

## What if Customs decided to no longer defend your brands in France...

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In France, Customs plays an important role in the fight against counterfeiting, particularly through customs withholding.

In practice, increasingly brand holders pass off the cost, risk, and responsibility for the fight against counterfeiting of their brands onto the customs administration. Customs often serves as a relay for economic entities, when they don't want to take action in the courts.

Yet, is it really up to the French State to bear the cost of protecting the economic monopoly of private interests?

The Appeals Court of Paris answered this question indirectly in its decision of 13 September 2016.

In this case, a customs withholding was conducted by the customs administration following a request to monitor the French territory by the companies using the Gucci, Chanel, and Hermès brands.

Consecutive to the Customs withholding of merchandise, these companies confirmed with Customs the infringing nature of some of the products seized, but did not take the measures necessary to avoiding withdrawal, and notably did not take action in court.

Once withdrawal was ordered, Customs then seized the products declared to be infringing by the brand owners based on the Customs Code.

The merchandise importer responded that the withholding measure should have been rightfully lifted in the absence of opening civil or criminal proceedings by Gucci, Chanel, and Hermès within the legally allotted time limit.

It added that the Customs administration *(i)* would not have the power to decide what constitutes infringement or not, *(ii)* that the Customs administration would have acted on behalf of the private companies which requested its intervention and *(iii)* that it would have taken over for them following their procedural inaction.

The Paris Court of Appeals found that:

*"Furthermore, regarding the seizure measure, it is authorised by Article 323 Paragraph 2 of the Customs Code, in the event a Customs violation is reported.*

*Yet, the seizure report shows that the Customs agents relied exclusively on the declarations of Gucci, Chanel, and Hermès to decide that the merchandise*

*was counterfeit and thus constituted prohibited merchandise under the Customs code.*

*Under these conditions, **in the absence of direct observations** of the infringing nature of the merchandise, the Customs administration could not legitimately conduct the seizure of this merchandise by invoking the commission of a Customs importation violation without the declaration of prohibited merchandise.*

*It can be deduced that the seizure represents manifestly unlawful distress for company B.*

The Appeals Court ordered the customs administration to pay the merchandise importer the sum of €5,000 as a retainer for lost earnings, which will be established in a ruling to be made by the Court on the merits.

This decision is interesting in several respects, because:

- On one hand, the **Customs administration can no longer rely on the simple confirmation of infringement by the brand holder to justify a Customs seizure based on the Customs Code.** The Appeals Court feels it is necessary that the administration make its own observations to determine if the merchandise is counterfeit.
- Furthermore, it appears that **the Customs administration's liability may be sought instead and in place of that of the brand owner when the Customs seizure deals with**

**merchandise whose infringement is only based on the declaration of the brand holder.** The owner of the merchandise can thus obtain compensation for the harm suffered due to the seizure.

Thus, due to the procedural inaction of the brand holders (*probably because the cost of a lawsuit was deemed too much, considering the quantities concerned, or in order to avoid exposing their titles to possible counterclaims based on invalidity or on revocation for non-use*), it was indeed the Customs administration that bore the risk and cost of the fight against counterfeiting instead and in place of the brand holders.

If this type of reaction by the importer against the customs administration could be generalized, the Customs administration could pass off the protection of brands, patents, designs and models in the event of inaction by the holder, and no longer take up for economic entities in the protection of their intellectual property rights before the courts.

Customs could also stop seizing merchandise based on the Customs Code subsequent to the withdrawal of the Customs withholding measure.

Today, it is important for brand holders to account for this change heralded by this precedence in their strategy in defense of their brands, patents, designs, and models in the French territory.

**BMH AVOCATS** can support you in designing strategies for actively protecting your intellectual property rights in France and abroad with our partners.