5 ENFORCEMENT OF INTELLECTUAL PROPERTY LAW: SOME ASPECTS OF TRADE IN COUNTERFEIT GOODS IN THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

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ABSTRACT

This paper examines the enforcement of the customs law of the Former Yugoslav Republic of Macedonia on the protection of intellectual property rights (IPRs). The Customs Administration has the main role in the enforcement of intellectual property rights and in hampering the trade of counterfeit goods in the country. In order to step up the fight against trade in counterfeit goods and the protection of intellectual property rights in 2015, a new Law on Customs Measures for the Protection of Intellectual Property Rights was enacted. In addition, the number of registered customs officers that use the World Customs Organization (WCO) Interface Public-Members Platform has steadily risen. As a result of the increased involvement of the customs community in the protection of intellectual property rights, more goods have been temporarily retained under suspicion of violating intellectual property rights. This paper also highlights the rise in the sale of counterfeit products on the Internet, and the need for enhanced international cooperation in this area.

Keywords: enforcement of IP law, goods that violate IPRs, counterfeit goods, WCO Interface Public Members platform, customs seizures, online sale of counterfeit goods

I. INTRODUCTION

Counterfeit and pirated goods are being produced and consumed in virtually all economies in the world. In recent years there has been an alarming expansion of the types of products being infringed, from luxury items, such as watches and designer clothes, to personal health and safety items, such as pharmaceutical products, food and drinks, medical equipment, personal care items, toys, tobacco and automotive spare parts.

It might not be such an issue if this increase represented a small portion of world trade. Although it is difficult to quantify the volume of counterfeit products, and the data obtained from customs seizures of infringing products does not reflect the overall number of counterfeit products in the world, it is still possible to obtain a general overview based on available data. An OECD study on trade in counterfeit and pirated goods in 2007 concluded that this trade might have accounted for as much as US\$ 200 billion in 2005.1 The updated estimates based on the growth and changing composition of trade between 2005 and 2007, suggest that counterfeit and pirated goods in international trade grew steadily over the period 2000 to 2007 and could have attained US\$ 250 billion in 2007. The share of counterfeit and pirated goods in world trade is estimated to have raised from 1.85 per cent in 2000 to 1.95 per cent in 2007.² For the sake of clarity, the data regarding counterfeit and pirated products do not include domestically produced and consumed products or non-tangible pirated digital products.

The latest report on illicit trade by the World Customs Organization also indicates that there is a significant increase in the number of cases of goods suspected of infringing intellectual property rights or failing to meet national standards.³ Among the countries that have reported the highest number of cases are the United States in first place with 33.63% of all cases, followed by Saudi Arabia, Italy, Germany and Japan. An analysis of the countries which reported the highest number of intercepted pieces, shows a drastic change, with Angola ranked first, followed by the Democratic Republic of Congo, Togo, Saudi Arabia and Madagascar.⁴

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¹ OECD, The Economic Impact of Counterfeiting and Piracy: Executive Summary (OECD 2007).

² OECD, Magnitude of Counterfeiting and Piracy of Tangible Products: An Update (OECD 2009).

³ WCO, *Illicit Trade Report 2013* (World Customs Organization 2014).

⁴ WCO, *Illicit Trade Report 2013* (World Customs Organization 2014).

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A snapshot of the structure of intercepted commodities reveals that more than half of the reported intercepted goods were illicit pharmaceutical products, followed by counterfeit electronic appliances and illicit foodstuff – all of which threaten consumer health and safety.⁵ This sharp increase in counterfeit products that endanger health and safety of consumers highlights the importance of the fight against counterfeit products and underlines the need for customs organizations to demonstrate their preparedness and dedication.

The aim of this paper is to provide an overview of the enforcement of intellectual property law in the Former Yugoslav Republic of Macedonia with a focus on trade in counterfeit goods. To this end, it is important to elaborate on the provisions of the Law on Customs Measures for Implementing Protection of Intellectual Property Rights. This law was enacted in 2015 for the purpose of replacing the Law on Customs Measures for the Protection of Intellectual Property Rights first enacted in 2005 and amended in 2007, 2011 and in 2013. There is also a Manual (Book of Rules) for implementation of the Law on Customs Measures for Protection of Intellectual Property Rights from 2013.

