

# More Power to Customs

Professor **Shigeki Morinobu** spells out the key features of Japan's newly tightened border controls on intellectual property infringements.

**H**aving examined figures for action taken by customs against counterfeit designer products and other goods infringing on intellectual property rights during 2007, the Ministry of Finance has revealed that the number of cases was up 16% on the previous year, reaching record levels in excess of the 20,000 mark. Most notably, there has been an increase in exports from China and action taken against pharmaceutical products. The actual number of items subject to such action meanwhile has only risen slightly (6.1%). The fact that the average number of items per case has fallen from fifty the previous year to forty-six underlines a trend towards goods infringing on intellectual property rights being imported in smaller lots. The main reason for this is that there are more and more methods available for people to order counterfeit designer products and other such items online and have them delivered in small lots by post or other means. The total value of items infringing on intellectual property rights stopped at customs during 2007 is estimated to be somewhere in the region of 38.5 billion yen (388 million dollars).

A breakdown of this total indicates a substantial 70.7% increase in the number of cases in which action has been taken against imports from China compared to the previous year, a 53.3% increase in terms of the number of items. Whereas action against Chinese imports reached a record high, suspensions of imports from South Korea fell by 48.1%, a 57.0% drop in terms of the number of items. This is thought to be down to the Korea Customs Service's efforts to tighten export controls at Incheon Airport and other international gateways.

Classification of items stopped at customs shows that approximately 97,000 pharmaceutical products in-

fringing on intellectual property rights were stopped, a significant increase of around 4,000 items compared to the previous year. Efforts to tighten controls on pharmaceutical products in response to import suspension petitions from numerous rights holders since 2006 have led to a major increase in the number of such items being stopped at customs.

## Border Control Features

Japan's tightened border controls are characterized first and foremost by the wide-ranging authorities given to customs. The rights protected through border controls imposed by Japan Customs are outlined in the table below. One of the key features of Japan's border controls is that they also cover rights for which it tends to be difficult to determine whether an infringement has taken place, such as patent and design rights. As U.S. Customs only deals with trademark and copyright infringements, with patents left to the International Trade Commission (ITC), customs in the United States only take action against items if instructed to do so by the ITC.

Japan Customs also has the authority to independently determine

whether or not any item infringes on the above rights. Under EC Customs Law, customs are not authorized to determine infringements but instead have to keep hold of suspected items until any infringement can be determined by the courts. In other words, the fact that Japan Customs determines infringements independently, including copyright and other infringements that are difficult to determine, means that its authorities are more wide-ranging than its counterparts in the United States or Europe.

The second key feature of border controls in Japan is a high level of expertise. Customs in Japan independently handle cases that require a high level of specialist knowledge, including those involving infringements of patent rights. Specific cases handled by Japanese customs to date have included infringements of patent rights relating to semiconductor integrated circuits, active ingredients in pharmaceuticals and gene sequencing. In order to deal with highly specialized cases such as these, an expert panel system and a procedure enabling customs to consult with the Japan Patent Office and other agencies have been incorporated into the Customs Act to give customs access to the levels of expertise they require.

Thirdly, Japanese border controls are characterized by a proactive stance towards international cooperation.

In addition to reinforcing the domestic customs system, Japan is also actively working on a range of international initiatives, taking part in and pledging its full support to the Japan-

### Imports

Trademark rights, copyrights, copyright related rights, patent rights, design rights, utility model rights, circuit layout rights, breeder's rights, Unfair Competition Prevention Act (use of a recognized name, use of a recognized brand, imitation of a shape or configuration)

### Exports

Trademark rights, copyrights, copyright related rights, patent rights, design rights, utility model rights, breeder's rights, Unfair Competition Prevention Act (use of a recognized name, use of a recognized brand, imitation of a shape or configuration)

### Transit

Trademark rights, copyrights, copyright related rights, patent rights, design rights, utility model rights, breeder's rights, Unfair Competition Prevention Act (use of a recognized name, use of a recognized brand, imitation of a shape or configuration)



Actions against Chinese imports infringing intellectual property rights reached a record high in 2007, while suspensions of imports from South Korea fell by almost a half.

