

**WIPO Inter-Regional Symposium on Enforcement of  
Intellectual Property Rights (IPRs)**

*Organized by*

**the World Intellectual Property Organization (WIPO)**

**in cooperation with**

**the Intellectual Property Office of the Republic of Serbia**

**and**

**the United States Patent and Trademark Office (USPTO)**

Belgrade,

6th & 7<sup>th</sup> September, 2011

**The Malta Customs Department**

Report by:

Officer Joseph Aquilina

IPR-Enforcement Unit

Custom House

Lascaris Wharf

Valletta. MALTA

## *Background*

My name is Joseph Aquilina and I have been employed with the Malta Customs Department for the past twenty three years, in the course of which I have performed duties within different sections. I currently hold the rank of Customs Officer. Through a sponsorship scheme organised by the Staff Development Organisation within the Office of the Prime Minister I have read for a *Diploma in Public Administration* at the University of Malta, graduating in 2010. For the last three years I have been posted to the IPR-Enforcement Unit, where besides the day to day office and field work I also co-represent the Malta Customs Department on the *Customs Code Committee – Counterfeit and pirated goods Section* under the chairmanship of DG Taxud. I am currently the National Project manager for COPIS<sup>1</sup>. During these past years I participated in various seminars and workshops concerning IPR enforcement organised by the EU Commission, the Council of Europe, the WCO and the private sector.

The Malta Customs Department falls within the remit of the *Ministry of Finance, the Economy and Investment*, together with other tax departments and the Commerce Department, which comprises the Industrial Property Registrations Directorate. The Customs administration operates from *Custom House*, which was purposely built by the Knights of St John in 1774, however documentary evidence indicates that a Customs administration was in existence much earlier. The department nowadays employs a modest workforce of 400, suitable to cater for the needs of a small island state. The Maltese Islands with a population of 417,600 cover an area of 316 square kilometres. However, our location at the southernmost border of the EU and the presence in Malta of a regionally-important transshipment hub that is the first point of entry to the EU for substantial volumes of cargo originating in the Far East give our small workforce important responsibilities in relation to the health and safety of the EU's 500 million citizens, particularly since the activation of the Import Control System (ICS).

Our mission, apart from the traditional customs tasks, is that of preventing trade in narcotics and drug precursors, in counterfeit and dangerous goods, the proliferation of weapons of mass destruction, and, monitoring movements of dual use goods and prevention of money laundering, while facilitating legitimate trade by providing efficient and effective service.

An organisation chart of the Malta Customs department is provided in Annex 1 to this report.

---

<sup>1</sup> COunterfeit and Piracy Information System (COPIS) is an electronic system financed by the EU Commission which shall provide an online database of all AFAs and serve as a central platform for the registration of all infringement procedures for all 27 EU MS.

## *The Key players in IP enforcement in Malta*

The official entities involved in formulation and execution of IP policy and protection in Malta are the Commerce Department, the office of the Attorney General, the Malta Police Force and the Customs Department.

**The Commerce Department** is responsible for policy, IP legislation and registration of patents, trademarks and designs besides international relations in the area of IP (WIPO, EPO and OHIM). This Department endeavours to create awareness amongst right-holders regarding the action to be taken to protect their IP.

**The Attorney General's Office** is responsible for vetting of legislation, for prosecution, litigation and provision of legal advice to government entities.

**The Malta Police Force** investigates and acts against criminal offences within the domestic market.

**The Judiciary** is charged with determining whether goods brought before it infringe a registered right after considering the arguments of the plaintiff and the defendant. When the defendant is absent or untraceable, the court nominates curators to safeguard the rights of the absentee.

**The Malta Customs Department** is empowered to intervene at the external border. This report shall provide a more detailed description of the Customs Department's role in the enforcement of Intellectual Property rights.

The primary duty of the Maltese Customs Department is to monitor importations safeguarding government revenue while ensuring that EU legal requirements and obligations arising from international treaties and conventions are respected. Combating traffic in counterfeit goods tops the list of priorities for the Maltese Customs Department, at par with fiscal responsibilities, environmental regulations, disrupting trade in narcotics, CITES scheduled goods and dual-use goods.