II. PROTECTION OF INTELLECTUAL PROPERTY RIGHTS IN THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

After its independence in 1991, the Former Yugoslav Republic of Macedonia became a member of the World Intellectual Property Organization (WIPO) the same year. Some laws concerning the protection of intellectual property were enacted afterwards, but, after becoming a Member of the World Trade Organization (WTO) in 2003, the country was obliged to abide by the rules of the TRIPS Agreement. Since then, the country has enacted its main intellectual property laws on industrial property, on copyright and related rights, on breeder's rights and on protection of topographies of integrated circuits, along with several implementing rules and regulations. Besides those, a few IP-related laws have been enforced, including the Law on Customs Measures for Implementing Protection of Intellectual Property Rights (replacing the Law on Customs Measures for the Protection of Intellectual Property Rights), the Customs code with its amendments, the Code of Criminal Procedure, the Penal Code and the Law on Administrative Fees.

III. LAW ON CUSTOMS MEASURES FOR IMPLEMENTING THE PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

The enacting of the new Law on Customs Measures for Implementing Protection of Intellectual Property Rights is in line with the new European Union Regulation No. 608/2013. The previous Law on Customs Measures for Protection of Intellectual Property Rights was in line with the old EU Regulative No. 1383/2003. Moreover, the new law on implementing protection of intellectual property rights is harmonized with the new system for processing customs declarations and excises documents (CDEPS) of the Customs Administration.⁶

The Law on Customs Measures for Implementing Protection of Intellectual Property Rights regulates the customs procedures for taking action when there is reasonable suspicion that certain goods are violating intellectual property rights. According to this Law, goods that are under suspicion for violating intellectual property rights are defined as goods that:

- (a) Are the subject of actions that violate intellectual property rights;
- (b) represent devices, products or components which are primarily made for or adapted in order to allow avoidance of any technology, device or components which in their ordinary activities prevent or limit the activity not authorized by the holder of certain copyright or related right and which is connected to activity that violates those rights;
- (c) Represent any mould or matrix specially designed or adjusted for the production of goods that violate intellectual property rights, if the usage of those moulds or matrixes violates intellectual property rights.⁷

The Law also defines counterfeit and pirated goods. 'Counterfeit goods' are defined as:

- (a) goods that violate the right of the trademark when, without the consent of the holder of the right, the goods bearing an identical trademark sign with a certain registered trademark sign, or the goods cannot be differentiated according to the essential features of that trademark;
- (b) goods violating the right of geographical indication when bearing or being described

⁵ WCO, *Illicit Trade Report 2013* (World Customs Organization 2014).

⁶ Customs Administration, *Report: Second Quartile 2015* (CARM 2015).

⁷ Law on customs measures for implementing protection of intellectual property rights 2015 art 4.

with a name or term protected in the sense of geographical indications; and

(c) the shape of the goods or packaging, labels, brochures, instruction manuals, warranty documents or similar elements, even though separated from the goods, is subject to violation of the right of trademark or geographical indication, and when containing a sign (including: logo, words, letters, numbers, pictures, drawings, combination of colours, three dimensional forms and their combinations), name or term identical to the valid and registered trademark or protected geographical indication, or whose essential characteristics cannot be differentiated from that of the geographical indication.⁸

'Pirated goods' are goods that violate copyright or related rights or design right and are made or contain copies made without the consent of the owner of copyright or related right or design right of the person authorized by the owner of the right in the country of production.⁹

According to the new Law on Customs Measures for Implementing Protection of Intellectual Property Rights, the Customs authorities may postpone the clearance of the goods or may retain the goods after accepting the claim by the holders of intellectual property rights or when they have reasonable doubt that certain goods may violate IP rights acting 'ex officio'.

