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TITLE

**THE REGULATIONS OF EXHAUSTION OF
INTELLECTUAL PROPERTY RIGHTS
IN THE REPUBLIC OF ARMENIA**

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Introduction

Intellectual Property Rights are accepted all over the world. In the states with most developed legal systems, Intellectual Property Rights are highly respected and protected through various legal mechanisms. Efficient protection of Intellectual Property Rights provides an incentive to the individual for new creations, ensures the material reward for intellectual property, secure the availability of the original products and much more other benefits.

The protection of Intellectual Property Rights is important, at first, for the consumers. Pirated goods, especially in case of medicines, food, toys and accessories for children, skin care products, cosmetics, etc., can be dangerous for consumers' health and welfare. Even if such kind of products cannot have a negative influence on people's life or health, their quality cannot be the same as the original's one. Consequently, it will bring to consumer's confusion.

At second, IPR protection is paramount for the entrepreneurship. It gives the creator sole ownership of the concept, in a similar way to owning physical property like a house or car. IPR holders can control the use of their intellectual property to gain financial reward. Additionally, it is important for IPR holders to create and maintain the fair name and image of their brand.

At third, Intellectual Property Rights protection is decisive for investors. Every person who is planning to make an investment will prefer to invest in a state or in a territory, where their rights in general, (including Intellectual Property Rights) will be highly protected. As a result, protected Intellectual Property Rights will create a Favorable Investment climate.

Finally, having a legal system with successful mechanisms of Intellectual Property Rights protection will increase the reputation of the state in the eyes of international community. As was mentioned above, nowadays Intellectual Property Rights are accepted all over the world, and a lot of statistic reports are composed each year on IPR infringement quantities, about States with most protected IP rights or States with most violations of IP rights etc.. As for instance is Special 301 Report. This Report is prepared annually by the Office of the United States Trade Representative (USTR) that identifies trade barriers to United States companies and products due to the intellectual property laws, such as copyright, patents and trademarks, in other countries. The annual Special 301 Report includes a list of "Priority Foreign Countries", that are judged to have inadequate intellectual property laws; these countries may be subject to sanctions. Moreover, the report contains a "Priority Watch List" and a "Watch List", including countries whose intellectual property regimes are deemed of concern. Thus, if on the territory of a state repeatedly and in large amounts Intellectual Property Rights are violated, there is a danger for that state, that it can be included in the "Watch List" or even worse, in the "Priority Watch List" of Special 301 Report, what is terrible for a state's reputation.

In this modern world, there exist different institutes of IPR protection in all developed legislations all over the world, one of the most effective tools is prevention the import or export of goods or services infringing such rights. That is to say to forbid the entry of IPR infringing products into the country through customs authorities, namely preventing illegal import or export.

Chapter 1

(Current Regime in the Republic of Armenia)

Exhaustion of Intellectual Property rights is a developing concept in legal literature and practice. It is known also as First Sale Doctrine. The essence of exhaustion of intellectual property rights is when the IP holder cannot provoke his or her IP right any longer after the product is legally marketed. Exhaustion points out one of the restrictions of intellectual property rights.

Nowadays three exhaustion regimes are accepted in legal literature and practice: National Exhaustion Regime, Regional Exhaustion Regime and International Exhaustion Regime.

The theory of national exhaustion does not grant the IP owner with the authority to control the commercial exploitation of goods placed in the domestic market by the IP owner or with his consent. However, the IP owner (or his authorized licensee) could still prevent the importation of original goods marketed abroad based on the right of importation.

In the case of regional exhaustion, the first sale of the IP protected goods by the IP owner or with his consent exhausts any IP rights over these given goods not only domestically, but within the whole region, and parallel imports within the region can no longer be prevented based on the IP right.

And in case of international exhaustion, the IP rights are exhausted once the product has been sold by the IP owner or with his consent in any part of the world.

In the Republic of Armenia the statements regarding parallel import and exhaustion of intellectual property rights as well as Intellectual Property Rights Exhaustion Regime, are defined partially in domestic legislation, particularly in the Article 14 of RA Law on Trademarks¹¹, and partially by multilateral treaties, particularly, Treaty on the Eurasian Economic Union (hereinafter referred to as The Treaty) (Article 16, Annex 26)²².

According to domestic legislation the IPR holder, who has registered the trademark, exhausts his or her IP right after the goods with that trademark are put into commercial circulation by the latter or with his or her consent in any country. That is to say, The International Exhaustion Regime is provided.