Customs operations are mainly at the border and entail various duties on behalf of, or in collaboration with other agencies. Customs officers operate in coordination with an array of other departments such as the other tax departments, the Malta Police Force, health authorities, environment authority, to name a few.

### Main National Legislation governing the Customs Department

- Import Duties Act (Chapter 337 of the Laws of Malta)
- Customs Ordinance (Chapter 37)
- Excise Duty Act (Chapter 382)

### Main EU Legislation

- Community Customs Code (EC regulation 2913/1992)
- Customs Code implementing provisions (EC regulation 1192/2008)

## Customs IPR Enforcement

"Customs are ideally placed at the border, to protect citizens and legitimate businesses and their contribution is highly valuable in fighting counterfeiting and piracy". (Algirdas Šemeta *EU Commissioner for Tax and Customs Union* May 2011)

The operations of the IPR Enforcement Unit are regulated by the *Intellectual Property Rights (Cross-Border Measures), Act VIII of 2000, Chapter 414 of the Laws of Malta; EC regulation 1383 of 2003 and its implementing provisions EC regulation 1891 of 2004.*

### *Applications for Action*

IPR legislation requires holders of registered rights to apply with the Competent Customs Department (CCD) using the approved *Application for Action (AFA)*<sup>2</sup>. This is the only legal remedy available across the 27 EU Member States (MS) for protecting one's registered rights. A National AFA covers those rights within the territory of the MS in which it is submitted, while a Community AFA will cover those MSs indicated in such application. With the coming into force of EC regulation 1383/2003 the need for a security deposit by the right-holder has been repealed and a declaration of liability<sup>3</sup> is mandatory for each AFA or its renewal. No administrative or other types of fees are applicable when filing AFAs.

The IPR Unit maintains a database<sup>4</sup> of all active National and Community AFAs. This includes the covered rights, their CTM or National trade registry certificate numbers, date of expiry and the designated representative. An *Alert list* of the protected rights found in the database including a brief description of the corresponding products is disseminated through the Department's intranet for customs border personnel to consult.

Officers processing cargo or small consignments from postal/express courier services refer to the *Alert list* and inform the IPR Unit of any suspect consignments. IPR Unit personnel inspect the suspect consignments and compare the goods and accompanying documentation with the corresponding AFA data. The main indicators we look for are the supply route, holograms, packaging or any other indicators specified by the right-holder. If the goods are still suspected to be infringing, the right-holder or its representative are notified and supplied with detailed digital images to assist in the assessment of the goods' authenticity. Once the right-holder confirms that the goods are counterfeit and indicates the intention of following-up the case, upon request all information regarding the consignment including quantities, shipper and consignee details is forwarded to the right-holder to enable court action. When possible, samples of the

---

<sup>2</sup> National or Community *Application for Action* in terms of EC regulation 1383/2003 which is regulated by EC regulation 1891/2004 as amended by EC regulation 1172/2007.

<sup>3</sup> EC regulation 1383/2003 - Article 6 requires a *declaration of liability* by the right-holder when submitting an AFA.

<sup>4</sup> The database is in the form of a basic excel spreadsheet representing each application for action and it includes the Right-holder; the trademarks or designs covered by the AFA; a brief description; the expiry date and a list of OHIM CTMs/RCDs or national IP Office registry numbers, covered by each AFA.

goods are elevated, duly recorded and made available for inspection upon request by the right-holder, declarant or holder of the goods.

With a view to establishing whether an intellectual property right has been infringed under national law, and in accordance with national provisions on the protection of personal data, commercial and industrial secrecy and professional and administrative confidentiality, the customs office or department which processed the application shall inform the right-holder, at his request and if known, of the names and addresses of the consignee, the consignor, the declarant or the holder of the goods and the origin and provenance of goods suspected of infringing an intellectual property right.

