

## Activities of The Customs Administration For Protecting The Intellectual Property Rights

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**Abstract:** In conditions when the development of global, national economies and the growth and development of businesses have become largely determined by the intellectual property protection, efficiency of protection of violated rights are becoming increasingly important. It is known that the market economy can hardly develop without the protection of intellectual property and invention. By modernizing the society, digitalization, as well as globalization, the number of violated intellectual property rights also increases. To justify investing in science and innovation, creativity must be protected against unauthorized usage. Research and development create new products, new inventions, achievements, hence the economic progress of every country depends on technology condition, as well as the offered protection. Accordingly, modern society countries are facing a very important obligation: how to provide an efficient and adequate intellectual property rights protection, how to provide measures and actions for protecting them and at the same time not impeding the smooth international trade progress. According to the commitments from the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Republic of Macedonia took responsibility to stipulate efficient and effective legal measures and legal remedies to prevent intellectual property rights violations and legal remedies that deter further violations. One of the protection mechanisms is the administrative-legal protection and measurements taken by the Customs Administration. The paper will present certain measures taken by the Customs Administration, the effects of their application and certain directions for improving the intellectual property rights protection.

**Keywords:** intellectual property rights, Customs administration, protection, efficiency, TRIPS agreement.

### Introduction

The growth and development of businesses is directly proportional to the protection of invention and protection of intellectual property. Protection and efficiency of protection of violated intellectual property rights of course indirectly reflects on global and national economies' development also. In transition economies like the Republic of Macedonia, the right to intellectual property has an additional function, which is attracting foreign direct investments. In conditions of global economy, favorable business environment is required. Among other things, the efficient legal protection of intellectual property rights undoubtedly has a stimulating effect on foreign companies to establish production firms and services based on new technologies, renowned brands and service marks. The effective system for industrial property protection is a constituent part of the business surrounding which positively

influences on domestic economy development, as well as research and development. For the precisely same reasons the preamble of Directive 2004/48/E3 of the European Parliament and of the Council dated 29<sup>th</sup> of April 2004 regarding implementation of intellectual property rights<sup>1</sup> point out that without effective means for enforcing the intellectual property rights, invention and creativity get discouraged and investments decrease. It is known that market economy can hardly develop without protecting the industrial property and invention. The protection of industrial property rights has become a global process<sup>2</sup> which is undoubtedly present in Macedonian society also. In contemporary world, in the era of patents, trademarks and industrial designs, the industrial property rights represent large percentage of the value of a considerable number of businesses. Using the industrial property rights for commercial purposes by

<sup>1</sup>DIRECTIVE 2004/48/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 29 April 2004 on the enforcement of intellectual property rights, Official Journal of the European Union L 157 of 30 April 2004)

<sup>2</sup> According to the statistical data of the WIPO worldwide, the number of submitted reports for protection of industrial property rights is constantly

rising: 1.574.300 patents in 2004, and 2.680.900 in 2014, 4.496.883 trademarks in 2004 and 7.449.394 in 2014, 587.900 industrial designs in 2004 and 1.138.400 in 2014.

<http://ipstats.wipo.int/ipstatv2/keysearch.htm?keyId=201> [17.10.2016].

concluding licenses contracts, mutual investments contracts, technology transfer contracts, franchising, know-how, business collaboration contracts etc. will multiply the value of these rights even more. On the other hand, large incomes generated by these rights make them more attractive and a target for constant violations. Implementing of protection of these rights is considered as guardian of the right holders from the so called "free riders" – people who use the industrial property rights without authorization. Digitalization and also globalization create favorable environment for increasing the number of violations and initiated industrial property disputes. What is characteristic about these disputes is that they become international involving parties from several countries, violations occur on the territory of several countries, in cyber space also, which indicates that protection should be applied in an organized way, by mutual actions of countries' national authorities.