On October 09, 2014 The Republic of Armenia signed the accession treaty and joined to Eurasian Economic Union and the Treaty which came into force on January of 2018. Consequently, the IPR Exhaustion Regime changed from International Exhaustion Regime to Regional Exhaustion Regime, since the following:

According to the Treaty, if the IP right holder directly puts the goods protected with the trademark into commercial circulation on the territory of any Member State, his or her IP right cannot be provoked any longer in the territory of Eurasian Economic Union. This

¹¹ 1. *The proprietor of the registered trademark shall not be entitled to prohibit the use by third parties of the trademark in relation to goods which have been denoted and put in commercial circulation by the proprietor or with his consent in any country.*

...

²² *The principle of exhaustion of the exclusive right to a trademark and the trademark of the Union shall be applied on the territories of the Member States, in accordance with which the use of a trademark or the trademark of the Union in relation to goods lawfully put into civil circulation on the territory of any Member State directly by the right holder of the trademark and/or the trademark of the Union or other persons with its consent shall not be regarded as a violation of the exclusive rights to the trademark or the trademark of the Union.*

means that the Intellectual Property Right holder exhausts his right by alienating the product in any member state of the Union, what is the feature of Regional Exhaustion Regime.

The same requirement is provided for the cases when the goods protected by a trademark are put in the market not directly by the IPR holder, but with his or her consent.

Chapter 2

(Current Regulations in Armenian Legislation)

Nowadays one of the most crucial mechanisms for preventing Intellectual Property Rights is blocking the import and / or export of pirated products or unlawful import and / or export of non-counterfeit products without the permission of IPR holder (parallel import).

To make this mechanism work lots of countries in the whole wide world established Intellectual Property Rights protection on the borders and different ways of the assistance of Customs Bodies to IPR holders.

In the Republic of Armenia, Intellectual Property Right holder is provided with the assistance of Customs Body under The Chapter 42 of the RA Law on Customs Regulations (hereinafter referred to as the Law). According to Armenian Legislation an IPR holder who has registered his IPR in Intellectual Property Agency (AIPA), and have sufficient grounds for suspecting, that his or her IP rights infringing goods may be transferred through the Union's borders, may apply to Customs Body, present an application for suspension to

register the intellectual property object, and request to suspend the release of goods labeled with the same trademark through any customs procedures³.

To successfully record the IP object in the Customs Body's Registry the IPR holder shall submit an Application (hereinafter referred to as Application for suspension). The Application for Suspension shall include a detailed description of intellectual property object (if possible, providing with a sample), the list of goods, which may include registered intellectual property object, the time period (no longer, than 2 years) when the IPR owner seeks the assistance, IPR owner's obligation about compensation of Customs Body's expenses related to suspension of release of infringing goods, Applicant's name, location etc.. The whole list of necessary information, that an Application for Suspension shall cover is prescribed in Part 4 of Article 239 of the Law⁴. The Applicant is obliged also to submit evidence to prove that he or she is the lawful holder of mentioned IPR, and an evidence to prove, that state fee is paid⁵.

There exist two types of Application for Suspension: Definite and General.

³ RA Law on Customs Regulations, Article 239, Part 3 (2014)

⁴ *Application for Suspension shall include.*

- 1) *a detailed description of intellectual property object (if possible, providing with a sample, to be recognizable for Customs officers);*
- 2) *the list of goods, which may include registered intellectual property object;*
- 3) *IP registering object's application methods (the way of labelling the specific product with IP holder's trademark etc.) by IPR holder or by others with his consent;*
- 4) *the time period (no longer, than 2 years) when the IPR owner seeks the assistance from Customs Body;*
- 5) *Applicant's obligation to compensate all the expenses made by Customs Body, related to suspension of goods release (goods detailed examination costs, suspended goods' maintenance costs in the temporary maintenance storages) as well, as the possible expenses and damages of the person, who transfers or deports goods, if the court (or according to other regulating procedures) finds no IPR infringement during that very transfer of goods.*
- 6) *Applicant's obligation to provide with a mortgage or other similar bank guarantee to secure the execution of his or her obligations mentioned in Point 5 of this same part, in three days after being notified by Customs Body based on his or her Application for Suspension;*
- 7) *Applicant's name and location.*

⁵ RA Law on Customs Regulations Article 239, Part 5, Point 1 (2014)

A Definite Application shall be submitted, if the Applicant is aware of a planned transfer or existence of IPR infringing goods on any customs border of the Union (Eurasian Economic Union) and expects one-time assistance from Customs Body.

In all other cases, when the Applicant can seek assistance, a General Application shall be submitted⁶.