(EC Regulation 1383/2003 – Article 9 (3))

Both our national legislation and EC regulation 1383/2003 allow the right-holder 10 working days (3 working days in case of perishables) from notification, to confirm Customs' suspicions of an infringement. Subsequently an extension of a further 10 working days of detention may be requested by right-holders or their representative, in order to prepare and initiate judicial procedures.

When customs suspect an infringement of a registered right which is not covered by an active AFA registered with Malta Customs, IPR legislation allows for ex-officio action. The right-holder is allowed three working days from the date of notification to submit an AFA (ex-officio action is not permitted in cases of perishable goods).

*Ex officio* action: Where, in the course of checks made under one of the Customs procedures referred to in article 4 and before an application by the holder of the right has been lodged or approved, it appears prima facie evident to the Comptroller of Customs that goods are goods infringing an intellectual property right, the Comptroller of Customs may notify the holder of the right, where known, of a possible infringement thereof.

(Chapter 414 - Article 6)

### *The Judicial Process*

The responsibility of deciding whether an IPR has been infringed lies with the *Judicial Authorities*. IPR cases are brought in front of the First Hall of the civil courts. Currently there are two judges dedicated to IPR cases, whilst up till a few years back IPR cases were appointed in front of different judges. This has brought about a more efficient and professional approach, since a considerable level of competence and continuity has been achieved. In fact normally the courts are employing no more than four months in delivering judgements, unless exceptional oppositions are filed. This is quite in contrast to earlier occurrences which saw many cases pending judgement for up to four years. Such lengthy procedures used to impose higher storage costs on right-holders, making the protection of IPRs rather unsustainable. National legislation empowers the Civil Court to refer a case to the Criminal Court, if criminal action is perceived.

11. (1) If any person shall import or cause to be imported any goods infringing an intellectual property right, such person shall be liable for every such offence to a fine (multa) equivalent to double the value of such goods.

(2) All proceedings under this article shall be taken before the Court of Magistrates and shall be in accordance with the provisions of the Criminal Code regulating the procedure before the said Court or a Court of Criminal Judicature and the award and execution of the punishments thereby imposed.

(Chapter 414: Article 11)

Once a court judgement declaring the goods as counterfeit and ordering the Comptroller of Customs to destroy the goods within a specified time period, is delivered, the Customs Department waits for the appeal period (twenty days) to elapse before coordinating the goods' destruction with the right-holder. Destruction is carried out under Customs supervision and at the right-holders' expense. The costs of transportation, storage and customs personnel supervising such destructions are similarly charged to the right-holder. In the *Article 6 declaration of liability* (mentioned above), the right-holder accepts to cover such costs when submitting an AFA.

(1) In proceedings related to the enforcement of the rights of the holder of a right the Court shall:

(a) as a general rule, order the Comptroller of Customs to dispose of goods established to be goods infringing an intellectual property right outside the channels of commerce in such a way as to preclude injury to the holder of the right or order the Comptroller of Customs to destroy such goods, in any case without compensation of any sort to and, at the cost of, the importer, exporter or owner of the goods;

(b) take, or order the Comptroller of Customs to take in respect of such goods, any other measures having the effect of effectively depriving the persons concerned of the economic benefits of the transaction.

(Chapter 414 – article 8)

### *The Administrative Procedure*

The *simplified procedure*<sup>5</sup> is not implemented in our national legislation and thus is not an option for right-holders. Nonetheless the Malta Customs Department respects private agreements signed by both the importer/owner of the goods and the right-holder, where the former agrees to abandon the infringing goods in favour of the former, upon their release. The importer is still

---

<sup>5</sup> Article 11 of EC regulation 1383/2003: Where customs authorities have detained or suspended the release of goods which are suspected of infringing an intellectual property right in one of the situations covered by Article I(1), the Member States may provide, in accordance with their national legislation, for a simplified procedure, to be used with the right-holder's agreement, which enables customs authorities to have such goods abandoned for destruction under customs control, without there being any need to determine whether an intellectual property right has been infringed under national law.

