

Advisory Committee on Enforcement

Twelfth Session
Geneva, September 4 to 6, 2017

NATIONAL EXPERIENCES WITH THE ENVIRONMENTALLY SAFE DISPOSAL OF INTELLECTUAL PROPERTY INFRINGING GOODS

Contributions prepared by Italy and Mexico

1. At the eleventh session of the Advisory Committee on Enforcement (ACE), the Committee agreed to continue to consider at its twelfth session among other topics the “exchange of information on national experiences relating to institutional arrangements concerning intellectual property (IP) enforcement policies and regimes, including mechanism to resolve IP disputes in a balanced, holistic and effective manner”. This document contains the contributions of two Member States (Italy and Mexico), addressing the specific theme of national experiences with the environmentally safe disposal of IP infringing goods.
2. The contributions outline the legal framework and current national practices surrounding the seizure and eventual disposal of IP infringing goods and provide information on the capacity and efficacy of IP enforcement agents in relation to various methods of disposal. Underlying practical considerations, such as administrative competence, human resource capacity, time, costs and storage, are also highlighted.

3. The contributions prepared by the Member States are in the following order:

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ENVIRONMENTALLY SAFE DISPOSAL OF INTELLECTUAL PROPERTY INFRINGING PRODUCTS: THE EXPERIENCE OF THE ITALIAN CUSTOMS ADMINISTRATION

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ABSTRACT

The Italian customs' experience in the field of environmentally sustainable disposal of intellectual property (IP) infringing products is based on the application of European Union (EU) Regulation No. 608/2013 concerning customs enforcement of intellectual property rights (EU Regulation 608/2013) as well as relevant national provisions. Practical matters such as storage costs play a significant role in shaping the related activities of Italian customs.

In Italy, EU Regulation 608/2013 applies to acts of importation of IP infringing goods that are qualified as administrative violations. According to national law, this is the case when small consignments (of a low number of individual units and overall weight) are transported by express courier and postal services. In such cases, right holders may be required to pay the costs of storage and destruction and the importer will have the right to seek compensation where the goods are subsequently found not to be IP infringing.

In all other cases, the importation of IP infringing goods is considered a criminal offence and the criminal procedures relating to the destruction of infringing goods apply, which can take as long as several years depending on the complexity of the case. To avoid this problem, it is possible to apply for the destruction of the suspected IP infringing goods before the judicial procedure has concluded. The retention of samples is crucial in such cases.

Depending on the type of procedure, Italian customs is the competent administrative authority to carry out the disposal of the IP infringing goods or acts as judicial police. Either way, it controls the destruction operations and is responsible for ensuring the proper disposal of seized products.

I. LEGAL FRAMEWORK

1. The EU and the Italian legal framework define the role of customs in the enforcement of intellectual property (IP). Customs typically intervenes at the border and most importantly in relation to the import of IP infringing goods¹. The measures taken by customs to destroy or dispose of IP infringing goods are governed by different rules depending on whether such disposal or destruction is part of a criminal or administrative procedure. This, in turn, depends on whether the act of importation is qualified as a criminal offence or administrative violation.

* 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.

¹ Customs also takes action against the export of IP infringing goods.

A. CRIMINAL OFFENCES

2. According to the Italian Criminal Code, the production, sale or importation to the Italian market of goods that infringe IP rights (IPRs) is considered a crime². The Code further states that an order is to be made for the confiscation of goods which were used or aimed at perpetrating the crime as well as of those goods which represent the object, product, price or profit of the crime, regardless of their provenance (Article 474*bis*). In cases where such a measure is impossible to apply, the court may order the confiscation of goods belonging to the offender and having a value corresponding to the profit resulting from the crime.

B. ADMINISTRATIVE VIOLATIONS

3. In contrast, national legislation categorizes certain infringements as administrative violations, notably purchases made by private individuals for personal use³. A typical case would be the buying of an IP infringing product from a street seller. Such acts are punishable with a fine ranging from 100 to 7,000 euros.

4. Italian case-law clarified, through judicial restricted guidelines issued by some Italian public prosecutor's offices, that this rule also applies to certain acts of importation of IP infringing goods, namely by way of small consignments (of a low number of individual units and overall weight) transported by express courier and postal services⁴. For an importation to be qualified as an administrative violation the maximum number of individual units to be imported for personal use is 15-20. It was also clarified that the importation of IP infringing goods by travelers carrying these goods in their personal luggage also qualifies as an administrative violation under the following conditions: the importer has to be an individual and a non-recurring importer.

5. The explosion of e-commerce in the last years has increased the occurrence of this type of import, reducing large shipments in favor of small shipments. It is now much easier to purchase counterfeit goods directly from the producer, thus reducing the risk of customs seizure. As a consequence, customs officers must evaluate various elements in order to identify whether a case falls under the rules for administrative or criminal infringements.