After receiving and examining the Application, the Committee shall make a decision about either granting or rejecting the Application within 7 days⁷. The Rejection shall be well grounded and in a written form. In case of granting the Application, The Committee shall register the IP object in the registry and publish a notice on its official web site.

If the Application for Suspension is successfully rewarded and the IP object is recorded in the Customs Body Registry, Customs Body Officer shall suspend the release of product /products/, that infringe or may infringes IPR holder's right. Immediately after the suspension, the Customs Officer shall notify the IPR holder.

The IPR holder has ten days term, after being notified, to undertake necessary measures for the protection of his or her right. Particularly the IPR holder shall examine the product to find out if it is infringing one and to make a decision whether does it worth to file a suit. The Customs Officer has a right to provide IPR holder or the person who transfers the goods, with information concerning the goods, which is necessary and detective to reveal the infringement. The information shall be provided in a manner, that does not breach governmental, service, commercial or other secrets prescribed by law. In case that a tangible infringement exists, IPR holder shall launch a lawsuit.

If in ten days the IPR holder does not inform Customs Body about launching the lawsuit (or does not launch a lawsuit), suspended goods are released. On the occasion that

⁶ RA Law on Customs Regulations Article 239, Part 6 (2014)

⁷ RA Law on Customs Regulations, Article 240, Part 3 (2014)

Customs Body is informed about launching a lawsuit the term of suspension can be extended with a term of not more than ten days.

USA

In the United States Intellectual Property rights are highly respected and protected and U.S. practice is very reach, that's why the U.S. can stand as a good example for a role model of Intellectual Property Rights protection on the borders.

As in Armenia, in the U.S. too, if the trademark is registered with the USPTO (the United States Patent and Trademark Office) it can also be recorded with the United States Customs and Border Protection (CBP), a bureau of the Department of Homeland Security. This can be done electronically and will help the fight against fake and pirated goods being imported to the USA.

United States Customs and Border Protection provides the IPR owners with assistance in the fight against counterfeit goods and not authorized import.

CBP has made IPR enforcement a priority trade issue, to protect both private industry and consumers. In comparison with Armenian Customs Body, CBP has developed a multi-layered, strategic approach to IPR enforcement. In addition to seizing goods at U.S.

borders, the strategy includes expanding the border through post-import audits of companies that have been caught bringing fake goods into the U.S., collaboration with CBP's trading partners, and partnering with industry and other federal agencies to enhance these efforts. CBP also issues civil fines and, where appropriate, refers cases to other law enforcement agencies for criminal investigation, whereas according to Armenian Legislation the Customs Body has no authority to issue civil fines or to launch or to delegate the case to a criminal investigation for illegal import or export.

In the US to make CBP's work more effective an active cooperation with IP rights owners is implemented, while in Armenia the cooperation between IPR holder and Customs Body is very limited and not yet well developed.

In comparison with Armenian Customs Body, CBP provides three steps to maximize the efficiency of cooperation. The first step is e-Recordation, which is the procedure of recording the Intellectual Property Right with CBP. It is a simple move, if there is an already registered IP right, the very right owner can access the online e-Recordation application in the appropriate website and provide with necessary information (the information shall include the trademark or copyright registration number; the name, complete business address, and citizenship of the rights owner; the place(s) of manufacture; the name and address of individuals authorized to use the trademark or licensed to use the copyright; and, the identity of a parent company or subsidiary authorized to use the trademark or licensed to use the copyright). Although according to Armenian Legislation the IPR holder is provided with a right to register the IP right in Customs Body's Registry, but the procedure is not sufficiently simple and achievable (this problem is highlighted in details in Chapter 4 of this Thesis Paper).

The second step is e-Allegation. CBP encourages IPR owners to submit allegations on any possible infringements. CBP uses this information to target these activities and may refer cases for criminal investigation. This kind of information shall be submitted through CBP's online reporting system, e-Allegations, is disseminated to the appropriate office or port of entry for investigation. By the way, the submissions can be anonymous and may include photos and other documentation.

The third tool for cooperation is information sharing. Counterfeit and pirated goods are becoming much more sophisticated, which means that it is also becoming much more difficult to distinguish legitimate goods from fakes, and a big portion of extra knowledge is necessary about the original goods. That's why CBP expects active involvement of IPR owners in this process. CBP suggests two ways of proactive cooperation. One way is through Product Identification Guides and the other way is through Product Training Sessions.

Product Identification Guides shall be produced by rights owners and shall include information about the company, registration number, recordation number, contact information, physical characteristics of the product, photos of genuine and suspect versions of the goods, manufacturing information etc..

