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## **ADVISORY COMMITTEE ON ENFORCEMENT**

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ADDRESSING COSTS AND BALANCING RIGHTS

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\* The views expressed in this document are those of the author and not necessarily those of the Secretariat or of the Member States of WIPO.

## INTRODUCTION

1. The topic for this Advisory Committee on Enforcement, namely “The contribution of, and costs to, right holders in enforcement, taking into account Recommendation 45 of the Development Agenda,” is of great interest to my Organization – SNB-REACT - and I value the opportunity to draw attention to our business model to reduce the costs of enforcement, our commitment to assisting law enforcement authorities, as well as to provide information on the environmentally friendly job-creating recycling facility in the Netherlands.

## THE SNB-REACT NETWORK

2. SNB-REACT is a non-profit coalition with about 160 member companies owning globally renowned brands. The European network was established to provide the operational services of identification support, filing of applications, complaints, cease and desist letters, investigations, monitoring, storage, transport and destruction services to member companies. For each country, there is at least a contact person who is either employed or under contract with SNB-REACT.

3. The headquarters of the network is in Amsterdam and the SNB-REACT cooperative has branch offices in Milan, Lisbon, Vilnius, Skopje, Madrid and Istanbul. Each office has a regional function and consists of lawyers, paralegals and investigators. As such there are

- agencies in Prague and Riga;
- joint venture operations in Poland, Germany, Romania and Bulgaria; and
- partner agreements for Austria, Cyprus, Denmark, France, Finland, Greece, Hungary, Slovenia, Slovakia, Sweden, and United Kingdom.

4. Although such a dense enforcement assistance network is costly to maintain, it is crucial to serve the members and, in particular, law enforcement agencies in a speedy manner in all countries. Due to the success of this business model, SNB-REACT is continuously working on the further extension of its activities.

## IPR BUSINESS PARTNERSHIP

5. The IPR Business Partnership is an organ of SNB-REACT and it may be recalled the WCO IPR Strategic Group was the “predecessor” of the IPR Business Partnership. The objectives of this branch of the Organization is, *inter alia*, to cooperate with intergovernmental and non-governmental organizations with similar strategic goals; to engage in policy debates at the national, regional and international levels; to lobby governments and regional organizations to modernize enforcement legislation; and to conduct, finance and/or participate in, intensive training programs for law enforcement agencies on a global scale.

6. The IPR Business Partnership is an Observer of the WIPO Advisory Committee on Enforcement and a strategic partner and collaborator in training activities organized by or in cooperation with WIPO.

## CHALLENGES TO RIGHT HOLDERS

7. Protecting and enforcing intellectual property rights, and fighting product counterfeiting in addition, can be very cost intensive for rights owners due to the fact that -

- rights owners have to protect their rights which require registration costs as well as –trademark attorney fees;
- when faced with counterfeiting of the trademarks, rights owners need to file legal actions – which could embrace civil and/or criminal actions, including interim or provisional measures;
- to resolve the counterfeiting problem, right holders have to engage the services of specialized investigation companies to trace the distribution network back to the source; and
- to manage the above, rights owners have to appoint brand protection managers and by now the most well known brands even have extensive brand protection teams with managers by country and or region.

8. Many millions of Euro's are being spent by the rights owners in this way. This is a heavy burden for companies already suffering from revenue losses and reputation damage because of the counterfeiting trade. The immense cost of enforcement had paved the way to many companies joining SNB-REACT due to its cost-saving and effective business model to reduce enforcement costs.

## SNB-REACT BUSINESS MODEL

9. SNB-REACT is a private organization financed by the member companies. A fixed annual membership costs € 2250 which covers all countries of SNB-REACT network. Since January 1, 2005, we provide an additional service, worldwide Internet tracking and subsequent removal of auction sites for another € 500 for international monitoring. Per case managed by the SNB-REACT, small fees are requested varying between € 100 and 400 per case. On top, SNB-REACT has set caps per country/region. In other words, member companies will not spend more than a certain budget on anti counterfeiting actions in a particular country. In order to try and curb enforcement costs, the agencies and partners all work on fixed fees per case managed. Member companies can select how and where ever they want to use the SNB-REACT services.

10. SNB-REACT has managed to reduce costs for rights owners significantly, sometimes reducing their anti counterfeiting budgets to 10% of the budget needed before joining the association. The system has developed to a sort of “insurance” for rights owners against counterfeiting while, simultaneously, has become invaluable to render training and assistance to law enforcement officials.