II. SEIZURE AND STORAGE

6. In both administrative and criminal cases of the importation of IP infringing goods, customs is deeply involved in seizing, storing, and finally destroying the suspected IP infringing goods.

7. The availability of space in customs warehouses is a crucial element of consideration for the economic operators. Space occupied by seized goods represents a cost that will depend on the duration of the criminal or administrative proceedings.

² Articles 473 and 474 of the Italian Criminal Code, available on WIPO Lex at: <http://www.wipo.int/wipolex/en/details.jsp?id=2507>.

³ Article 1(7) of Decree-Law No. 35 of March 14, 2015 (Urgent Stipulations in the Area of the Action Plan for the Economic, Social and Territorial Development), available at: www.normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legge:2005-03-14;35!vig=.

⁴ At the European level, the term "small consignment" is defined as "a postal or express courier consignment, which: (a) contains three units or less; or (b) has a gross weight of less than two kilograms"; see Article 2.19 of European Union (EU) Regulation No. 608/2013 concerning customs enforcement of intellectual property rights.

A. CRIMINAL PROCEEDINGS

8. The destruction of IP infringing goods follows proceedings which, in some cases, can take several years to complete. As far as criminal proceedings are concerned, there is a mechanism to avoid this problem, allowing for the destruction of goods before the end of the judicial process as long as a range of samples are collected and stored prior to the destruction⁵. Should the importer be subsequently absolved of liability for infringement, the Italian Government may be liable to pay compensation for the destroyed goods.

9. According to criminal rules, the costs for storing and destroying the IP infringing goods must be anticipated by the Ministry of Justice and subsequently recovered from the infringing party.

B. ADMINISTRATIVE PROCEEDINGS

10. For administrative violations, i.e., parcels and personal luggage with few individual items, Article 29 of EU Regulation 608/2013 regulates the costs of storage and destruction: "Where requested by the customs authorities, the holder of the decision shall reimburse the costs incurred by the customs authorities, or other parties acting on behalf of customs authorities, from the moment of detention or suspension of the release of the goods, including storage and handling of the goods (...) and when using corrective measures such as destruction of goods in accordance with Articles 23 and 26"⁶.

III. DISPOSAL PROCEDURE

11. Once goods are confiscated, either through an administrative proceeding or by a court order, Italian customs is entitled to destroy the IP infringing goods as soon as possible.

12. In administrative procedures, once proceedings have been completed, the customs authority is the competent authority to manage the destruction of goods that are subject to a customs procedure. In criminal procedures, the destruction authorization is granted by the Court following the judgment.

13. In both cases, the customs authority is involved as administrative authority or judicial police. Disposal procedures must be effective and 100 per cent secure in order to ensure that infringing goods are not reintroduced into the channels of commerce.

14. Italian customs is further responsible for ensuring that seized products are disposed of in compliance with environmental legislation. Different procedures are foreseen for different types of waste, and disposal procedures are becoming more technically complex and onerous.

A. DONATION

15. With a view to minimizing environmental impact, trademark counterfeit goods allowing for the removal of the infringing signs may not be destroyed but instead donated to charity. This approach is feasible only where steps are taken to ensure that these goods are not sub-standard, defective, dangerous or hazardous. While it is theoretically possible to also

⁵ Sections 3*bis* and 3*ter* of Article 260 of the Italian Code of Criminal Procedure.

⁶ The term "holder of the decision" designates the holder of a decision granting a request for customs authorities to take action with respect to goods suspected of infringing an IRP. Typically, this is the right holder.

dispose of goods seized during administrative procedures by way of donations, in practice, donations arise in criminal procedures in relation to infringing clothes or shoes and are ordered in the judgment of the criminal court. The court judgement usually also identifies the receiving charity organization. The indicated organization, under the surveillance of customs, is charged with the task of removing the infringing signs.

16. The simple removing of a trademark infringing sign that has been unlawfully affixed to a product is in itself not a sufficient measure. As it is of utmost importance that infringing goods are prevented from re-entering the marketplace, detailed controls are usually arranged with the benefiting charity institution prior to a donation.

17. Where the removal of the trademark infringing signs is impossible or impractical, the destruction of the goods must be arranged.

B. HAZARDOUS AND SPECIAL WASTE

18. Waste is hazardous when it is flammable, harmful, toxic, carcinogenic, corrosive, infectious, mutagenic, or acts as an irritant. Examples of hazardous waste include clinical waste, lead-acid batteries, solvent-based inks, pesticides, petrochemical oils, fluorescent light tubes, equipment containing ozone-depleting substances (as found in waste electrical and electronic equipment products) and hazardous packaging waste.