The Law first acknowledges a situation where holders of an intellectual property right file a claim with the customs authorities to undertake appropriate customs measures to deal with certain goods. The customs authorities may accept or deny the claim for undertaking customs measures with respect to the goods. If they accept the claim they may postpone the clearance of the goods or may retain the goods.¹⁰

The customs authorities may postpone the clearance or retain the goods before accepting the claim from the holders of the rights if they identify goods under suspicion as violating intellectual property rights. When acting 'ex officio', Customs authorities should inform the holder of the intellectual property right of the possible infringement and await the official filing of complaint by the holder. If the holder of the intellectual property right does not file a complaint for IP infringement within four working days, the Customs authorities may release the retained goods.¹¹

The holder of the intellectual property right should inform the Customs authorities within ten working days if the goods retained violate intellectual property rights. If the holder of the intellectual property right confirms violation, the goods may be destroyed under customs supervision.¹²

The Law prescribes fees for persons and legal entities that violate certain provisions of the law, among which the highest are the fees of 2,500 to 5,000 euros for the legal entity and fees of 500 to 1000 euros for persons that seek to import or export goods that violate the right of the same trademark as the goods previously seized from them.¹³

IV. CUSTOMS ENFORCEMENT OF THE PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

Customs administration has the main role in enforcing intellectual property rights and in hampering trade in counterfeit goods in the Former Yugoslav Republic of Macedonia. The Law on Customs Measures for Implementing Protection of Intellectual Property Rights prescribes a fast and efficient procedure for enforcement of the protection of intellectual property rights, and there are also several applicable tools.

In 2013, in order to improve the fight against trade in counterfeit goods and the protection of intellectual property rights, the Customs administration provided a manual for electronic evidence to be used in the process for protection of intellectual property rights. The aim of this evidence is to obtain a systematized and structured database to enable access to goods temporarily retained under suspicion of violating intellectual property rights and a detailed control of the registered trademarks.¹⁴

The Customs administration has also provided a User's manual for working with the World Customs Organization platform for the protection of trademarks and intellectual property rights. This socalled Interface Public Members (IPM) platform is an

⁸ Law on customs measures for implementing protection of intellectual property rights 2015 Article 4.

⁹ Law on customs measures for implementing protection of intellectual property rights 2015 Article 4.

¹⁰ Law on customs measures for implementing protection of intellectual property rights 2015 Articles 11 and 12.

¹¹ Law on customs measures for implementing protection of intellectual property rights 2015 Articles 7 and 20.

¹² Law on customs measures for implementing protection of intellectual property rights 2015 Article 26.

¹³ Law on customs measures for implementing protection of intellectual property rights 2015 Articles 37-39.

¹⁴ Customs Administration, Annual Report 2013 (CARM 2014).

effective online anti-counterfeiting tool that enables crucial information to be exchanged in real time in order to intercept counterfeited goods. Increasingly attracting more countries, Interface Public Members now hosts customs officers from more than 85 member countries.¹⁵

From the basic functionality of a database for genuine and fake products, featuring pictures and basic descriptions of products, the IPM has developed into a more complex system offering additional options, including the ability to send alerts to customs officers, an e-learning feature and a mobile application launched in 2014. Today the IPM tool has been redesigned and the two versions of the web and mobile platforms were made available in September 2015.¹⁶ The number of right holders to join IPM is also encouraging with over 700 brands covering a wide range of industry sectors from pharmaceutical, foodstuffs and pesticides to fastmoving goods and luxury items.

The number of registered customs officers that use the IPM platform in the Former Yugoslav Republic of Macedonia has steadily grown. The latest report shows that 530 customs officers have been registered of which 328 have been active users of the database.¹⁷

Besides the increased awareness among customs officers in the country of the importance of protecting intellectual property rights, the awareness of the business community has been growing, alongside the trust in the activities of the customs organization. The number of registered applications for customs protection of trademarks has been steadily growing. At the end of 2012, 222 applications were registered with the Customs administration for the protection of intellectual property rights. In 2013 334 applications were filed, in 2014 there were 345 and in the first six months of 2015 308 applications were filed for the protection of intellectual property rights. ¹⁸

As a result of the increased involvement of the customs community in the protection of intellectual property rights, there is a rise in the number of pieces of goods that have been temporarily retained

under suspicion of violating intellectual property rights. In 2013 the Customs administration retained 333,799 pieces of goods; in 2014 in 157 actions Customs authorities retained 945,302 pieces and 768 kg of goods; and in the first six months of 2015 587,455 pieces and 350 kg of goods were retained under suspicion of violating intellectual property rights.

