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Swiss IP News We provide you with updates on new decisions, the relevant legislative process and other trends in the fields of intellectual property and unfair competition law from a Swiss perspective.

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Swiss Government Proposes a Revision of Customs Assistance in IP Matters

The Federal Council proposes a simplified procedure for destroying counterfeits arriving in Switzerland by mail in small consignments. This simplified procedure will make enforcement more efficient for right holders.

Background

Infringements of intellectual property rights, such as trademarks, copyrights, patents, or designs, not only cause significant damage to the affected right holders but also have broader adverse effects on the economy. Customs authorities play a crucial role in combating counterfeits. The rise of online sales in recent years has resulted in an increase in goods arriving in Switzerland by mail. Today, over 90 percent of counterfeits intercepted at the Swiss border arrive in small consignments containing up to three items.

Under current Swiss law, right holders may apply for customs assistance in their fight against counterfeits. Upon such application, the Federal Office for Customs and Border Security will withhold goods that it suspects of being counterfeit. The Office notifies the right holder as well as the recipient of the withheld goods. The goods will be destroyed unless the recipient objects to their destruction. If the recipient objects to the destruction, the goods are released unless the right holder obtains a seizure order.

Despite recipients objecting to the destruction in less than five percent of all cases, this procedure places significant administrative burdens on right holders.

The main reason for this is that the applicable deadlines run simultaneously. When the Office notifies the right holder and the recipient of the withholding of goods, the recipient has ten working days to object to their destruction. Within the same deadline, which may be extended by an additional ten working days, the right holder must secure an order from the civil courts or criminal authorities to seize the withheld goods. Since the deadlines for the recipient to object and for the right holder to obtain a seizure order run concurrently, and the right holder thus remains uncertain about whether or not the recipient will object to the destruction, the right holder already has to take all necessary measures, such as inspecting the withheld goods and preparing filings to the civil or criminal authorities, to ensure a timely seizure of the goods and thereby prevent a possible release to the recipient.

Simplified Procedure for Destroying Small Consignments

On 26 April 2023, the Federal Council released the dispatch and draft of the Federal Act on the Introduction of a Simplified Procedure for Destroying Small Consignments in Intellectual Property Law. The draft bill will now be deliberated in Parliament.

According to the proposed bill, when applying for customs assistance, right holders have the option to choose between two procedures in case of withheld goods that qualify as small consignments: the current ordinary procedure or a simplified procedure. Under the simplified procedure, only the recipient is informed when goods are withheld. The recipient then has ten working days to object to the goods' destruction. If the recipient objects to the destruction, the right holder is informed that goods have been withheld and that the recipient has objected to their destruction. The right holder may then obtain a seizure order within ten or twenty working days. If the recipient does not object to the destruction, the goods are destroyed by the customs authorities or, if this has been requested in the application for assistance, released to the right holder for destruction. The customs authorities inform the right holder on a quarterly basis of the quantity and type of goods destroyed, as well as the sender of the goods but not the recipient. Claims for damages against the recipient are excluded.

The Federal Council will define in an ordinance what qualifies as a small consignment. It will likely consider the respective EU regulation, which defines as a small consignment any consignment which contains three units or less or has a gross weight of less than two kilograms.

The Federal Office for Customs and Border Security will remain the competent authority for customs assistance. It may, however, delegate simplified procedures relating to small consignments to the Federal Institute of Intellectual Property.

Comment

The proposed simplified procedure for the destruction of small consignments is expected to improve enforcement of

intellectual property rights, offering greater ease and cost-efficiency. However, there are some aspects that warrant critical consideration.

If the recipient does not object to the destruction in the simplified procedure, claims for damages, such as the costs for the destruction, by the right holder against the recipient are excluded. It seems inappropriate to exempt the recipient from damage claims solely because the simplified procedure applies.

In contrast, right holders remain liable for damages to the recipient, in particular if, absent an objection, non-infringing goods are destroyed. The draft bill intends to address this issue by providing that goods shall be destroyed no earlier than three months after notification of the recipient. Nevertheless, right holders are informed only after destruction of the goods, which prevents them from taking action if goods have been wrongly withheld. This puts right holders, particularly in the case of luxury goods, at a significant risk. It may therefore be advisable to request that goods are not destroyed by the customs authorities but rather released to the right holder for destruction. That way the goods can be inspected by the right holder before destruction. Overall, in particular considering the deferred destruction, it would, however, seem more appropriate to exclude damage claims by recipients who did not object to the destruction.

Furthermore, unlike in the ordinary procedure, right holders are not informed of the details of the recipient if goods are destroyed in the simplified procedure. This seems inconsequential and diminishes the attractiveness of the simplified procedure, as it prevents right holders from obtaining additional information from the recipient (for example regarding the websites where the goods have been purchased) and from taking action against repeated infringers.

Finally, the revision fails to address the shortcomings of the ordinary procedure for destroying counterfeits, which arise from the concurrent deadlines for the right holder and the recipient. The dispatch mentions that these deficiencies are due to international law, specifically the TRIPS Agreement. However, while the TRIPS Agreement provides for a simultaneous notification of the right holder and the recipient as well as a deadline of ten, or exceptionally twenty, working days for the right holder to obtain a seizure order, it does not require for the deadlines for the right holder and the recipient to be the same. Rather, it would permit a shorter deadline (for example five working days) for the recipient to object to the destruction of goods. Such a shorter deadline would allow the right holder to act only when it is clear that the recipient objects to the destruction of the withheld goods.

The Walder Wyss Newsletter provides comments on new developments and significant issues of Swiss law. These comments are not intended to provide legal advice. Before taking action or relying on the comments and the information given, addressees of this Newsletter should seek specific advice on the matters which concern them.

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