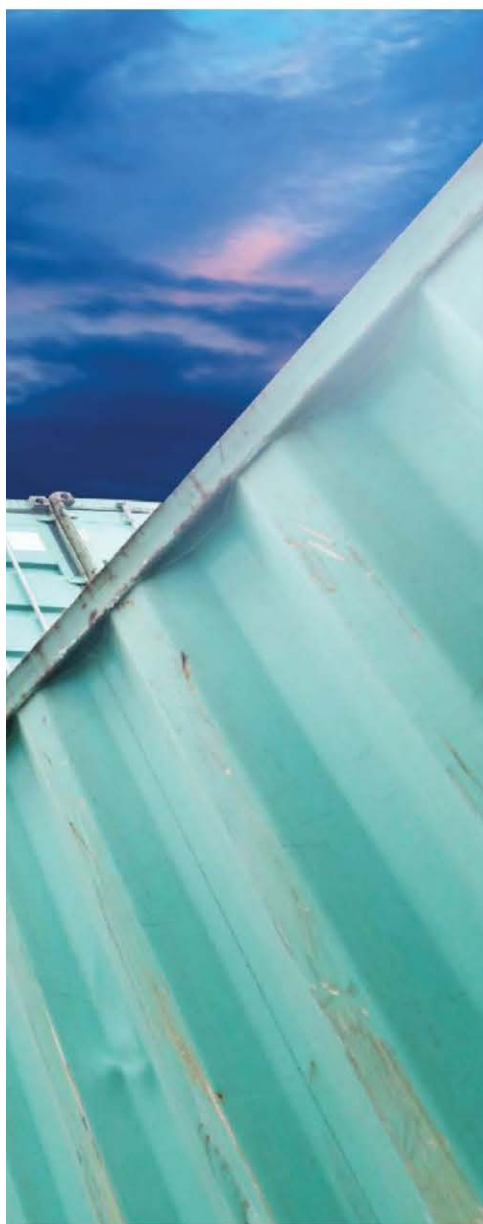




Effective use of customs measures can serve as a useful first line of defence against counterfeiters, and reduce the need for more costly legal action, as Kenji Sugimura and Rebecca Chen explain.

A SWIFT AND AFFORDABLE ALTERNATIVE TO LITIGATION



Japan reported 1,147 counterfeiting and piracy cases involving Customs, ranking it sixth globally.

Statistics from Japan

Figures from the Japan Customs 2012 *Annual Report* estimate the total value of goods seized by Customs that year at JPY19.5 billion (\$191 million). The report shows the number of items seized by Customs totalled more than one million, a 53.5 percent increase from the previous year. The number of suspension cases also continues to grow, with a 14.3 percent annual increase.

The consistent rise in the number of recorded Customs cases for the past six years is an indication of the increase in the use of Customs measures in combating counterfeiting. On average, more than 70 infringing cases and 3,000 infringing items are suspended by Japan Customs every day.

Small shipments sent by post

In 2012, 93.4 percent of all seizure cases were transported by post as opposed to general cargo. In terms of the number of individual items seized, only 34.3 percent of them were transported by post. This indicates the continued increase in small-lot shipments of infringing goods. Although these statistics can be attributed in part to the increased use of e-commerce, Japan Customs has indicated that a number of individuals have tried to import counterfeit and pirated goods by disguising them as personal items. These trends have spurred Customs to strengthen enforcement on small-lot shipments.

Customs measures

With the proliferation of the import of infringing goods, effective use of Customs measures can serve as a first line of defence, while preventing situations from escalating to a point where more costly litigation action becomes necessary. It is usually easier to prevent the distribution of infringing goods at ports of entry than after the goods have entered the country. A right holder's aggressive approach to enforcement can often halt and even deter counterfeiters.

Customs measures can be used to protect patent rights, utility model rights, design rights, trademark rights, copyrights, plant breeder's rights, unfair competition relating to famous indications of goods, and configurations of goods. Japan Customs is vested with the

authority to decide the suspension and release of imported goods, to decide the merits of each case, and to execute such decisions. This integration of decision-making and execution authority empowers Customs to act quickly and circumvents lengthy court proceedings.

Initiating enforcement proceedings: ex officio action

Japan Customs is authorised to take *ex officio* actions to intervene on its own initiative to protect the public interest. In practice, *ex officio* suspensions are only implemented in cases involving imitations and pirated goods that obviously infringe IP rights. Customs officials may choose to err on the side of caution as Customs may be liable to exporters and importers for damage resulting from an erroneous suspension. As such, most suspensions for allegedly infringing goods are initiated by right holders themselves.

Initiating enforcement proceedings: application for suspension

IP right holders and certain exclusive licensees may initiate proceedings to suspend potentially infringing goods through an Application for Suspension tendered to any of the nine regional Customs headquarters.