| I | Type of products | unit | 2013 | 2014 | Jan-June 2015 |
|---|---|--------------|---------|-----------------|------------------|
| 1 | Apparel, accessories and related materials | pieces | 17,960 | 200,864 | 9,769 |
| 2 | Footwear and accessories | pieces | 36,321 | 32,419 | 2,019 |
| 3 | Perfumes, deodorants, cosmetics | pieces kg | 19,041 | 546,317, 768 | 77,224 350 |
| 4 | Telephones, IT, audio, video, parts and equipment | pieces | 10,745 | 7,876 | 742 |
| 5 | Spare parts and equipment | pieces | 18,662 | 1,208 | 1,861 |
| 6 | Medicines | pieces | 80 | | |
| 7 | Other | pieces | 23,0990 | 156,618 | 495,840 |
| | Total | pieces kg | 333,799 | 945,302 768 | 587,455 350 |

Table 1. Goods retained temporarily in 2013, 2014and from January to June 2015

Source: Customs Administration, Report: second quartile 2015 (CARM 2015) and Customs Administration, Annual Report 2013 (CARM 2014).

From the structure of the seized goods it is obvious that textile products and apparel usually dominated, except in 2014, when cosmetic products with 58 per cent of the goods were temporarily retained. These products were followed by shoes, phones, IT equipment and car accessories.

If we analyse the origin of the goods that have been temporary retained, it should be acknowledged that until 2014 the counterfeited goods usually originated from China. By contrast, in 2014, 63 per cent of the goods temporarily retained originated from Turkey. The trend continued in the first six months of 2015, when 68 per cent of the goods also originating from Turkey.¹⁹

¹⁵ WCO launches the new IPM platform <<u>www.wcoipm.org/news/wco-launches-the-new-ipm-</u> <u>platform/</u>> assessed 27 October 2015.

¹⁶ WCO launches the new IPM platform <<u>www.wcoipm.org/news/wco-launches-the-new-ipm-</u> <u>platform/</u>> assessed 27 October 2015.

¹⁷ Customs Administration, *Report: second quartile 2015* (CARM 2015).

¹⁸ Customs Administration, *Annual Report 2013* (CARM 2014) and Customs Administration, *Report: second quartile 2015* (CARM 2015).

¹⁹ Customs Administration, *Report: second quartile 2015* (CARM 2015).

According to analyses undertaken by the Customs administration, the counterfeit goods retained in the country were directed to the domestic market or were transiting to Kosovo and the Republic of Serbia.²⁰

Every year the Customs administration organizes actions for destroying counterfeit goods or, in coordination with the representatives of trademark holders, donates seized goods to socially vulnerable families.

The Customs administration of the country is constantly involved in international activities, projects and operations under the auspices of the World Customs Organization and shares information about trade in counterfeit and pirated goods with other customs administrations and international organizations.

The efforts of the Customs administration aimed at protecting intellectual property rights were recognized in 2009 by the Yolanda Benitez Trophy awarded by the World Customs Organization as the best customs organization in the world in combating counterfeiting and piracy.

In 2014 the Customs administration developed an action plan for the protection of intellectual property rights for the period from 2014 to 2016. The new action plan involves several measures aimed at enhancing the protection of intellectual property rights, namely: enhancement of the regulatory framework in line with the new regulation of the European Union; enhancement of the risk management system; enhancement of the customs controls and surveillance of border crossing points and inside the country; enhancement of the customs intelligence system; enhancement of the training system employees; enhancement of the cooperation with domestic and international institutions and with the business community; further enhancement of transparency for the protection of intellectual property rights; and continued application of the WCO IPM platform.²¹

V. ONLINE SALE OF COUNTERFEIT GOODS

Distribution channels for counterfeit and pirated products are expanding. Previously, counterfeit and pirated goods were largely distributed through informal markets, but nowadays these products are infiltrating legitimate supply chains. Additionally, the Internet has provided counterfeiters and pirates with a new and powerful means to sell their products through auction sites, stand-alone commercial websites and email solicitations. The online environment is attractive to counterfeiters and pirates for a number of reasons, including the relative ease of deceiving consumers and the market reach.²²