According to the Report for illicit trade from 2014 published by the World Customs Organization<sup>3</sup>, in 2014, 233.563.396 goods or 829.030.19 kg of goods were seized on suspicion of being forged and produced contrary to health and safety standards that should have been met. For that purpose, 21.930 cases were conducted and 29.369 seizures were done. According to the report the greatest number of forged goods included pharmaceutical products, which indicates that national systems for protection implementation, state authorities, consumers' protection organizations and

consumers should increase their activities and raise awareness for the severity of the problem and possible implications.<sup>4</sup>

An estimate of global counterfeiting against world trade, estimated for a period of 5 years, produced the conclusion that the value of counterfeits as a percentage of world trade had grown from around 3.5% in 1990 to around 5.5% in 1995. Where figures themselves may be highly uncertain, trends are often extremely valuable and this trend enables those responsible to conclude clearly that the scale of counterfeiting is huge and that the scale of counterfeiting is growing fast. In other words, this is not a temporary problem that will go away but a major problem that is increasing.<sup>5</sup>

The Republic of Macedonia has taken a set of obligations for intellectual property rights protection by the Law on Ratification of the Protocol for Republic of Macedonia accession to the World Trade Organization<sup>6</sup>. As a signatory of the Contract for trade aspects of the intellectual property rights – TRIPS<sup>7</sup>, Macedonia has been obliged to stipulate efficient and effective legal measures and legal means for preventing intellectual property rights violation and legal means which deter from making further violations. The most significant act for harmonization and implementation of the intellectual property rights on multinational level is the TRIPS agreement.<sup>8</sup> The procedures should be impartial and fair, not complicated and long, i.e. not to last unreasonably long and without unexplained delays.<sup>9</sup> According

<sup>3</sup> The beginnings of the World Customs Organization date back from 1947 when 13 countries formed a group for studying the possibilities for forming the Customs Union among multiple European countries. The Convention for forming the World Customs Organization took effect on 4<sup>th</sup> of November 1952. The Republic of Macedonia has been a member of the World Customs Organization as of 01.07.1994. There are 180 customs organizations worldwide which are members of the organization and which cover 98% of the world trade and it is the only international organization in the area of customs relations. <http://www.wcoomd.org/en/about-us/wcomembers/~media/WCO/Public/Global/PDF/About%20us/WCO%20Members/List%20of%20Members%20with%20membership%20date.ashx> [18.10.2016]

<sup>4</sup> Illicit Trade Report 2014, World Customs Organization, November 2015 pg.60.

<sup>5</sup> Report on responses to the European Commission Green Paper on Counterfeiting and Piracy, June 1999, pg.5

<sup>6</sup> Official Gazette of the Republic of Macedonia no. 2/2003. Republic of Macedonia has become the 143<sup>rd</sup> member state of the World Trade Organization in 2003. At the moment there are 164 member states of WTO. [https://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/org6\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm) [18.10.2016].

<sup>7</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) (1994), article 41, Convention for trade aspects of intellectual property rights in Marrakesh dated 15<sup>th</sup> of April 1994.

<sup>8</sup> Dabovik, Pepeljuginoski.(2008) *The right to intellectual property*, Skopje: Faculty of Law "Iustinianus Primus" – Skopje, pg 69.

<sup>9</sup> Pepeljuginoski, V. (2003) Harmonization of the industrial property rights regime with the provisions of the contract for trade aspects of the intellectual property

to the TRIPS agreement the signatory countries guarantee the industrial property rights protection through civil, administrative and criminal procedures. Within administrative and legal protection of already protected industrial property rights, the Customs Administration, State Market Inspectorate and relevant ministries will act.

### **Law on customs measures for protection of industrial property rights and customs administration activities**

Taking into consideration the obligations included in articles 51 to 60 of the TRIPS Agreement, according to which members are obliged to stipulate procedures which will enable the right holders, who have grounded reasons to doubt that there might be an import or export of forged goods which violates the industrial property rights, to submit a written request to the authorities and customs administrations to delay the goods' placing on the market, the Law on customs measures for protection of intellectual property rights<sup>10</sup> was adopted in the Republic of Macedonia.

Considering the transnational character of the violation of industrial property rights, the first contact of the customs authorities with most of the products used in the cases of violations is on the border crossing. For that purpose, besides the Law on customs measures for protection of intellectual property rights, the Customs Administration adopted several internal guidelines among which the Guidelines for implementing customs measures for protection of intellectual property rights<sup>11</sup>, Strategy for protection of intellectual property rights 2014-2016 etc. Also, the priority activities of the Customs administration have been directed towards full compliance and application of EU customs legislation in the Republic of Macedonia, strengthening the administrative

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rights and European Union directives, *Right to industrial property - selection of texts*, Faculty of Law - Skopje, pg.110.