required to pay any duties and taxes due in respect of importations covered by such agreements since these are considered by Customs as being released. Subsequently, the goods are destroyed under customs supervision. This procedure is utilized in 99% of domestic infringement cases. Such an out of court settlement is envisaged in the Civil code (Chapter 16 of the laws of Malta Articles 960, 962(1), 966, 992 & 993). There have also been instances where transshipment consignments, given that data in the shipping documents enables communication between right-holder and consignee, have been dealt with via such agreements. Customs will respect a notarized agreement accompanied by an official translation (when appropriate).

Contracts legally entered into shall have the force of law for the contracting parties.

(Chapter 16: Article 992 (1))

Destruction of the goods is carried out in line with environmental regulations. Most products such as textiles and shoes can be destroyed through industrial shredding, whilst hazardous products such as pharmaceuticals are thermally treated at an incinerator facility.

It is to be noted that due to obvious economies of scale the Maltese market does not attract bulk importations of counterfeit goods. Most detained importations consist of small postal/express courier consignments or portions of consolidated cargo. As reported in the DG Taxud IPR report for 2010<sup>6</sup>, the detection of IPR infringements in small consignments via postal services has increased phenomenally<sup>7</sup>. This is mostly attributed to sales over online retail platforms and is also mirrored in the Maltese statistics (see table 1 below).

### *Transit/Transshipment*

Our major area of success in the detention of IPR infringing goods is in transshipment of maritime containers. Malta's strategic position on the Mediterranean shipping routes entrusts Maltese Customs with the task of scrutinizing transit/transshipment cargo at the Freeport terminal, which throughout the year 2010 is reported to have handled around 2.37 million TEUs. With mother-ships calling directly from the Far East to unload their cargo, which is later carried by feeder lines to the final destination, Malta Freeport is rated as the sixth largest international hub in the Mediterranean<sup>8</sup>. At the Malta Freeport terminals, Customs has an operations centre where a dedicated team of risk analysis officers operate round the clock, vetting shipping manifests and targeting containers according to risk indicators for the different customs infringements. This unit is assisted by the VACIS container scanning team, which x-rays the

---

<sup>6</sup><http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/506&format=HTML&aged=0&language=en&guiLanguage=en>

<sup>7</sup> Algirdas Šemeta, Commissioner for Taxation, Customs, Anti-fraud and Audit said: "We have experienced a spectacular increase of detentions in the postal traffic since last year: the number of cases tripled from 15,000 to over 48,000 and many of the seized goods included medicines and body care products. This upward trend reflects a growing number of online purchases."

<sup>8</sup> <http://aapa.files.cms-plus.com/Statistics/WORLD%20PORT%20RANKINGS%2020081.pdf>

targeted containers. Containers suspected of carrying counterfeit goods are then selected for physical inspection by the IPR Unit which elevates samples of suspect products and notifies the respective right-holders. EU legislation allows Customs to intervene in transshipment cases, but leaves it up to national Legislation to determine if goods infringe an IPR.

The law in force in the Member State within the territory of which the goods are placed in one of the situations referred to in Article 1(1) shall apply when deciding whether an intellectual property right has been infringed under national law.

(EC regulation 1383/2003 - Article 10)

The Maltese courts have delivered hundreds of positive judgements in respect of transshipment cases, since the *Intellectual Property Rights (Cross-Border Measures), Act VIII of 2000*, (Chapter 414 of the Laws of Malta) came into effect. Chapter 414 prohibits the placing of IPR infringing goods in any customs situation.

The entry into Malta, export or re-export, release for free circulation, temporary importation, placing in a free zone or free warehouse of goods **found to be goods infringing an intellectual property right shall be prohibited.**

(Chapter 414 – Article 4)

Chapter 334 of the Laws of Malta designates the Malta Freeport terminals as a free zone within the meaning of article 167 of the Community Customs Code (EC regulation 2913/92).