Product Training Sessions, too, shall be conducted by IP right owner. The aim of such trainings is to interact face to face with the officers and import specialists who will actually inspect shipments and look for intellectual property rights infringements.

The second and third tools are not established and are not common for Armenian Customs Body, in the IPR protection procedures.

Japan

Japan is in the list of the countries where Intellectual Property Rights are effectively protected on the borders. The Customs Bodies of Japan enforce goods infringing Intellectual Property Rights according to Japan's Customs Law, in particular, the Articles 69-2, 69-11, 30, or 65-3.

In comparison with Armenian Legislation, in Japan's Customs Law penal provisions are intended in a detailed way – separately for physical and judicial persons. Additionally, strict penalties are provided for willful IPR infringements.

For example, Paragraphs 2 and 3 of Article 108-4, Paragraphs 2 and 3 of Article 109 of the Customs Law define:

Any person who has exported, imported or attempted to export or import goods infringing IPRs shall be punished by imprisonment with work for not more than ten years and/or a fine not more than ten million yen⁸¹ (approximately USD 91 000).

Pursuant to paragraphs 2 and 3 of Article 109-2 of the Customs Law:

Any person who has transported or attempted to transport goods infringing IPRs, or has transferred or attempted to transfer goods infringing IPRs from the importing means of transport to the exporting means of transport, shall be punished by imprisonment with work for not more than ten years, and/or a fine not more than seven million yen (approximately USD 63 700).

Also, the will is mentioned as a mandatory element for these offences, as it is stated in several Articles of the Customs Law that any person who has prepared willfully for the offence as prescribed by Customs Law shall be punished.

⁸¹ 1 Japanese Yen equals to 0.0091 USD

And as was mentioned above, there are separate penalty provisions for judicial persons, for instance Paragraph 1 of Article 117 of the Customs Law defines:

Where an employee or any other workers of a juridical person or an association or a foundation without juridical personality has committed an offence described above with regard to the business of the said juridical person, etc., such juridical person, etc. shall be punished by a fine as provided in the respective corresponding Articles.

Moreover, The Customs Law of Japan defines, that the goods infringing IP rights may be confiscated and destroyed by Customs.

In Japan, there are additional remedies besides these strict penalties, that stands for Intellectual Property Rights protection.

One of that kind of remedies is The Application for Suspension, like in Armenian legal system.

According to Japanese Law, The Application for Suspension is the procedure that IPR owners request Customs to initiate Identification Procedures in the case Customs detects goods suspected of infringing their IPR in imports or exports.

Application for Suspension covers patent rights, utility model rights, design rights, trademark rights, copyright and neighboring rights, plant breeder's rights, unfair competition relating to famous indication of goods, the configuration of goods and access / copy control of restricted material.

Identification Procedures are the procedures in which Customs makes a decision as to whether the suspected goods are infringing IPRs or not, unlike in Armenia, where the decision maker is the Court.

Here is the detailed overview of the Identification Procedure:

When goods infringing IP rights are detected by Customs in the course of physical inspection on imports of general cargoes (sea and air) or postal items, Identification Procedures are initiated unless the case is subject to Investigation Procedures for Offences.

When suspected goods are detected, Customs notifies both importers and right owners of the initiation of Identification Procedures by providing them respectively with relevant information such as names and addresses of parties concerned.

The producer's names and addresses are also notified to right owners if they are obvious in the import declaration form, etc., which has been submitted to Customs.

Both right owners and importers are provided with equal opportunities to submit their opinions and evidence to Customs within ten working days (three working days for perishable items) from the day following the date of the “Notification of Initiation” letter.

In the cases based on approved applications for suspension, each party may inspect goods during Identification Procedures

Applicants may also conduct “Sample Examination” (i.e. dismantlement, analysis), on the condition that all the requirements for approval for “Sample Examination” are satisfied and the security is provided.

Importers may take a measure of “Voluntary Disposal” (e.g. destruction, abandonment, reshipment, obtaining consent from the right owner, removal of infringing parts.) In the case of either consent from right owners or removal of infringing parts, Customs makes a decision of no infringement. In other cases, Customs continues Identification Procedures.

Opinions and evidence from one party are disclosed to the other party for submitting additional opinions, etc. Based on opinions and evidence from both parties, Customs makes a decision as to whether the suspected goods are infringing IPRs or not (decisions are expected to be made within one month).

There is also a Simplified Identification Procedure, which is limited to the Application for Suspension other than patent rights, utility model rights, and design rights.

