and its executive regulations;
- the Customs Law (66/1963); and
- the Trade Law (17/1999).

The primary legislation concerning anti-counterfeiting is the Intellectual Property Protection Law, which provides for criminal sanctions and judicial orders against counterfeiters. The Customs Law, on the other hand, introduces certain border

measures, while the Trade Law contains provisions regarding civil measures and governs technology transfer agreements. Egypt is a member of the General Agreement on Tariffs and Trade and is thus a signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights. A number of authorities are involved in implementing the laws on anti-counterfeiting, including:

- the Supply Investigation Unit of the Ministry of Interior;
- the Internal Trade Department of the Ministry of Trade;
- the inspectors of the Ministry of Health; and
- the Agency for Combating Internet Crimes.

Border measures

There are two main routes for IP owners to enforce their rights at points of entry. First, they can seek criminal prosecution or report counterfeits to customs officers in order for them to use their powers of inspection and seizure under the Customs Law. For criminal

prosecution, the IP rights owner must submit a complaint to the district attorney at the port concerned, claiming that the products are counterfeit and requesting an order to prevent the customs authority from releasing the shipment until samples taken from the shipment at issue have confirmed that the products are non-infringing. The samples will be sent to the Trademark Office for confirmation that the mark is identical or confusingly similar to a registered mark. The customs authority will then seize the goods or agree to conditional release until it receives the Trademark Office's report. If the Trademark Office confirms in its report that the mark on the samples is identical or confusingly similar to a registered mark, the customs authority will refer the matter to the prosecutor with recommendations to press charges and hold the shipment. The matter is then referred to the misdemeanour court, and the same steps as those outlined in the next section are taken.

Alternatively, an IP rights owner may request that the customs authority take samples from a particular shipment for

“ There has been debate on whether to reform the law to allow IP rights owners to file a general notice to the various ports for inspection of any shipments bearing their registered trademarks ”

inspection where it suspects that the goods are counterfeit. The request should indicate the time, route, ship, name of importer, type of goods and port of entry. The Customs Law authorizes customs officers to seize goods that bear fake marks if they deem that such goods have been smuggled into the country. The law treats counterfeit goods as smuggled goods on the basis that it is illegal to bring them into the country in the first place. Customs officers finding any such goods must seize the goods and transfer the matter to the prosecutor of the customs authority. If charged and convicted of smuggling for the purpose of trade, the importer will be subject to a fine ranging from E£1,000 to E£50,000 and/or a prison sentence ranging from one to five years. The court may also order the confiscation of the unlawful goods. There is no mention in the law regarding the destruction of counterfeit goods and many such products find their way into the market through the customs authority's auctions of seized goods (after the infringing marks have been removed). Nonetheless, the destruction of goods can be requested from a court of law based on the general principle that the resale of counterfeit goods is illegal.

There has been debate over whether to reform the law to allow IP rights owners to file a general notice to the various ports for inspection of any shipments bearing their registered trademarks. IP rights owners would be given time to respond to inquiries by customs officers before the goods are released.

Despite the fact that the Ministry of Trade encouraged the introduction of such procedure, it would be practically impossible to implement at present, given that the records at Egyptian ports (with the exception of Ein Al-Sokhna) are not automated.

Criminal prosecution

The Intellectual Property Protection Law does not distinguish between counterfeiting and other types of IP infringement. Hence, a party using a confusingly similar trademark in bad faith will be subject to the same penalties and measures as a counterfeiter. In all IP infringement matters, the officers seizing the products will send samples thereof to the Trademark Office for the latter to determine whether the marks on the samples and the registered marks are identical or confusingly similar. If so, the officers will refer the matter to the prosecutor with a recommendation to press charges. Once the prosecutor has pressed charges, the matter is referred to the misdemeanour court.

Egyptian law allows IP rights owners to initiate criminal proceedings directly or to join such proceedings as an interested civil party. This is a useful tool to fight counterfeiting, as IP crimes seldom take priority on the prosecutor's agenda, given that counterfeiting is considered as a misdemeanour (and prosecutors devote most of their resources to combat felonies). An IP rights owner can commence criminal proceedings at a misdemeanour court by initiating 'direct misdemeanour' proceedings, or filing a complaint with the relevant regulatory bodies and then joining the 'regular' misdemeanour proceedings once the prosecutor has pressed charges. In both 'regular' and 'direct' misdemeanour actions, the IP rights owner must join the proceedings as an interested civil party and play an active role in the conduct of the proceedings. This will greatly increase the chance of a successful outcome in criminal cases, as prosecutors usually play a very passive role in IP-related misdemeanour proceedings.