Applicants for such suspensions must submit evidence establishing a *prima facie* showing of infringement. In particular, applicants are required to: (1) prove ownership of a valid IP right; (2) show the IP right has been or is likely to be infringed; and (3) provide information to accurately identify the infringing goods.

Customs will decide on the merits of the application within a month. If accepted, the application will remain in effect for two years, extendable by petition. During the effective term, Customs will monitor the import, export, and transit of those goods. If Customs detects suspected goods during the course of physical inspections, identification procedures will be initiated.

Identification procedures

Customs decides whether the suspected goods infringe the applicant's IP rights. When suspect goods are detected, Customs will hold the goods and notify the importer and the right holder of the initiation of identification procedures. The

Expanded market access has enabled counterfeit goods to flood the global marketplace. The World Customs Organization (WCO) has noted that counterfeiters are using the latest technology and are able to increase the quantity and quality of counterfeit goods. This article looks at current trends in the import of counterfeit goods and then delineates the procedures for right holders to protect their IP rights at Japan's borders.

According to the WCO's 2013 *Illicit Trade Report*, there were 22,398 reported cases of counterfeiting and piracy in the top 15 reporting countries alone.

The vast majority of counterfeit goods are sold in mature markets such as those of the US and Japan.

notice will identify the suspect goods, the reason for the initiation of the identification procedures, and the IP rights that are thought to be infringed.

If the importer does not submit a written objection to Customs in response to the notification of initiation within ten business days, or three business days for perishable items, Customs will make an infringement determination based solely on the information provided in the Application for Suspension.

If the importer does submit a written objection to Customs in response to the notification of initiation, the importer and the right holder are both allotted ten working days, or three business days for perishable items, to submit written arguments and further evidence to Customs and the other party. In cases where the identification procedures were initiated based on an Application for Suspension, both parties may inspect the suspect goods. In addition, the applicant right holder may request a sample examination during which the applicant may take apart samples of the suspected goods if infringement is not obvious from looking at the exterior of the suspect goods.

The importer is also offered an opportunity to respond to the right holder's request to Customs. A request for a sample examination will be granted if Customs determines that: (1) the sample inspection is necessary to submit opinions or evidence; (2) the interests of the importer are not likely to be unreasonably prejudiced; (3) it is unlikely that the samples will be used for improper purposes; and (4) the applicant right holder has the ability to properly handle the sample. If the request for a sample examination is granted, Customs officers and the importer may also be present.

Requests for special adviser opinion

During the Application for Suspension and the identification procedures, Customs may seek the opinion of a panel of three IP rights experts from a list of 37 candidate lawyers, patent attorneys, and scholars. The expert advisers must be unbiased and cannot have any special interest with respect to either party. These designated specialists assist Customs officials in effectively making substantive determinations on infringement violations in technical and highly specialised areas.

Petition deposit and customs release deposit

Upon initiating identification procedures based on an Application for Suspension, Customs may require the right holder to post a 'petition deposit' to protect the importer from potential undue harm due to the suspension of suspect goods. The deposit is returned to the right holder in full if Customs determines that the suspect goods are counterfeit.

"JAPAN CUSTOMS IS VESTED WITH THE AUTHORITY TO DECIDE THE SUSPENSION AND RELEASE OF IMPORTED GOODS, TO DECIDE THE MERITS OF EACH CASE, AND TO EXECUTE SUCH DECISIONS."

After identification procedures have been initiated, the importer of the suspect goods may request Customs to discontinue the procedures. Customs will require the importer to post a 'customs release deposit' to cover any damage caused by the importation of the subject goods prior to discontinuing the procedure and clearing the goods through Customs.

Final determination

If Customs determines that the suspect goods are not infringing, the importer is granted an import permit and the goods are cleared through Customs. If on the other hand, Customs determines that the suspect goods do infringe, Customs will issue a 'notification of decision'. The importer must then choose voluntarily to dispose of the infringing goods or obtain a certificate of consent from the right holder. Infringing goods not voluntarily disposed of may be confiscated and destroyed by Customs.

The importer may protest against the decision of infringement by filing an opposition with the Commissioner of Customs within two months of receiving the notification of decision. The Commissioner's decision can be further appealed against by requesting an examination from the Minister of Finance. The decision of the Minister of Finance may be further appealed against to the courts by requesting a cancellation of the decision.

Effective use of customs measures

To use Customs measures effectively to defend against counterfeit goods, it is important to be adequately prepared. Prior registration of IP rights is recommended to prove ownership of a valid IP right when submitting an Application for Suspension. Right holders should also be ready to provide Customs with all pertinent information and thus it is important to collect as much information as possible on suspect shipments.

Meetings with Customs to discuss the nature of suspension requests and to confirm proper compilation of requisite information are highly recommended and even encouraged by Customs authorities. These meetings may be arranged directly with Customs officials or by proxy through local representative attorneys. ■

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