### *The Domestic aspect*

Customs is not empowered to intercept IPR-infringing goods once they have been released into the domestic market. Since the distribution of such goods is considered a criminal act, the internal market falls within the remit of the Malta Police Force. Cooperation between the various entities is on an *ad-hoc* basis, as cases require. In terms of capacity building, representatives of the IPR enforcement agencies attend and participate in seminars organized by the right-holders as well as the public entities themselves. The Customs IPR enforcement unit cooperates with the IP legal practices which locally represent most of the right-holders and vice versa; the small size of the Island facilitates person to person interaction thus providing easier communication. In-house training for Customs border personnel is a regular means of capacity building held through the Customs Training Unit, informing attendees of new trends, legal matters and creating better awareness.

DG Taxud in its IPR report for 2010<sup>9</sup> identifies a phenomenal increase in detention of small consignments imported via the postal services. This is mirrored also in the Maltese Customs statistics for 2010 (see below). The ever-growing accessibility to broadband and the internet to home users in Malta is creating an evolving consumer base for such international rouge traders. The availability of counterfeits via internet retail platforms is on the increase, and new websites

---

<sup>9</sup> [http://ec.europa.eu/taxation\\_customs/resources/documents/customs/customs\\_controls/counterfeit\\_piracy/statistics/statistics\\_2010.pdf](http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/statistics/statistics_2010.pdf)



selling counterfeit pharmaceuticals appear all the time. The internet provides the anonymity and lack of territoriality that criminal organisations and individuals require. For the time being Malta Customs does not have a dedicated IPR cyber-crime unit.

### *Consumer Awareness*

Feedback received from importers of detained small consignments differs. Some consumers state that they believed the website's claims that the goods are genuine and assumed they are making a bargain. This is a particularly common occurrence in cases involving counterfeit pharmaceuticals, cosmetics and body care products. Others admit that they had knowingly purchased replica or fake luxury goods, knowing that they could never afford to buy originals. Others still seem to be genuinely unaware of Intellectual property and the legal implications of its infringement. Public awareness on IPR matters is promoted by the Customs Department through presentations at seminars organised for entrepreneurs and the issuing of press releases. As indicated above the Commerce Department is also active in raising public awareness of IP particularly in so far as students and start-up companies are concerned.

### *Developments*

The phenomenon of small consignments is becoming a drain on resources, since each individual case needs to be treated on the same lines as that of a full container load. Digital images of every suspected right infringement need to be provided to each respective right-holder. Dealing with notifications and ensuing correspondence is time consuming. This is also a drain on right holders since it is not cost-effective to go through costly court procedures for a few items at a time. However, volumes of small consignments do add up at the end of the day.