Under the law, the interested civil party is allowed to:

- present evidence of the offence;
- provide a memorandum to the court explaining how the offence was committed and the laws against it;
- move the court to impose fines and other orders permitted under the Intellectual Property Protection Law; and
- seek temporary compensation (usually of E£5,001) for losses sustained as a result of the misdemeanour.

'Anti-counterfeiting' is not specifically defined under the law. Instead, the following offences – some of which broaden the definition of 'counterfeiting' – are recognized as IP offences under the law:

- using a trademark on goods or for services without the authorization of its owner;
- affixing a trademark confusingly similar to a registered mark;
- using a fake or copied trademark in bad faith;
- knowingly selling or possessing goods or providing services under a fake or copied trademark;
- affixing incorrect or deceptive commercial indicators on goods (or using them for services), stores, warehouses, stationery or advertisements; and
- using incorrect geographical indicators on goods or for services to mislead the public as to their origin.

The first and fourth offences are punishable by a fine ranging from E£5,000 to E£20,000, increased to E£10,000 to E£50,000 in case of recidivism. In addition, the court may impose a prison term of at least two months and order the closure of the infringing establishment for a maximum of six months. A jail sentence and the closure of the infringer's establishment are

mandatory in case of recidivism. A jail sentence is the most deterrent penalty. In all cases, the court should order the confiscation and, if asked by the IP rights owner, the destruction of the infringing goods, and any equipment or tools used in the manufacture or supply thereof. It is imperative that the IP rights owner ask the court for the destruction of the goods, as the law provides only for confiscation and is silent on destruction. However, according to general principles, the court may order the destruction of goods if possession and sale thereof is illegal.

The fifth and sixth offences are punishable by a fine ranging from E£2,000 to E£10,000, increased to E£4,000 to E£20,000 in case of recidivism. In addition, the court may impose a prison term of six months at most, and order the closure of the infringing establishment for a maximum of six months. A minimum prison sentence of one month and the closure of the infringing establishment are mandatory in case of recidivism. In all cases, the court should order the confiscation of the infringing goods, and any equipment or tools used in the manufacture or supply thereof.

In practice, the IP rights owner may file a complaint against any party importing, selling, making or possessing counterfeit products with the Supply Investigation Unit of the Ministry of Interior or the Internal Trade Department of the Ministry of Trade. The authority concerned will investigate and send samples to the Trademark Office for the latter to advise whether the marks on the samples and the owner's marks are identical or confusingly similar. If they are, the authority concerned will refer the matter to the prosecutor and attach the opinion of the Trademark Office. In most cases, the prosecutor will give effect to the recommendation of the concerned authority, and press charges or dismiss the complaint, depending on the report of the Trademark Office. If the prosecutor presses charges, the matter will be referred to the misdemeanour court, and a hearing will be set (which the IP rights owner can join as an interested civil party).

Civil enforcement

The Intellectual Property Protection Law and the Trade Law allow the IP rights owner to claim damages to compensate for the unlawful actions of a counterfeiter under the general principles of tort law. In addition, the Trade Law provides that any act of IP right infringement committed with the intention of misleading consumers or attracting customers of the lawful IP right

owner shall be deemed an unfair commercial practice constituting unfair competition. In cases of unfair competition, the judge may, as well as awarding damages, order restitution and publication of the judgment in daily newspapers.

Where criminal proceedings have been initiated, the civil court judge will suspend the case until the finalization of the criminal proceedings. If the criminal proceedings result in a conviction, the claimant will not need to prove causation in the civil claim and the court can simply determine the amount of loss in order to award damages. The claimant can continue with the civil action even if the criminal proceedings result in an acquittal, provided that it can be proved on the balance of probabilities that the defendant's actions resulted in harm to the claimant.

Civil actions take much longer than criminal proceedings as, in most cases, the judge will refer the case to experts appointed to the court by the Ministry of Justice. The experts are responsible for:

- reviewing the evidence;
- investigating the matter with the parties;
- issuing orders for obtaining official records;
- reviewing the facts;
- offering opinion on technical matters; and
- issuing a report to court recommending that the judge make a certain decision.

