

Brands in the Boardroom 2008

Norway: a counterfeiting black spot?

Advokatfirmaet Grette

A supplement to *Intellectual Asset Management* magazine
www.iam-magazine.com

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This text first appeared in the IAM magazine supplement 'Brands in the Boardroom 2008' April 2008

Norway: a counterfeiting black spot?

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Counterfeit products cost brand owners millions each year in lost income and also hit governments in the form of lost tax revenues. There are several measures that a rights holder can take to reduce the risk of fake products reaching the market. A counterfeit product is a product whose sales value the counterfeiter tries to increase by, for example, illegally using another's brand name or an imitation thereof, or imitating generally known properties of a branded product.

Counterfeiting and piracy have an economic impact in both the short term and the long term. As well as resulting in lost jobs and business opportunities, these illegal activities threaten the most vital assets of affected companies: brand integrity, innovative products, creative works and advanced technologies developed through costly investments. Damage to these assets makes it increasingly difficult for companies to compete in today's global marketplace. Counterfeiting and piracy also undermine consumer confidence and expose consumers to serious risks to their financial security and personal safety. To tackle this problem effectively, a comprehensive approach is needed. We must put the issue on the national agenda and make it a priority. We must update our laws, educate consumers and provide sufficient resources to sustain an effective enforcement effort, both at home and abroad. Collaboration between enforcement agencies, and coordination of the efforts of affected companies with those of law enforcement agencies, are necessary in order to achieve successful enforcement at a global level.

With regard to customs surveillance and border control, the Norwegian rules differ from those of the EU. It is currently less risky to import large quantities of counterfeit

goods into Norway than into most EU member states. Statistics from the Norwegian Customs Authority show that the volume of counterfeit products imported into Norway increased by an incredible 2000% between 2001 and 2007, and there are indications that this figure will continue to grow.

In Norway, unlike in EU member states and many other countries, the fight against piracy has not been given high priority. Not only are the penalties imposed very limited in cases involving counterfeit imports, but the courts have also adopted a restrictive interpretation of the "in the course of trade" criterion which must be met if the Trademark Act or the Marketing Control Act is to apply, thus leaving room for imports. For wilful violations of the Trademark Act or the Marketing Control Act, the punishment is a small fine or imprisonment for up to three months. The authors are not aware of anyone being fined or sentenced for infringing the intellectual property rights of a brand owner by importing counterfeit products. Infringers are more likely to be punished for not paying VAT when smuggling goods than for infringing IP rights.

Infringers run the risk of being caught or being held liable for damages only if brand owners take legal action. The prosecuting authorities will not take action before the courts, except maybe where the infringement forms part of a more extensive organised crime operation.

Norway has thus become a gateway to the EU market for counterfeit products, since border controls in relation to fake goods, in particular between Norway and Sweden, have traditionally not been very strict. It is essential for brand holders to know how the Norwegian system works so that they can identify the best way to prevent counterfeit goods from entering Norway.

This notwithstanding, it has become somewhat easier to prevent the import of counterfeits into Norway of late. Below we

describe the actions that a rights holder may take in order to prevent counterfeit goods from being imported into Norway, based on the assumption that the right in question is protected in Norway either by a registration or otherwise (eg, by the establishment of trademark protection through use).

Customs surveillance

The most important instrument available to prevent illegal goods from being imported into Norway is the preliminary injunction, which may be issued by the court of first instance in the form of a judicial decision on customs surveillance. On the basis of this injunction, Norwegian Customs can stop counterfeit goods that are being imported into Norway. The preliminary injunction can cover several trademarks and is normally issued for a one-year period, which may be renewed.

In order to obtain a judicial decision on customs surveillance, the trademark owner must demonstrate the probability that counterfeit products will be imported and the likelihood that without an injunction, irreparable harm would ensue. These requirements will normally be considered to have been satisfied if the trademark owner can prove that counterfeit goods have repeatedly been imported into Norway. The court will then instruct Customs to confiscate and retain counterfeit goods whenever they are imported. The request need not indicate a specific consignment or product, or identify the owner of the suspect goods. Customs will disclose the name of the owner to the plaintiff when the goods in question are stopped.

When Customs discovers counterfeit products, the goods will be withheld from release and the court and the trademark holder will be informed accordingly. The trademark holder or its representative is then requested to inspect the goods in question to establish whether they are in fact counterfeit. The court that issued the injunctive order will set the plaintiff a timeframe of six weeks within which to institute proceedings against the owner of the goods.

The advantage of a lawsuit – as opposed to an amicable settlement – is that it is open to the public. The trademark owner may thus win publicity regarding the enforcement of its rights and scare off other potential counterfeiters.

Where larger consignments are concerned, a legal process will normally follow involving claims for compensation for costs and fees incurred, and for the destruction of the products. Where goods have been stopped, compensation is limited to legal fees and custom control

maintenance, and the costs of having the counterfeit goods destroyed. No lost profits or reasonable licence fee compensation can be claimed – the rationale being that as the imported goods never made it onto the market, they did not cause a loss of profits. Cases involving minor infringements are often settled out of court.

A request for renewal of the injunction must be made before the expiration of the 12-month injunction period. The possibility of renewal will depend on proof that goods were seized during the first year of the injunction, or that imported counterfeit goods are or have been in circulation on the Norwegian market.

New legislation – Section 39 of the Customs Act

A new (second) paragraph was recently added to Section 39 of the Customs Act, which enables Customs to hold back goods suspected of being counterfeited on its own initiative or on behalf of the rights holder.