China-South Korea Intellectual Property Working Group, the G8 Intellectual Property Experts' Group and the World Customs Organization (WCO) amongst others.

## System Overview

### (1) Outline

Under Article 62, Clause 2 of the Customs Act, the act of exporting goods infringing upon patent rights, utility model rights, design rights, trademark rights, copyrights, copyright related rights or breeder's rights or in violation of the Unfair Competition Prevention Act (imitation of a shape or configuration, etc.) has been prohibited since June 2006. Article 69, Clause 8 meanwhile prohibits the import of any goods infringing on the same rights as well as items infringing on circuit layout rights (collectively referred to as "items infringing on intellectual property rights"). In accordance with Article 30 and Article 65, Clause 2, the act of placing goods in

bonded areas and the bonded transportation of goods (transit) also became subject to controls as of June this year. These provisions form the basis upon which customs impose border controls on items infringing on intellectual property rights.

### (2) Specific methods of controlling imports

There are two types of border controls on items infringing on intellectual property rights; suspension of imports at the petition of the rights holder and action under the authority of customs. A rights holder may file a petition with the relevant chief customs inspector to commence verification procedure (see **below**) in the event that someone is attempting to import goods that the petitioner believes will infringe upon its rights. In such cases, rights holders are required to submit sufficient evidence to support their claims of an infringement. Although controls under the authority of customs involve commencing verification procedure independently at the discretion of customs, in reality it is difficult to impose controls without first obtaining information from the relevant rights holder. As a result, screening and inspections are carried out on a priority basis once the information required to suspend the import of items infringing on intellectual property rights has been provided by the rights holder.

In the interests of safeguarding procedures on behalf of the importer

and other interested parties, details of all import suspension petitions are posted on the customs' website upon receipt. The interested parties are then entitled to submit their own opinions regarding the petition to customs within ten working days. In 2006, it was stipulated that interested parties must be notified regarding any such petition in all cases in which the importer or other interested parties can be identified. Procedure for petitioning a suspension was simplified in April 2008, enabling petitions received by any individual chief customs inspector to be handled as if they had been addressed to all chief customs inspectors.

The verification procedure is as follows.

(i) As soon as a chief customs inspector discovers that a shipment being imported into Japan contains cargo suspected of infringing on intellectual property rights ("suspected cargo"), they notify the importer and the rights holder of their intention to commence verification procedure and provide both the exporter and the rights holder with the company name or name and address of the other party. In the event that the identity of the producer of the suspected cargo is apparent based on the company name or name and address of the exporter, documentation (import declaration, etc.) submitted to customs or the suspected cargo itself, the rights holder is also informed of the company name or name and address of the producer (ei-