<sup>10</sup> The first Law on customs measures for implementation of intellectual property rights protection was adopted in 2005 ("Official Gazette of the Republic of Macedonia" no. 38/2005, 107/2007, 135/2011 and 69/2013). At the moment the Law on customs measures for implementation of intellectual property rights protection is valid ("Official Gazette of the Republic of Macedonia" no. 88/2015, 154/2015 and 192/2015). The Law is completely harmonized with the

capacities for meeting the obligations in the area of industrial property rights protection.

The Law on customs measures for protection of intellectual property rights regulates the terms and procedures for taking actions by the customs authority when there are justified reasons for suspicion that goods violate the intellectual property rights, or that it is or should be the subject of customs supervision or customs control in the customs area of the Republic of Macedonia according to customs regulations in cases when:

- a) goods are declared to be placed on the market, for export or repeated export;
- b) goods enter or exits the customs area of the Republic of Macedonia or when it is under a transit procedure;
- c) when it is under customs storage procedure, inward processing procedure, processing under customs control or temporary import, or it is placed in free zone or free storage in accordance to customs regulations<sup>12</sup>.

The initiating of procedure is ex officio, when the Customs authority suspects that some intellectual property right has been violated and upon right holder's request, individuals or legal entities authorized to use the intellectual property rights, or representatives and groups of producers eligible for geographical indications, i.e. representatives of these groups and business entities who have the right to use the geographical indication, as well as authorities or bodies responsible for such geographical indication according to law. In order to provide international protection for the intellectual property right holders, who are subject to international trade, customs authorities have opportunities for international exchange of information on disposal as well as data for

European Union regulation, COUNCIL REGULATION (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights, Official Journal of the European Union L 196/7.

<sup>11</sup> 01.30.35 UP.001.01 august 2013

<sup>12</sup> Art. 1 of the Law on customs measures for intellectual property rights protection ("Official Gazette of Republic of Macedonia no.88/2015, 154/2015 and 192/2015)

detection of goods which violate the industrial property rights.

Regarding the activities of the Customs administration in the past, it should be noted that in 2015, 163 actions were conducted, where almost 1,3 million pieces and 700 kg of goods were retained temporarily due to reasonable suspicion for intellectual property right violation<sup>13</sup> which is a significant increase compared to 333.799 pieces in 2013<sup>14</sup> and 945.302 pieces in 2014. In 2014 the cosmetic products were dominant among the retained products, and the retained goods mostly originated from Turkey (even 63%). It is peculiar that by professional duty the customs authorities only notify the right holder about the existence of suspicion, and if they do not submit a request for initiation of procedure within four working days, the authority approves the release of goods or terminates its retention. Therefore, the Customs administration is a very significant link in combating against forged products, preventing intellectual property rights violation during export,

import or goods transit. Improvement of the Customs administration capacity for analysis of risks and identification of forged goods has been significantly done also by active use of the application of the World Customs Organization (WCO) for efficient recognizing of products originality, and also for effective detection and proving of forged trademarks - IPM (Interfaced Public Member). So, in 2015 the number of registered customs officials who had used this application was 539. In the end of 2015, the number of registered requests for customs protection of trademarks related to intellectual property rights was 673, in 2014 the number amounted to 345 whereas in the end of 2013 – 334. The number of submitted requests in 2013 was in turn higher by 112 than the number in the end of 2012.<sup>15</sup>

Customs administration takes activities for improving the administration and increasing the interest of intellectual property right holders to register requests to the Customs administration for

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<sup>13</sup> Annual Report for 2015 the Republic of Macedonia, Ministry of Finance, Customs Administration, page 37.

<sup>14</sup> In 2013 the customs administration, due to suspicion of intellectual property right violation, retained 333.799 pieces of goods among which shoes and accessories 36.321 pairs, perfumes, deodorants, cosmetics etc. - 19.041 pieces, car parts and equipment 18.662 pieces, clothes 17.960 pieces, phones, IT, audio, video parts and equipment 10.745 pieces etc. Among other requests for protection of intellectual property rights, the following trademarks holders had submitted requests to the Customs Administration: Tissot, Longines, Raodo, Max&G, Weekend by Max Mara, Wash&Go, Sportmax, The North Face etc. Annual report for 2013 the Republic of Macedonia, Ministry of Finance, Customs Administration, page 50,51. Regarding the origin of the temporary retained goods the dominant goods originated from China 43%, then Turkey 38% of the total quantities. Of the total retained goods of 341.000 pieces, the largest part related to clothes (mostly sports) more than 31%. Of the retained products under suspicion that are used for violation of the intellectual property rights, even in 47 cases the holders of trademark rights stated that the goods did not violate their rights due to which 59 thousand pieces were released. 28 thousand pieces on the other hand of 43 cases were released due to not submitting a request to the Customs administration for protection of intellectual property rights. Annual report for 2014 the Republic of Macedonia, Ministry of Finance, Customs Administration, page 4.