The judge then reviews the expert report, and affirms or reverses the finding. This process prolongs and complicates the proceedings, thereby making criminal proceedings – if available – more appealing.

Anti-counterfeiting online

The trademark protection chapter of the Intellectual Property Protection Law does not specifically address the problem of the sale of counterfeits online. This issue is addressed, albeit differently, in the copyright protection chapter of the law. Under this chapter, the definition of 'infringement' includes the sale, distribution or publication of copyrighted materials online without the authorization of the copyright owner. In such cases, criminal or civil action can be taken against the infringer (if the infringer is in Egypt) through the channels outlined above. To expedite action in such matters, the Egyptian government created the Agency for Combating Cyber Crimes. The affected party can file a complaint with the agency, which will investigate the matter and refer it to the prosecutor with its

recommendations. As a matter of course, the prosecutor will give effect to the agency's recommendations, and press charges or dismiss the matter accordingly.

Preventive measures/strategies

In general, IP rights owners need to be vigilant of any unauthorized use of their trademarks or of confusingly similar marks. Under Egyptian law, there is no distinction between the unauthorized use of trademarks and use of marks that are almost identical to registered trademarks. Both situations are treated as counterfeiting. For example, use of the trademarks SIEMANS (instead of SIEMENS), PANOSONIC (instead of PANASONIC) and ADEDAS (instead of ADIDAS) has been treated as counterfeiting despite the fact that the marks were not exact copies. Hence, IP rights owners should watch the Egyptian market for counterfeits and infringing marks, since the law enables them to take criminal action against both.

As parallel imports are allowed, there are many situations in which the importer or the trader of the counterfeits is not aware that the goods are not genuine. Therefore, IP rights owners should know major dealers of their products and keep in contact with them to inform them of possible counterfeits. If the IP rights owner suspects that dealers are acting in bad faith, a legal notice should be sent to the latter through a court bailiff. This will later facilitate the IP rights owner's case if criminal proceedings are initiated, since knowledge is required in cases where the infringer is a seller and not the producer of the counterfeits.

Another important anti-counterfeiting strategy is educating the public as to how to recognize and report counterfeits, as well as alerting the public of the risks of using counterfeit products. In many cases, consumers are not aware of the dangers and do not know how to distinguish between genuine and counterfeit products. This is particularly true for products that are made in more than one country.

In summary, the IP rights owner should take an active role in spotting, exposing and reporting counterfeits. A successful anti-counterfeiting policy requires a concerted and relentless effort on the part of the IP rights owner, distributors of the products, consumers and the authorities concerned. However, only the IP rights owner, with its knowledge of the products, can lead such efforts to ensure that counterfeits are taken off the market. [WTR](#)



ZAKI HASHEM & PARTNERS
ATTORNEYS AT LAW

Biographies

Zaki Hashem & Partners

Zaki Hashem & Partners
23 Kasr El-Nil Street,
Cairo 11211, Egypt
Tel +20 2 2393 3766
Fax +20 2 2393 3585
Web www.hashemlaw.com



Nermien Al-Ali
Partner
Nermien.alali@hashemlaw.com

Nermien Al-Ali is a partner at Zaki Hashem & Partners specializing in corporate acquisitions and private placements, commercial transactions and intellectual property. She graduated with an LLB from Sydney University, Australia and with an LLM from Franklin Pierce Law Center, New Hampshire, United States. She is admitted as an appeal lawyer at the Egyptian Bar and is a member of the New South Wales Bar, Australia. She has around 14 years of experience and her areas of expertise include anti-counterfeiting, IP litigation and licensing, due diligence and commercial transactions.



Robert Mihail
Of counsel
robert.mihail@hashemlaw.com

Robert Mihail is of counsel at Zaki Hashem & Partners, specializing in commercial transactions and intellectual property. He graduated with a BSc from George Mason University, United States, and with a JD degree from Franklin Pierce Law Center, New Hampshire, United States. He is admitted to the Massachusetts Bar. His areas of expertise include anti-counterfeiting, IP licensing and technology transfer, arbitration relating to domain names through the Internet Corporation for Assigned Names and Numbers, joint ventures and commercial transactions.