



Training Manual on IP Crime Prosecution

12. SEIZURE AND DISPOSAL OR DESTRUCTION OF INFRINGING GOODS

Introduction

- Seizure and disposal are remedies for infringement.
- General criminal procedure laws may also have similar or related provisions which would apply in cases of counterfeiting and piracy.
- The Paris and Berne conventions contain relevant provisions but we concentrate on TRIPS.

TRIPS

- TRIPS agreement contains two provisions relating to the disposal or destruction of goods that have been found to infringe IP rights.
- Art 46, is of general application, i.e., it applies to the disposal or destruction of all IP infringing goods, irrespective of whether they are counterfeit or pirated.
- Art 59, deals with imported “counterfeit” goods in the hands of the customs authorities.

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Other issues

- On a practical level there are issues concerning the methods used to dispose of or destroy such goods.
- These are not legal issues.
- Problem increases as counterfeiting increases.

Other reasons for destruction

- Transport
- Physical storage:
 - Warehousing space.
 - Costs.
 - Time.
- Security.
- Environment.



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Limitations

Public destruction increases public awareness of problem. However:

- Cost of destruction.
- Involvement of rights holders.
- Capacity.
- Facilities
- Environmental – dangers - recycling

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Art 46

- In order to create an effective deterrent to IP infringement,
- courts may order that goods that they have found to be infringing,
- be disposed of (outside the channels of commerce in such a manner as to avoid any harm caused to the right holder),
- or destroyed (unless contrary to existing constitutional requirements)
- without compensation.

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Materials and implements

- Courts may order that materials and implements used predominantly in the creation of infringing goods
- be disposed of outside the channels of commerce to minimize the risks of further infringements
- without compensation of any sort

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Proportionality

- In considering requests for destruction,
- the need for proportionality between the seriousness of the infringement and the remedies ordered
- as well as the interests of third parties
- must be taken into account.

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Removal of trade marks

- The simple removal of a counterfeit trademark
- is not sufficient to permit release of the goods into the channels of commerce
- (exceptional cases excluded).

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Art 46 is a general remedy

- It applies to all types of IP infringement, whether patent, designs, trademarks or copyright.
- It is as much a remedy as awards of damages or the grant of interdicts or injunctions.
- By its very nature an order destruction or disposal requires a judicial finding of infringement.

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Discretion

- The discretion to order disposal or destruction is not a free discretion.
- A disposal order should ensure that disposal will be outside of channels of commerce and in a manner that avoids harm to the rights holder;
- If this is not possible destruction should be ordered.

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Who must initiate the process

- The rights holder has to initiate the process.
- This is consistent with the nature of IPRs as private rights.
- In criminal cases the prosecutor must ask for an appropriate order.

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Considerations

The judicial authority must consider

- that these remedies are supposed to act as deterrents;
- issues of proportionality; and
- the interests of third parties such as innocent importers and the public.

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Art 59

- Without prejudice to other rights of action open to the right holder and subject to the right of the defendant to seek review by a judicial authority,
- competent authorities [CUSTOMS]
- may order the destruction or disposal of infringing goods
- in accordance with the principles set out in Article 46.

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Art 59: Re-exportation

- In regard to counterfeit trademark goods, the authorities [CUSTOMS]
- may not allow the re-exportation of the infringing goods
- in an unaltered state or
- subject them to a different customs procedure,
- other than in exceptional circumstances.

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The scope of Art 59

- This Article is a Customs provision and applies to “importation” only.
- This means that it need not be made applicable to goods seized by Customs where
 - goods are destined for export or
 - are being trans-shipped
- National law may be different

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Goods

To be applicable, the goods must be “infringing goods” which means that they must either be

- “counterfeit trademark goods” or
- “pirated copyright goods”.

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Procedure

- Initiation by of the process leading to disposal or destruction must be by the IP rights holder.
- It does not require Customs to take any action in the absence of an application or request.
- Before the Article comes into play there must have been a positive determination by the relevant administrative authority [CUSTOMS] that the goods are counterfeit.

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Disposal “outside the channels of commerce”.

- The responsibility of Customs is to ensure that the manner in which the goods are disposed of outside the channels of commerce is designed (in terms of purpose, not result) in such a way that it will comply with the principle.
- It may entrust the actual disposal to another body and
- it is not responsible for acts of such body in carrying out the disposal otherwise than in the authorized manner.

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The nature of the discretion

- Authorities [CUSTOMS] MUST have the authority to order disposal or destruction "without compensation of any sort"; and
- CUSTOMS MUST have the authority to order disposal "outside the channels of commerce in such a manner as to avoid any harm caused to the right holder"; or
- CUSTOMS MUST have the authority to order destruction "unless this would be contrary to existing constitutional requirements".

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Proportionality

- In considering requests for destruction,
- the need for proportionality between the seriousness of the infringement and the remedies ordered
- as well as the interests of third parties
- must be taken into account.

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Other considerations

- The discretion not limited to disposal or destruction because these remedies are not exhaustive.
- There is, however, a limitation on discretion: re-exportation may not be used as a method of disposal other than in exceptional circumstances.
- The exercise of discretion by CUSTOMS must be subject to judicial review.

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Removal of trade marks

- simple removal of a counterfeit trademark unlawfully affixed is not sufficient,
- other than in exceptional cases,
- to permit release of the goods into the channels of commerce,

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Environment, public health and welfare

- Private rights
- Public interest considerations.
- Risk to the environment and to public health and welfare.
- Safe, secure disposal and storage of these goods are critical
- Prevention of diversion.



Humanitarian aid

Infringing goods can, instead of being destroyed, also be used for humanitarian purposes during natural or civil disasters, provided:

- They are suitable for donation
- They do not present a danger to the health and well-being of citizens.
- The right holder agrees to their donation.
- Procedures exist to ensure that the goods are used for the approved purpose and not diverted into the channels of commerce.



Recycling

- Recycling counterfeit materials
 - with the consent and co-operation of the right holder and
 - in an environmentally sensitive manner.
- Opportunity for industry development and job creation:
 - converting DVDs into poly-carbonate granules;
 - reconstituting personal care products;
 - converting footwear into synthetic sporting surfaces;
 - utilizing footwear and clothing for humanitarian purposes;
 - utilizing counterfeit products for law enforcement.