According to the Order for Enforcement of the Customs Law:

If the importer does not submit any written objections to Customs about the “Notification of Initiation” during the designated period in the procedure, Customs makes an infringement decision based on information in the applications for suspension without asking any further opinions and evidence from parties concerned.

In such kind of cases, where no objections have been filed by importers Customs decides as to whether the suspected goods are infringing IPRs or not based on the approved applications for suspension from right owners (i.e. the application form and the attached documents).

If it is decided that the goods are not infringing IPRs, an import permit is granted.

If it is decided that the goods are infringing IPRs, Customs sends a “Notification of Decision” to right owners and a “Notification of Decision (Confiscation) to importers for notification.

If neither protests nor contact has been made by importers within two months from the day following the date of receipt of such notification, Customs may confiscate and destroy the infringing goods unless no measures of voluntary disposal have been taken.

Another similarity between Armenian and Japanese Legal systems is the institute of deposit related to Application for Import Suspension. According to Customs Law of Japan, when Customs initiates an identification procedure on suspected goods based on the Application, if necessary, Customs may order the applicants, for the importers, to deposit the security to cover the damages caused by the procedure.

Australia

Australia is another example of the countries with a reach practice in the fight against pirated goods and counterfeits. Although in Australia the logic is that the IP right owner shall be vigilant about protecting his or her intellectual property from infringement and maintaining the reputation and value of the brand and / or products. But the belief is, that counterfeit products which are imported in Australia can impact on and undermine the growth of a brand and its presence.

That is why, The Australian Department of Immigration and Border Protection, however, does provide some comfort to brand owners against counterfeit importation by giving them the option of lodging a Notice of Objection, like an Application for Suspension in Armenia, to stop the flow of counterfeit products at the border.

A Notice of objection is a document that allows the Australian Border Force to seize imported goods that are suspected of infringing Intellectual Property rights that are the subject of the Notice. A Notice is lodged by Intellectual Property owners (or in some cases authorized users) who are concerned about the potential damage to trade, reputation and profits that may result from the importation of goods that infringe their intellectual property. Intellectual Property rights owners with a Notice in place are commonly referred to as 'objectors'.

In order to file a Notice, a completed Notice Form which includes details of the objector, their evidence of intellectual property ownership such as a registered trademark or copyright materials; and a completed Deed of Undertaking ('Deed') (The Deed is a formal undertaking from the objector that they agree to pay any costs incurred by Department of Immigration and Border Protection outside their normal business duties while enforcing the

Notice (for example, transportation, storage and destruction costs)) must be submitted to the Department of Immigration and Border Protection.

There is a difference in validity terms between Armenian and Australian Legal systems, as in Australia the Notice of Objection is valid for four years, while in Armenia the Application for Suspension is valid for two years. In both States, a Notice can be re-lodged to ensure ongoing protection, or withdrawn at any time if no longer required.

Unlike Armenian Legislation, in Australia, there are no fees involved in the actual lodging of a Notice. However, in the event that counterfeit goods are seized, costs will be incurred, and these will depend on factors such as quantity, type of goods and storage. Notably, if the objector takes the matter before the Court, the objector may be able to recoup some of its costs from the importer as part of the settlement process.

If a valid Notice is obtained by Australian Border Force in case of import of infringing goods ABF is able to seize goods that are subject to customs control; are covered by a valid notice; appear to infringe an Intellectual Property owners rights; and are intended for commercial purposes.

Another similarity with the regulations of Armenian Customs Body: when goods are seized, the importer and the objector will be notified in writing by the seizing officer of the Department of Immigration and Border Protection. The date of issuance of the notice signifies the commencement of the claim period. The claim period is ten working days from the date of notification.

But unlike Armenian regulations, in Australia, if no claim for release is made within the claim period then the goods are deemed forfeited. In Armenia is vice versa, if the IPR holder does not undertake any actions to prevent illegal import, the goods are released. In Australia,

if the importer wishes to make a claim for the release of seized goods, they must do so within ten working days of notification.

If a claim for release is made by the importer, the objector will be notified (this signifies the commencement of the action period) and will have ten working days to either commence legal action; or consent to the release of the goods to the importer. The importer can voluntarily forfeit the goods at any time before legal action has commenced.

Although like in Armenia legal proceedings take part in this process, but in Australia, the objector starts legal action. If the latter does not commence legal action and the goods have not been forfeited by the importer, the Australian Border Force will release the goods to the importer subject to all other legislative requirements being met. The ABF does not, however, make the final decision on whether goods are infringing Intellectual Property. This will be determined by the Courts, if an action is commenced by either party, and orders will be made by the Court accordingly. This may include: either releasing the goods to the importer; or forfeiting them to the Commonwealth.