There are several factors that are driving the usage of Internet by counterfeiters and pirates. Anonymity or the ease with which counterfeiters and pirates can conceal their true identity and limit the risk of detection is one of the driving factors. Another factor is the flexibility or possibility to establish, take down or move online sites quickly and to jurisdictions where legislations and enforcement of intellectual property rights are weak. An important factor that enables the use of the Internet by counterfeiters and pirates is the size of the market or the huge number of e-commerce sites and volume of listings that makes it difficult for right holders and enforcement agencies to identify and respond to their actions. The Internet provides sellers with a means to reach a global audience at low cost and offers an opportunity to expand sales and market reach. Another important factor that drives the use of the Internet by forgers is the ability to use readily available software and images that can facilitate deception of consumers by creating a false sense of security.²³ The evasive role of the Internet has flooded new channels that drive the use by counterfeiters and pirates, amongst which are the increasingly used apps and social media platforms.

The Former Yugoslav Republic of Macedonia hosts the premises of the Internet Monitoring Team of REACT, a non-for-profit organization with over 20 years of experience in the fight against counterfeit trade with 200 members in more than 65 countries in the world. The REACT Internet Monitoring Programme is designed specifically to meet the needs of intellectual property right holders. The programme is founded on six pillars: monitoring and removal of advertisements from some 200 auction platforms worldwide; worldwide search and removal of web shops (B2B exchanges, e-commerce sites and search engines); monitoring and removal on social media platforms like Facebook, Instagram, YouTube, Weibo and Twitter; monitoring and removal of infringing apps, including in ITunes store and Google play; monitoring and removal of unauthorized use of

²⁰ Achievements of the Customs Administration of the Former Yugoslav Republic of Macedoniain combating counterfeiting and piracy (presentation from the Customs Administration 2014).

²¹ Customs Administration , Action Plan for Protection of Intellectual Property Rights for the period 2014-2016 (CARM 2014).

²² OECD, The Economic Impact of Counterfeiting and Piracy: Executive Summary (OECD 2007).

²³ OECD, The Economic Impact of Counterfeiting and Piracy: Executive Summary (OECD 2007).

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trademark keywords; and monitoring and removal of unauthorized use of trademarks in (sub)domain.²⁴

The REACT Internet Monitoring Programme offers advantages such that after identification of an Internet case follow up can take place through practical and law enforcement actions such as making test purchases; investigating registrants or any other connected addresses; initiating raids; blocking payments (PayPal, Master card, Visa); providing cluster analysis; localizing big traders and finding links to their Internet shops; initiating legal action through local lawyers and investigators; removal of search results from search engines; and domain dispute procedures.²⁵

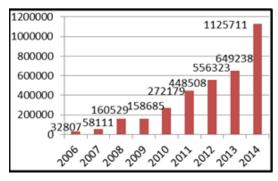


Table 2. Number of auction pages removed in the period 2006-2014

Source: REACT (data are obtained directly through e-mail)

The dedication of the REACT Internet Monitoring Programme in the fight against global trade in counterfeit goods has resulted in success as reflected in Tables 2 and 3. Table 2 above gives the results from the number of auction pages that have been removed from the Internet during the period observed from 2006 to 2014. It shows that in the beginning, in 2006, 32,807 auction pages were removed from the Internet. There has been a steady rise in the number of pages removed as reflected in the sharp increase in 2011 when 448,508 pages were removed and especially in 2014 when 1,125,711 auction pages were removed from the Internet by the REACT Internet Monitoring Team. The data might appear to be encouraging, but also indicate there has been a sharp rise in the usage of the Internet to sell counterfeit products.

Table 3 below shows the number of commercial pages that have been reported as infringing intellectual property rights and the number of commercial pages that have been successfully been

removed from the Internet because of IPR infringement in the period from 2009 to 2014. The data reflects the success of the team in the prevention of the online sale of counterfeit products, as exemplified by the fact that in 2014 more than 20,000 webpages were removed from the Internet because of infringement of intellectual property rights. But again it must be stressed that these results are relative since it is expected that there will be an even sharper increase in the usage of commercial pages for the sale of counterfeit products and other deception practices with regard to consumers.