### Number of requests for the suspension of imports (as of June 1, 2008)

**Patent rights:** 17 cases

**Utility model rights:** 0 cases

**Design rights:** 50 cases

**Trademark rights:** 143 cases

**Copyrights:** 36 cases

**Copyright related rights:** 381 cases

**Breeder's rights:** 1 case

**Items in violation of the Unfair Competition Prevention Act (misleading use of a recognized brand):** 4 cases

**Total:** 634 cases

Intellectual Property Glossary

<b>Patent rights</b>	Exclusive rights to an invention
<b>Utility model rights</b>	Exclusive rights to a new technology (partial invention) that has not yet reached the invention stage
<b>Design rights</b>	Exclusive rights to an industrial design, including an original shape or pattern for an item
<b>Trademark rights</b>	Exclusive rights relating to a symbol or logo attached to a product or other item
<b>Copyrights</b>	Rights pertaining to an original piece of literature, work of art, piece of music or other such content
<b>Copyright related rights</b>	Rights held by performers, record producers and broadcasters in accordance with copyrights
<b>Circuit layout rights</b>	Exclusive rights to the use of a circuit layout configuration for a semiconductor integrated circuit
<b>Breeder's rights</b>	Exclusive rights to a new variety of plant resulting from selective breeding, etc.
<b>Items in violation of the Unfair Competition Prevention Act</b>	
<ul style="list-style-type: none"> <li>• Products designed to mislead through the use of a recognized brand Any item displaying a design (trademark, etc.) that is the same as or similar to a brand recognized by consumers nationwide (use of a recognized brand) with the intention of misleading consumers into thinking that it is legitimate</li> <li>• Products fraudulently using a recognized name Any item displaying a name (trademark, etc.) that is the same as or similar to that of another party widely recognized by consumers and members of the general public nationwide</li> <li>• Products imitating a shape or configuration Any item that has been manufactured so as to resemble the shape or configuration of a distinctive product made by another party</li> </ul>	

ther at the same time as notification of commencement of verification procedure or at some point during verification procedure).

(ii) The chief customs inspector instructs the importer and the rights holder to submit statements and evidence supporting or refuting the infringements alleged against the suspected cargo. Based on the evidence submitted, the chief customs inspector then sets about verifying or rejecting the infringement, with the aim of completing the verification procedure within one month.

(iii) In the event that the evidence upon which verification or rejection of the infringement by the chief customs inspector is based indicates that the cargo does indeed infringe on intellectual property rights, the importer is required to be given an opportunity to submit a statement. If the infringement is rejected, the rights holder is required to be given the same opportunity. On a practical level, all evidence and statements submitted by the importer as part of the verification procedure are forwarded to the rights holder for feedback. Similarly, all evidence and statements submitted by the rights holder are forwarded to the importer.

(iv) Once the chief customs in-

spector has completed the verification procedure and certified whether or not the relevant suspected cargo infringes on intellectual property rights, they notify both the importer and the rights holder of the results of verification and the reasons for the relevant decision. If the chief customs inspector has verified the infringement, the importer is entitled to deal with the offending cargo at its own discretion (e.g. by disposing of or willingly surrendering the relevant cargo, removing all trademarks that infringe on intellectual property rights or obtaining the rights holder's written consent to import the relevant cargo). If the importer does not deal with the cargo at its own discretion, the chief customs inspector then seizes and disposes of the relevant goods. If the importer has any objections to the chief customs inspector's verification or seizure of the goods, it is entitled to file an objection with the chief customs inspector.

Cargo is not deemed to infringe on intellectual property rights if it is merely being imported for personal use rather than for commercial purposes. Cargo is required to undergo comprehensive examination to determine whether it is being imported for commercial purposes, including details such as the reasons for importing

cargo, the volume of cargo being imported, the occupation of the importer and details of the import transaction. In an effort to tighten controls on the import of cargo disguised as items for personal use, verification procedure can be undertaken irrespective of the volume of suspected cargo as a rule.

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As it stands, virtually no evidence or statements have been submitted by importers as part of the verification procedure. On the other hand, there have been numerous cases in which rights holders have contacted outlying customs offices and submitted evidence and statements for the purpose of inspecting suspected cargo. In the interests of minimizing the human and financial burden on rights holders, in June 2007 measures were introduced to simplify procedure for the verification of suspected cargo by customs. If the importer attempting to import cargo subject to an import suspension petition (with the exception of petitions relating to patent, utility model and design rights) does not express its intention to dispute the claims made by the rights holder within ten working days of receipt of notification of the commencement of verification procedure, the rights holder is no longer required to submit any evidence or statements.

**(4) Other systems**

In addition to the system outlined above, there are a number of other systems in place with the aim of effectively and efficiently controlling items infringing on intellectual property rights. These include (1) a system of sample inspections by the rights holder, (2) an import suspension petition deposit system, (3) a special advisory system for consulting the Director General of the Patent Office, (4) a special advisory system for consulting the Minister of Agriculture, Forestry and Fisheries, (5) a special advisory system for consulting the Minister of Economy, Trade and Industry, (6) a customs exemption system and (7) an expert panel system. □

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