If the goods are ordered to be forfeited, the Australian Border Force will dispose of them as directed by the relevant delegate, usually by destruction.

European Economic Area (Italy)

The European Economic Area is a free trade zone between the European Union and the European Free Trade Association (EFTA). Trade agreement details stipulated by the EEA include liberties on product, person, service, and money movement between countries.

Although in a whole European Economic Area's and Eurasian Economic Union's (which is a part of Armenian Legal System) regulations are similar, but there are several substantial differences between them.

A procedure set forth in European Regulation No. 1383 /2003 enables right holders to apply for customs action against goods suspected of infringing intellectual property rights. The holder of such rights valid in one or more European Union member states may request customs authorities to prevent the entry into those European Union member states of goods infringing his rights. Customs action against goods suspected of infringing intellectual property rights may be requested in one, or more, the member states of the European Union where the right is in force: Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden and the United Kingdom.

Applications for customs action may be based on trademarks, designs (registered or unregistered), copyrights, patents, supplementary protection certificates, plant breeder's rights, protected denominations of origin, protected geographical indications and trade name, if eligible for protection as an intellectual property right under national or EU law.

The information included in the Application shall include an accurate and detailed technical description of the goods (i.e. photographs and description of the original product and packaging), the name and address of the contact person appointed by the right holder, a list of authorized manufacturers, country or area of provenance of the infringing goods, possible recipient(s) of the infringing goods, any specific information the right holder may have concerning the type or pattern of fraud etc..

The application must be filed with the customs authority of the European Union member state(s) in which action is requested, or with the customs authority of one member state only, but with extension to all European Union member countries if the right concerned is a Community right (e.g. a Community trademark or Community design).

The application must contain a proof of validity of intellectual property rights within the territory concerned, that is documents showing that the applicant is the owner of the intellectual property rights on which the application is based and that the rights in question are valid in the European Union member state(s) in which customs action is requested.

One of the differences is the duration term of the Applications. The application for customs action in EEA has a one-year duration and renewal is possible.

If a valid Application is already obtained by customs bodies in any member state of EEA and a customs office identifies goods suspected of infringing intellectual property rights for which an application for customs action has been filed, it suspends the release of the goods and detains them. The right holder is informed of the suspension and invited to inspect the suspect goods.

There is also a slight difference between the terms of the suspension, which is 10 working days, and may be extended by another 10 working days maximum if necessary in EEA. In the case of perishable goods, the term is of 3 working days only (according to Armenian Legislation the term is ten days and is not differentiated for perishable and unperishable products).

Within these terms, the right holder must assess whether or not the suspect goods infringe his intellectual property rights and submit to the customs office a written declaration confirming the infringement. Where no written declaration is submitted, the customs office may release the goods.

In EEA member states, like in Armenia, the IP right Owner must Institute Legal Proceedings within 10 working days of the beginning of the term of suspension (3 working

days in case of perishable goods), the right owner must institute legal proceedings, requesting a court to confirm the seizure of the infringing goods.

Italy is one of EEA member states, where a wide range of tools is used to protect IP rights and prevent illegal imports and exports, particularly to ban the entry of counterfeit and pirated products into the country.

In comparison with Armenia, in Italy intellectual property protection is provided under Italy's penal and civil codes. Under the penal code, Italy's Finance Police, Guardia di Finanzia, is responsible for IPR enforcement. And other law enforcement agencies such as the Carabinieri and the municipal police also play important roles. The Guardia di Finanzia is authorized to seize any counterfeit or pirated goods.

Additionally in Italy there exist administrative fines ranging from 100 to 10 000 euros for consumers caught purchasing or accepting counterfeit or pirated goods.

Another remedy provided under Italian legislation is the assistance of Italian Customs Authorities to IPR owners. Particularly Patent, trademark, and copyright owners can request Italian Customs Authorities to prevent goods in violation of IPR from entering the market through an injunction. Another feature of Civil proceedings can take place separately or be added to a criminal trial. Lawsuits in Italy generally take many years and injunctive relief and damages can be requested during this time.

Another feature of Italian Law is the criminalization of IP right infringements. Under Italian Law, the infringement of intellectual property rights is a criminal offence; therefore, when an Italian customs office receives the right owner's declaration confirming the infringement, the judicial authorities are notified and criminal proceedings are started automatically.

Customs authorities may take action even in the absence of an application if they have sufficient grounds for suspecting that goods infringe an intellectual property right. Customs may ask the right holder to provide them with any information they may need to confirm their suspicions and may suspend the release of the goods or detain them for 3 working days in order to enable the right holder to submit an application for action.