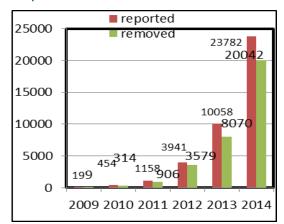


Table 3. Number of commercial pages removed inthe period 2009-2014

Source: REACT (data are obtained directly through e-mail)

From data obtained from REACT, two main conclusions can be formulated. First of all, it should be recognized that REACT is waging a serious, dedicated and successful fight against traders of counterfeit products as reflected by these results. By contrast, it should be recognized that the online sale of counterfeit products is flourishing throughout the world and different counterfeit products can reach consumers at every single point in the world. Although some may put into perspective the importance of the fight against the online sale of counterfeit products because such sales are usually via postal packages and for personal usage, the importance of this fight must be stressed because of the allegations of the representatives of pharmaceutical companies. At the last national seminar organized in the Former Yugoslav Republic of Macedonia on the fight against counterfeiting and piracy, under the auspices of the World Customs Organization and the Customs Administration of the country, according to the representative of one pharmaceutical company, about 90 per cent of the medicines that were sold online were counterfeit.

²⁴ React, *Service Guide 2015-2016* (SNB-REACT 2015/2016).

²⁵ React, *Service Guide 2015-2016* (SNB-REACT 2015/2016).

Based on these declarations and the results of the report of the World Customs Organization that more than half of the seized goods were illicit pharmaceuticals, it should be noted that there has been a sharp rise in commodities endangering the health and safety of consumers. The report confirms the seriousness of the issue relating to the online sale of counterfeit products and acknowledges the pressing need to undertake proactive action.

In this respect, the organizations dealing with the online sale of counterfeit products offer standardized services such as removing commercial and auction pages; locating big sellers; comparing data and defining clusters; and creating local cases and investigations, but they also face serious problems. Some of the problems include fraudulent identifies, protected personal data or simply dealing with uncooperative Internet service providers. This has led these organizations to provide additional services such as local research, buying samples, blocking the payment systems, and performing additional investigations.²⁶

In short, it is crucial that those involved in the fight against the online sale of counterfeit products be provided with the appropriate means and tools to deal with abuses, supported by international cooperation.

VI. CONCLUSION

Based on the presentation of certain aspects of the enforcement of intellectual property rights and the customs measures applied in the fight against trade in counterfeit products, it can be concluded that the Customs administration is serious and dedicated to enforcing protection of intellectual property rights in the country. Protection of intellectual property rights has been one of the highest priorities of the Customs administration. The administration has constantly been working towards improving the legal procedures and regulations resulting in the enactment of a new Law on Customs Measures for Implementing Protection of Intellectual Property Rights in line with the new Regulation of the European Union.

The protection of intellectual property rights should be enforced through fast and efficient procedures prescribed by the Law on Customs Measures for Implementing Protection of Intellectual Property Rights and by the usage of several applicable tools. Among the tools that are used, the Interface Public-Members platform designed by the World Customs Organization to ease the global fight against counterfeit products deserves special attention. The number of registered customs officers that use the Interface Public-Members platform in the country has been steadily growing. As a result of the increased involvement of the customs community in the protection of intellectual property rights, an ever increasing number of goods have been temporary retained under suspicion of violating intellectual property rights in the country.

Besides the increased awareness among customs officers of the importance of the protection of intellectual property rights, the awareness of the business community has been growing alongside the trust in the activities undertaken by customs organisations. The number of registered applications for customs protection of trademarks has been steadily growing.

It should also be stressed that the significant increase in the online sale of counterfeit products is becoming a central issue and international cooperation in this field should be encouraged. Moreover, more than 90 per cent of the drugs sold on the Internet are alleged to be counterfeit medicines. Online infringement of intellectual property is a global problem and adopting appropriate measures is crucial when dealing with this type of crime.

One of the most important aspects in the prevention of online counterfeiting is developing people's consciousness and raising political awareness and the will to deal with this issue. Several means are available to the organizations dealing with online sale of counterfeit products: cooperation with various auction pages and Internet service providers should be enhanced; civil investigations should be established; cooperation should be encouraged with other state organs responsible for the proper implementation of legal acts; cooperation with Google, Facebook and financial institutions like Visa, Master Card, PayPal should be encouraged; and additional and special measures should be undertaken.

²⁶ Mufisovski, E, *React – Association for the Fight against Counterfeit Products*, presentation in Skopje, 2015

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