<sup>15</sup> In 2009, 250 requests were registered in the Customs administration, 223 requests in 2010, 321 requests in

2011, 222 in 2012, and the number of registered requests for customs protection of the trademark rights in 2013 was 334.

In 2012, in 149 actions, due to a reasonable suspicion for violation of the intellectual property rights, 341 thousand pieces of goods were retained. Of the total temporarily retained goods in this respect, still clothes (mostly sports) were dominant with over 31% and the cars accessories number had increased with around 9%. Regarding the origin of the temporarily retained goods in this respect, China dominated with 43% followed by Turkey with 38% of the total quantity. In 47 cases of the total number of temporarily retained goods due to reasonable suspicion that they are used for violation of intellectual property rights, the representatives of the trademark holders stated that the goods did not violate their intellectual property rights because of which the goods were released (around 59 thousand pieces mostly CDs, DVDs and shaving razors). The additional quantity of around 28 thousand pieces of this type of goods, in 43 cases, were released because the representatives of the trademarks quit initiating procedure or did not show interest to register at the Customs administration by submitting a request for intellectual property rights protection. Based on confirmed violation of intellectual property rights, during 2012, under customs supervision, 144 thousand pieces of forged goods were destroyed. The following renowned trademarks were forging targets: Puma, Adidas, Nike, Zara, Lacoste, Mercedes, Prada, Herba, Ariel, Kosmodisk, Nivea, Colgate etc. Annual report for 2012 the Republic of Macedonia, Ministry of Finance, Customs Administration, page 52.

protection of their rights, increasing the public awareness for the harmful consequences of production, trade and usage of forged goods, as well as improving the capacity for risk analysis and identification of forged goods. But providing completely efficient and effective protection of intellectual properties rights is not conditioned only by the Customs administration activities but also a greater proactivity of the right holders is necessary and of courts as well as final authorized instance where the right holders can realize their protection.<sup>16</sup>

After establishing a single market for free circulation of products, goods, services, capital and labor, the European Union has become an ideal place for entrance of forged products and products which in some other way are used for violating someone else's industrial property rights. With more than 500 million consumers having mostly higher and good living standard, with territory on more than 4 million km<sup>2</sup> of surface and the possibility to enter the goods in one of the member countries of the Union, the goods can be freely distributed through the whole territory of the Union, the single market is an objective of more forged goods producers and dealers. Taking into consideration the results of the Report on responses to the European Commission Green Paper on Counterfeiting and Piracy in terms of negative repercussions on the countries' economies, enterprises and on the number of employees, EU in 2003 adopted the Framework for acting of customs authorities in terms of goods under suspicion for violating intellectual property rights and measures that can be taken.<sup>17</sup> By the EU regulation no. 608/2013 for customs measures while conducting intellectual property rights protection which has entered into force as on 01.04.2014, the Framework 1383/2003 has become repealed. The new Law on customs measures for implementing intellectual property rights protection (Official Gazette of the Republic of Macedonia no. 88/2015, 154/2015 and 192/2015) is fully harmonized with the currently valid EU regulative.

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<sup>16</sup> The Judgment in case TS no. 259/11 dd. 11.06.2013 in Basic Court Veles is an example of that and it was determined that the goods in question were forged goods, so the Customs administration of the Republic of Macedonia was instructed to destroy the temporarily retained products i.e 332 pairs of sneakers with TIR O-

## Conclusion

The regulatory framework, on which the protection, i.e. the implementation of the industrial property rights protection in the Republic of Macedonia is based on, is basically well conceptualized and adjusted and harmonized with the EU law. Although the absolute numbers analyzed in past years have shown an increased activity of the customs administration, a greater diligence and proactivity of the law enforcement authorities, state authorities, administrations and inspections is necessary, as well as of the right holders when preventing the intellectual property rights violations. Only mutual and well implemented protection of the intellectual property rights provides protection of the people's health and life, but also of the fiscal interests of the country and conditions for maintaining a fair market competition environment.

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6397 carrying the trade mark NIKE without authorization within 8 days from the date of receiving of the judgment.

<sup>17</sup> Number 1383/20013, JO 1328.

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