Switzerland

Switzerland is not a member state in the European Economic Union. Anyway in the Swiss Legal System too, there are several remarkable mechanisms. The customs authorities in Switzerland are empowered to inform the owner of a trademark where they suspect that imported, exported or in-transit products are unlawfully covered by the trademark. So unlike Armenian Legislation, the IPR owner has no obligation to apply to customs authorities or to present any kind of application or notice.

Customs authorities are entitled to retain the products for three working days to allow the trademark owner to intervene.

The only obligation of a rightful owner of the trademark is to file a written request for the Customs Administration to refuse to release these products. The owner must support the request with complete information on their trademark rights and a precise description of the products.

Customs authorities will then deliver a notification of withholding of potentially infringing goods and the rightful owner of the trademark has 10 days to obtain an injunction by a civil court, a seizure order by a criminal prosecution authority or the agreement of the infringing goods' owner to the destruction of the withheld goods.

Chapter 4

(Analysis)

In Armenian Legislation, the Assistance provided to IPR holders by Customs Body in particular, and Intellectual Property Rights Protection in general, are relatively new and developing institutes. Consequently, there are still several gaps and shortcomings in the regulations that arise in daily practice. To reveal the most crucial gaps in Armenian Legal System and the most critical obstacles, that IPR holders face in practice most often, an Attorney and Employee of “Knyazyan and Partners” Law Firm (one of the most significant and specialized law firms in IP field in Armenia) Hripsime Papikyan was interviewed.

4.1 Comparative Analysis

A significant flaw in current regulations is IPR holder’s obligation, to present evidences that he or she has “...*sufficient grounds to assume, that IPR infringing goods may be transferred through the borders...*”⁹¹, while submitting an Application of Suspension to Customs Body.

In countries with developed IPR protection systems, like Italy, other EEA member states, Japan, Australia etc., the only mandatory information that IPR holder shall submit to Customs Authorities to seek their assistance, is the evidence, that he or she is the lawful IP right holder.

The drawback of such statement is that in one hand it puts an unnecessary burden on IPR holder to prove the existence of “*sufficient grounds*”, and in the other hand, it allows Customs body officers to exceed their authority and to reject the Applications for Suspensions, referring on this very statement. As was mentioned by Hripsime Papikyan, there

⁹¹ RA Law on Customs Regulations, Article 239, Part 3 (2014)

is a case, when an Application is rejected according to Part 3, Article 239 of the Law, explaining the rejection by the lack of evidence on the fact, that IPR infringing goods will be transferred through a border.

It is in contradiction with the law, since such requirement can be relevant in case of Definite Application only, but it cannot be applicable to General Applications, since the General Application covers all the cases, which are out of the scope of Definite Application but still are covered by third part of Article 239 of the Law. Under this part, the Legislator provides IPR holder with right to protect his or her IP right and to seek assistance from Customs Body even if there is a possibility, that IPR holder's right can be infringed. And nothing is stated about real facts and existing infringements.

Accordingly, such reasoning by Customs Body is senseless, since the following: if the purpose of the legislator is to make the Assistance of Customs Body real, so it shall be preventive. Imagine a scenario, when an IPR owner presents an Application for Suspension to the Committee, and it is rejected since the IPR owner cannot prove, that his right has already been violated or will be in the near future. Consequently, the IPR object is not registered by the Committee. A third person making sure, that there is no registration in the Customs Body of that very good, decides to import tones of the same goods. The imported goods reach the borders and the Customs Body release its entry to the country since there was no registered IPR by the Committee. That huge amount of imported goods, already released, can be on sale for years. After the IPR holder reveals several infringements of his IP rights, and reapply to Committee, presenting also the facts proving the violations, and even at that time his Application is granted and IPR object registered, but there exist already a huge portion of infringing goods inside the country. So a one-time infringement can cause long term consequences.

Accordingly, changing the law and extracting such obligation from IPR holder may simplify the Application submitting procedure and will make this mechanism of assistance work in a more efficient way, like it is in many countries with developed IPR protection systems, like Italy, other EEA member states, Japan, Australia etc.. The only mandatory information that IPR holder shall submit to Customs Authorities in above-mentioned states, to seek their assistance, is the evidence, that he or she is the lawful IP right holder.

Another shortcoming of the Law is the following statement: “...*Customs Body officer has a right to provide the IPR holder and the person who transfers goods with information, which is necessary for IPR protection’s issue solution*¹⁰¹”.