19. They include pharmaceuticals, household products, foodstuff, personal care products, agrochemicals, electrical wiring and components, fire extinguishing equipment, refrigerants, security products, alcohol, consumer electrical goods, cigarettes, veterinary drugs, adhesives and more. The classification system for hazardous waste is constantly being updated.

20. According to the experience of Italian customs, special waste is most prominently represented by lithium batteries⁷ and pharmaceuticals⁸.

21. Where IP infringing goods represent hazardous or special waste, customs will select a company that has specific capacities and knowledge to adequately destroy the type of waste at hands. Customs will also transport the goods from the border to the company and oversee the destruction procedure.

C. RECYCLABLE AND NON-RECYCLABLE PRODUCTS

22. Recycling IP infringing products represents two advantages, namely the creation of employment and the mitigation of costs.

23. As part of their role, customs officers face the often difficult challenge of identifying the composition of counterfeit products; this is crucial in order to determine the correct and most advantageous means of disposal.

24. Customs officers check that, where possible, all products are properly categorized as recyclable or non-recyclable. Recyclable products are mostly electronics, plastic and metal products. Only non-recyclable products are destined for complete destruction, usually through burning.

⁷ Directive 2006/66/EC of the European Parliament and of the Council of 6 September 2006 on batteries and accumulators and waste batteries and accumulators.

⁸ Council Directive 75/442/EEC of 15 July 1975 on waste.

25. There are no open air incinerators in Italy, all destruction structures are closed devices and equipped with exhaustive fume control.

26. In compliance with environmental standards, over the last few years the percentage of burned products has decreased while the share of recycled and donated products has increased.

IV. CONCLUSION

27. For Italian customs, the environmentally safe disposal of IP infringing goods does not represent a particular problem. However, costs related to the management and disposal of the goods are a key issue. Following the conclusion of often lengthy criminal proceedings, it is difficult to charge the costs to the importer because of the significant time period between the moment of identification of the IP infringing goods to the date of their destruction – a period that, in some cases, can take several years.

ENVIRONMENTALLY SAFE DISPOSAL AND DESTRUCTION OF GOODS INFRINGEMENT INTELLECTUAL PROPERTY RIGHTS – THE CASE OF MEXICO

Contribution prepared by Mr. Miguel Ángel Margáin, Director General, Mexican Institute of Industrial Property (IMPI), Mexico City, Mexico

ABSTRACT

There is no specific legislation in Mexico for the destruction of products that infringe intellectual property rights (IPRs). Nevertheless, a sophisticated legal framework, laid down in different regulations, guarantees that certain dangerous products are destroyed in an environmentally safe manner. Its scope of application encompasses measures to dispose of IPR infringing products. Most notable in this regard is the General Law on the Prevention and Integrated Management of Waste (LGPGIR). In addition, technical regulations issued by the Secretariat of the Environment and Natural Resources (SEMARNAT), the Commission for the Protection against Health Risks (COFEPRIS) and the Secretariat of Communication and Transport (SCT) govern the activities of companies that destroy products, such as products that infringe IPRs, to mitigate environmental harm as much as possible.

I. MEXICAN LEGISLATION FOR THE DESTRUCTION OF INFRINGING GOODS

1. In accordance with Article 212*bis*(II) of the Mexican Industrial Property Law (IPL)¹ the Mexican Institute of Industrial Property (IMPI) determines, as far as administrative procedures are concerned², the final destination for goods infringing intellectual property rights (IPRs) (destruction or donation outside of trade channels) after hearing the interested parties.
2. Only where the interested parties are not in agreement as to the destination of the goods will IMPI's Governing Body establish procedures for destruction. Alternatively, donation may be ordered but this seldom happens³. It should be noted that interested parties rarely agree and, in the exceptional cases when they do, they usually decide that the goods in question should be destroyed.
3. The IPL does not specify who should bear the cost of destroying goods. Generally, the costs are borne by the right holders concerned, who might eventually recover such costs through court proceedings for damages resulting from the infringement. In relation to industrial property, such proceedings may only take place once the administrative procedure before IMPI has run its course and IMPI decides that an administrative offence has been committed.

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¹ Industrial Property Law (amended version published in the Official Journal of the Federation on June 1, 2016), available on WIPO Lex at: <http://www.wipo.int/wipolex/en/details.jsp?id=16303>.

² It should be noted that Mexican customs do not have the power to order the suspension of free movement of foreign goods. It is the responsibility of IMPI (for administrative procedures) and the Attorney General's Office (for criminal procedures) to implement these border controls. IMPI may only decide on the destruction of imported goods that have been subject to border measures it has ordered.