Under the previous Norwegian legislation, Customs had less opportunity to control counterfeit goods than is the case in other European countries. As mentioned above, Norway is regarded as a gateway through which counterfeit products can enter the EU market.

The amendment to the Customs Act was enacted on 1st September 2007. It applies to imports of goods that are in violation of “intellectual property rights” (ie, trademark rights, design rights, copyright, integrated circuit design rights, plant breeders’ rights and patent rights). The extended authority thus pertains to violations of all types of intellectual property rights, not just trademarks. The amendment will benefit not only the owners of well-known international brands, but also SME rights holders.

The new paragraph in Section 39 allows Customs, without breaching any statutory duty of confidentiality, to notify the rights holder where there is a justified suspicion that certain goods being imported or exported may infringe intellectual property rights. In these circumstances, Customs has the authority, but not the obligation, to notify the rights holder. However, it is often difficult to identify whom to notify, since it is not always evident who represents the rights holder.

Under Section 39, a brand owner can present an application form to Customs giving notice of goods that would infringe its rights if they were imported. The form must specify the name of the rights holder, the name of a representative authorised to act on its behalf,

and the brands and products to be subjected to surveillance.

Where Customs has a justified suspicion of infringement, it has the authority to withhold the goods for five working days from the date on which the notice is issued to the rights holder. Within this timeframe, the rights holder must submit a request for a preliminary injunction to secure the goods in question. As an alternative, the parties may reach an out-of-court settlement (eg, an agreement that trademarks will be removed from the goods or obliterated, if feasible, or that the goods in question will be destroyed). Failure to file for a preliminary injunction or to reach agreement with the owner of the goods within the five-day timeframe will result in the goods being released to the owner.

The disadvantage of this novel arrangement, as compared to submitting a claim for a preliminary injunction for customs surveillance, is that the brand owner must submit a request for a preliminary injunction each time that Customs comes across counterfeit goods in order to prevent the goods from being released to the importer. Sometimes five days is not sufficient time to contact the infringer.

The amendment of the Customs Act was intended to make it easier for right holders to enforce their intellectual property rights. However, it may turn out to have less impact than first intended if Customs is not given more resources to fight piracy. Without further resources, an infringer's risk of being caught

will probably be the same as before. Since it cannot be expected that the resources given to Customs will be increased - when presenting the bill to the Norwegian Parliament, the government stated clearly that they would not - one cannot expect that the enforcement of intellectual property rights will be significantly improved by this amendment.

Customs officers who are working in the anti-piracy area are continuously striving to improve their ability to identify counterfeit products by participating in anti-counterfeiting training programmes organised by brand owners. Through these programmes, brand owners provide detailed information on their products and on how counterfeiters are working.

"In the course of trade"

Even after taking the steps outlined above, a trademark owner may still be faced with certain difficulties concerning the interpretation of the term "in the course of trade" in Section 4, paragraph 1 of the Trademarks Act. This provision limits the rights holder's possibilities for enforcement, because a trademark is violated only if it is used in the course of trade. This problem typically occurs when the consignment of counterfeit goods is small.

Members of the Norwegian Anti-Counterfeiting Group (NACG) often find that importers of counterfeit products carry out extensive resales - for example, on online auction platforms, at private homes or from their workplace. These sales undoubtedly



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generate considerable profits for the importer. The NACG has asked the troubling question of whether the Trademarks Act has created a safe haven for these types of infringing activities. Should the Trademarks Act make it possible to distribute counterfeit products under any circumstances? Should Norway adopt a stricter law, similar to that of other European countries?

There is no binding case law on these issues. For want of any authoritative precedent, one must turn to the practice of the lower courts. The “in the course of trade” criterion was recently considered by the Stavanger District Court (Case 07-021400TVI-STAV). The court decided in favour of the importer of 35 counterfeit Louis Vuitton and Mulberry handbags from Thailand. One of the trademark owners, Louis Vuitton, had sued the importer, seeking the destruction of the handbags. The importer acknowledged that the handbags were counterfeit. Therefore, the issue was whether the handbags had been imported in the course of trade. If so, the imports would be in violation of Section 4.

The court found that the handbags had not been imported “in the course of trade” and the imports thus fell outside the scope of the Act.

The court stated that the expression “in the course of trade” implies that isolated instances fall outside the scope of the Act. The importer had admitted that he had previously been involved in illegal imports and sales of considerable amounts of counterfeit

goods, but in his defence he argued that:

- He had been ill and had thus been unable to work, meaning that the handbags were not imported in the course of trade; and
- The handbags were gifts for relatives and friends.

The decision is a blow to rights owners in their fight against counterfeiting in Norway. The case was handled under a summary procedure that does not allow for judicial review. Although the decision is final, it will not be considered as a precedent in future counterfeiting cases and hopefully will not be found to have any persuasive influence.

Comment

Customs plays an important role in preventing sales of counterfeit products from one country to another. However, it is also important to make ordinary citizens realise how harmful it is to buy counterfeit – or even fake – medicines, music recordings, electronics, clothes etc.

To protect itself in Norway to the fullest possible extent, a trademark owner should submit a claim for a preliminary injunction and provide all the necessary information regarding its intellectual property rights to Customs. This will give Customs concrete information which it can record in its system for further surveillance. The more proactively the trademark owner and its representative work together with Customs to facilitate surveillance, the better.