11. SNB-REACT is successful and cost-effective to its members in that it –

- operates in a not for profit manner; SNB-REACT is a cooperative association owned by the members/rights owners;
- saves costs for rights owners by involving more parties in a case and, hence, share legal and investigation costs;
- insists with the authorities to apply the simplest procedures possible; and

- motivates, encourages and supports law enforcement agencies trying to create the perfect public private cooperation – in the framework of which it conducts intensive training programs for law enforcement officials and provide them with comprehensive product identification information and other information to assist in risk assessment and targeting, and all the assistance required to seize, detain and destroy the counterfeit consignments.

12. In this regard, the services of the SNB-REACT can be summarized as follows: -

a. For members, the services primarily focus on the assistance to rights owners in their anti counterfeiting cases, which means –

- support with the identification of goods on a local level;
- filing the necessary formalities;
- legal support in filing complaints and writing cease and desist letters;
- investigations of outlets and sources of counterfeiting; and monitoring of markets, fairs, events and also the Internet.

b. For law enforcement agents, the following support is given –

- digital cameras to assist in the identification of the goods;
- access to an Intranet site with brand information;
- technical identification training events – practically on a weekly basis - where rights owners are invited to teach law enforcement agents to identify goods; and
- the organization of storage and destruction of counterfeit goods (see below).

13. We strongly believe that the public – private cooperation can be improved enormously. Enforcement is very often left to the law enforcement agents with rights owners as passive followers. This can be changed in a cost effective manner by –

- first of all, leaving room for the parties (rights owner and plaintiff) to try to settle the matter civil and out of court;
- secondly providing law enforcement agents the necessary powers to intervene when needed and obtain the necessary evidence; and
- thirdly, the judiciary should be supported by rights owners joining cases as “an interested party”.

14. Many legal systems do not manage to find the perfect mix of civil and public prosecution. In some countries, rights owners have to rely completely on civil enforcement measures which are too costly to sustain. In certain other countries, the law enforcement agents have *ex officio* powers to fight counterfeiting, resulting in massive numbers of cases, resulting in storage problems, evidentiary issues and alike. It is clear that there should be a fine balance between the actions and activities of right holders and the public authorities.

#### STORAGE AND DESTRUCTION - RECYCLING FACILITY IN THE NETHERLANDS

15. Storage and destruction of counterfeit goods have become a major issue in a substantial number of countries. Warehouses pile out and the waste of resources is tremendous and at the end of the day most costly.

16. In the Netherlands, we managed to build a smoothly functioning storage and destruction system which is to the satisfaction of rights owners, law enforcement and even shippers, and carriers stuck with counterfeit goods. It also created jobs specifically for the less fortunate members of the public. The model of this facility proved to be extremely successful and it could certainly serve as an inspiration for other organizations or even governments faced with similar situations.

17. In our case, the SNB-REACT maintains warehouses and containers to which the counterfeit goods are shipped immediately after being identified as fake. The transport to the SNB-REACT facilities is managed by the shippers/carriers. SNB-REACT facilities are under customs surveillance just like the destruction of the goods are organized and paid by SNB-REACT. Taking into account environmental concerns, most goods are first dismantled at workshops offering employment to a large number of physically disabled employees. The useful raw materials are offloaded to the recycling industry for further processing again providing a host of job opportunities. In this way, a very small part of the costs is earned back from recycling, but a great deal is achieved to prevent environmental waste by simply burning the counterfeit products and, in addition, the concept is also in the societal interest.

18. With regard to the other costs, SNB-REACT tries to obtain something back from the infringing parties. This does not always work and the remaining part is financed by the members by paying a small case fee. The result of our system is that

- rights owners pay minimal amounts vis-à-vis “normal” enforcement costs;
- our interventions lead to increased and more successful legal action against infringers;
- law enforcement officials have no costs pertaining to their interventions; and
- resources used for the counterfeit goods are very often reused.

19. The Dutch SNB-REACT system is working well. More can be done though by putting pressure on the service providers (transporters, carriers, storage keepers, customs brokers etc.) of the infringers to seek cost compensation with them. The service providers are in a contractual position with the actual infringers and in this way able to impose such costs on to them. The rights owner however, needs to initiate litigation often against unknown parties to get their costs compensated. We are of the opinion that the service provider to the infringer needs to act consciously and be responsible by amending their contracts including an indemnity clause when goods prove to be counterfeits.

## CONCLUSION

20. Fighting counterfeiting is extremely costly. This results in frustrations for rights owners and public bodies. SNB-REACT has found ways to reduce costs significantly, by sharing costs for prosecution and investigations and seeking regress to simplified proceedings. Much more can be done however. In each legal system, it will be key to find the right balance between what part of the anti counterfeiting measures is managed by public enforcement and what should be managed by the civil parties; when the public bodies should intervene (and when not), what powers are needed for that and how public and private parties can effectively support each other's actions. Finally, we believe that the service providers also have an important role to play in shifting the costs to the infringing parties.

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