³ Goods are donated, where appropriate, to agencies and entities under the Public Federal Administration, federal bodies, local authorities, welfare or social security institutions, if the public interest is not affected. No infringing goods have been donated since 2010.

4. Through these measures, Mexico fulfills its obligations to enforce IPRs under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of the World Trade Organization (WTO).
5. There is no specific legislation in Mexico governing the destruction of pirated or counterfeit goods. Nonetheless, the environmentally safe disposal and destruction of IPR infringing goods is a priority for IMPI and IPR holders.
6. Moreover, the Mexican legal system has a highly sophisticated legislative framework at both federal and state level for environmental protection and the treatment of dangerous waste that applies to these types of activities, as provided for in various legal instruments. The most important of these may be found in the General Law on the Prevention and Integrated Management of Waste (LGPGIR)⁴ and the Regulations of the LGPGIR⁵.
7. The Secretariat of the Environment and Natural Resources (SEMARNAT) is the authority responsible for verifying compliance with these instruments. SEMARNAT authorizes companies to destroy material, including pirated and/or counterfeit goods that present an environmental risk. Thus, once IMPI establishes that certain products or goods infringe IPRs, it hires companies to destroy the goods.
8. For such authorizations to be approved, the applicants must provide technical support information on the processes or technology used to deal with the waste, in addition to information to show that they use, where possible, (i) the best and most affordable technology available; and (ii) modes of operation most consistent with environmental best practices. At the same time, for authorizations to be approved, the interested company must provide a security deposit that guarantees compensation for any adverse environmental damages that might occur.
9. Furthermore, SEMARNAT and the Secretariat of Communications and Transport (SCT) are authorized to issue technical regulations (official Mexican norms) governing the treatment and transportation of dangerous waste. Thus, there are about 33 norms and draft technical regulation that govern the destruction and transportation of goods, with a view to eliminating or mitigating the environmental risks posed by such activities.
10. It should be noted that, given the nature of certain products, specific systems might apply. For example, the destruction of medicines requires following the guidelines in the Regulation on Health Inputs (derived from the General Law on Health)⁶ and in particular in the Technical Regulations Governing Good Practices in the Manufacture of Pharmaceuticals⁷, issued by the Federal Commission for Protection against Health Risks. These guidelines, together with other requirements, oblige companies that destroy such products to follow procedures that ensure compliance with legal provisions concerning the environment and health when deciding on the final destination of waste.
11. It is important to note that a large proportion of infringing products that are in the custody of IMPI and will eventually be destroyed are medicines (active substances). Consequently, the above-mentioned technical regulations are highly important for the destruction of certain IPR infringing goods.

⁴ Available at: <http://www.global-regulation.com/translatio/mexico/560306.html>.

⁵ Available at: <http://www.global-regulation.com/translatio/mexico/560306.html>.

⁶ Regulation on Health Inputs (revised version, published in the Official Journal of the Federation on March 14, 2014), available on WIPO Lex at: <http://www.wipo.int/wipolex/en/details.jsp?id=16503>.

⁷ Official Mexican Norm NOM-164-SSA1-2015, available at: <http://www.mexlaws.com/completelist.htm>.

II. BEST PRACTICES IN MEXICO

12. On November 23, 2016, the first mass destruction of infringing goods was conducted on IMPI's premises. This activity was jointly organized by IMPI and the American Chamber of Commerce of Mexico (AmCham), through its Intellectual Property Rights Committee.

13. The destruction is significant because, between 2013 and 2017, 117 provisional border measures were imposed and approximately 15 million products, with a value of approximately 33 million pesos⁸, were detained. Four million infringing products were destroyed, including products such as DVDs and DVD-R, DVD players, the medicine tadalafil, razors, batteries, footwear, accessories, stationery, lenses, bags and wallets.

14. It was important that the companies carrying out the destruction had acquired permission from the relevant authorities and followed the aforementioned procedures. The method used to destroy products depended on the goods concerned. Active substances were destroyed by a company specialized in the destruction of medicine. In the case of other products, the companies outlined the best means of destroying them, so that the residues could be recycled. The majority of the products were destroyed by pulverization.

15. Finally, we would like to mention other measures that were adopted by the IMPI for environmental protection. On April 1, 2016, the *Online Notification* system was implemented. It comprises an electronic platform that is used to notify agreements and resolutions in the administrative offence procedures before IMPI. In addition, in 2017, *Trademarks Online* and *Inventions Online* were added to the platform. These initiatives will reduce the high volume of paper that is normally generated during procedures.

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⁸ This amount is approximate and was calculated by reference to the import documentation accompanying the infringing goods.