### *Conclusion*

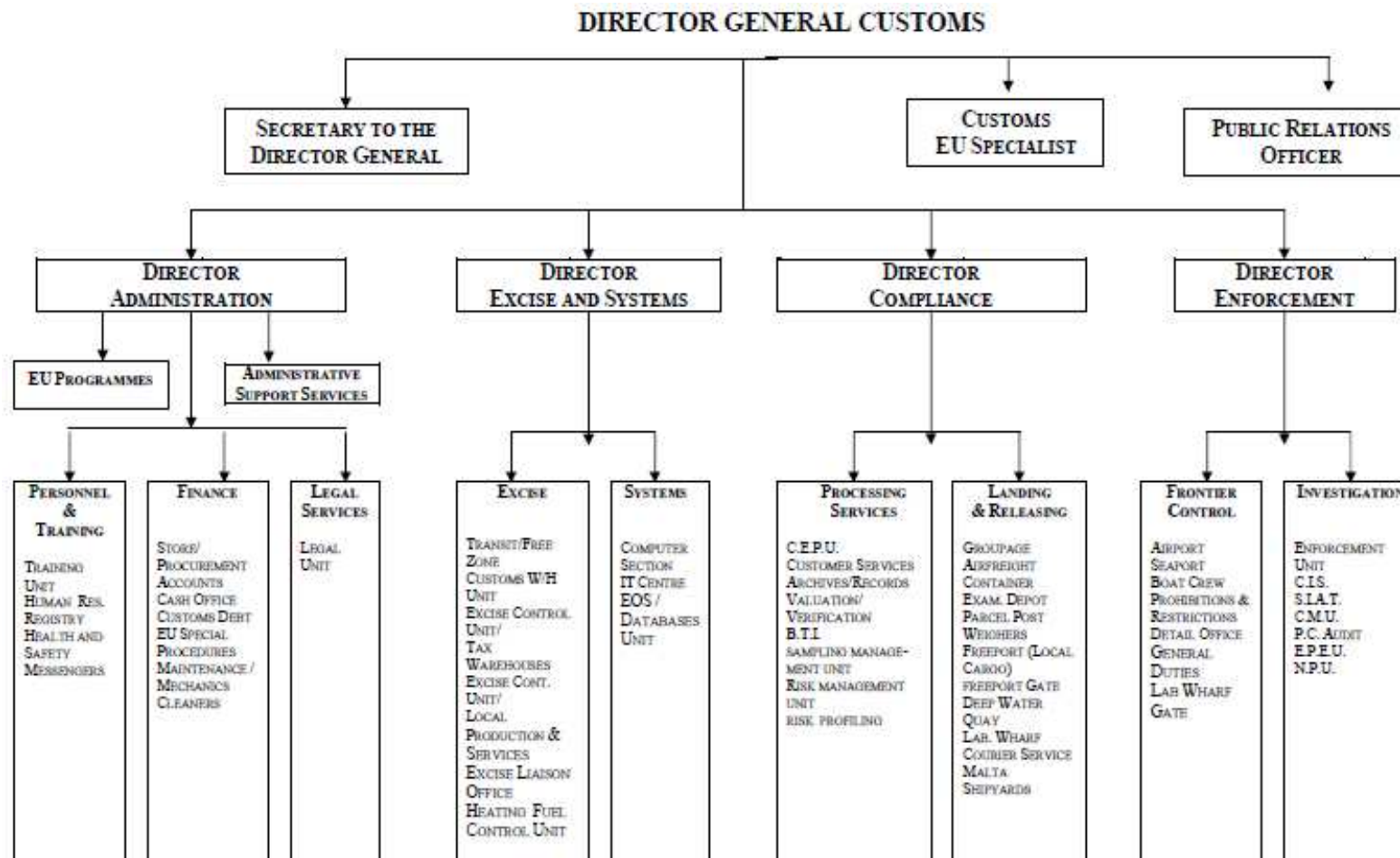
The protection of Intellectual Property is regarded as an essential impetus for innovation and economic growth and held highly in the priority list of the Malta Customs Department. Results show that our efforts do have an effect even at international level. The Malta Customs Department detained the fifth largest quantity of counterfeit articles amongst the EU 27 in 2009<sup>10</sup>.

An emphasis on trade facilitation, coupled with the financial pressures imposed by the economic constraints within which the public sector operates, are not always easy to reconcile with our enforcement function. That said, the Customs Department has a vast sphere of operations and does its best to set its priorities in ways that balance these requirements.

---

<sup>10</sup>[http://ec.europa.eu/taxation\\_customs/resources/documents/customs/customs\\_controls/counterfeit\\_piracy/statistics/statistics\\_2009.pdf](http://ec.europa.eu/taxation_customs/resources/documents/customs/customs_controls/counterfeit_piracy/statistics/statistics_2009.pdf)





C.E.P.U – Customs Economic Procedure Unit  
C.A.P – Common Agricultural Policy  
B.T.I – Binding Tariff Information  
T.Q.S – Tariff Quota System & Surveillance  
C.I.S – Central Intelligence System

S.I.A.T – Special Investigation Action Team  
C.M.U – Container Monitoring Unit  
P.C.Audit – Post Clearance Audit  
E.P.E.U.- Economic Procedures Enforcement Unit  
N.P.U. – Non Proliferation Unit