Granting Customs Body officer with such right and not defining “information providing” as an obligation, may lead to arbitrariness and abuse of rights by the officer. He decides whom and in which consequences to provide with information and when to reject. And the rejection draws additional and unnecessary obstacles for the parties since the facts become unclear and uncertain and it becomes harder to decide whether does it worth, to continue the protection or to end it.

Consequently, it will be appropriate to make a change in this Article, and to shift the words “has a right” with “is obliged”.

4.2 Analysis based on practice

Any law or any regulation, even if they seem to be perfect, there may arise uncounted gaps and difficulties in their enforcement phase.

As was mentioned above, IPR protection, and Customs Body and IPR holder cooperation are new elements in Armenian Legal System, so the practice related to these

¹⁰¹ RA Law on Customs Regulations, Article 242, Part 1 (2014)

institutes is not so rich yet. But there are several obstacles, that are already revealed through practicing the Law.

One of the most meaningful difficulties, that is admitted in practice, is the ten plus ten days term, that is provided to IPR holders to undertake necessary actions to protect their right.

At first glance, this term seems to be sufficient time for the IPR holder to successfully manage the protection of his or her rights. This ten days term, which can be extended with not more than additional ten days, is provided also in several Legal Systems in different countries with impressive reputation in IPR protection field, as for example under Australian Legislation or European Economic Area's regulations (although in these two legal systems the term is 10 working days, instead of ten days).

However, in practice when this term is incorporated into Armenian Legal System, and when it is combined with the terms in the Civil Procedure Code, particularly the First Instance Court makes a decision on whether to admit proceedings, reject the suit or to return it in seven days¹¹¹. Moreover, if IPR holder files a freezing motion with the suit, the court shall examine the motion with the suit. But if the motion is submitted to Court separately from the suit, the Court shall examine it not later than the next day after receiving it¹²².

If imagine a perfect scenario, without any unexpected delays, an IPR holder after being notified, that his or her IP right infringing goods are suspended, arrives on the first day to customs border, where the infringing products are located. The examination of that product, the negotiation with the importer, the decision making whether to launch a suit or to make an agreement with the importer, drafting a suit etc., may last more than three days.

¹¹¹ RA Civil Procedure Code, Article 124 (2018)

¹²² RA Civil Procedure Code, Article 131 (2018)

And even if everything is perfectly managed and the IPR holder submits a lawsuit to the court on forth day of the ten days term, the court may make a decision on the seventh day of its seven days term, so the decision will be made after the 10 days term is expired.

As a result, the suspended products are released by Customs Body, since the IPR holder cannot prove and inform them about an ongoing lawsuit in the court.

Accordingly, Intellectual Property Right protection becomes senseless and not applicable.

Another crisis that IPR holder may face is related to securing the claim by the Court.

The types of claim securing measures are listed under the Civil Procedure Code of Armenia¹³¹. The list is not exhaustive, and it ends with a statement “*other claim securing measures provided by law*”.

In practice, the courts interpret this statement differently. Even there is a case, that the same court and the same judge rejected the motion explaining, that the Court has no authority to prolong the suspension on the products put by Customs Body. So the Court does not consider it as other claim securing measure.

Immediately after, the second motion was submitted by the Applicant with a more detailed explanation on the fact, that the prolongation of suspension is defined by law, and it is the only way to make possible the IPR protection mechanism’s work. As a result, the Court granted the second motion, considering the prolongation of suspension as “Other claim securing measure”.

To shape an identical practice and to provide with legal certainty, it may be appropriate to establish a specialized court or to address such cases to specialized judges in each court.

¹³¹ RA Civil Procedure Code, Article 129 (2018)

Additionally, as was mentioned above, the Assistance of Customs Body, Application for Suspension and other mechanisms are developing institutes and the quantity of such kind of applications and accordingly the quantity of lawsuits will increase in future, which will lead to enormous overload of courts. Establishment of a Specialized Court may restore this trouble as well, by relieving Courts' load.

Conclusion

To conclude: in the scope of this Thesis Paper intellectual property right exhaustion regime as well as the IPR protection and Customs Body assistance mechanisms in the Republic of Armenia are described in details. Additionally, the most remarkable features of various international best practices are illustrated.

And mostly, this Thesis Paper through substantial interviews and profound studies aims to reveal the most common and crucial hazards and obstacles in the field and provide with possible remedies for existing problems. It can be useful content in one hand for IPR holders to realize the sphere, the possible obstacles they may face etc.

On the other hand, it can be convenient for investors and people from abroad, who wants to establish some business, or to invest in Armenia, or to make imports or exports through Armenian borders. This paper can serve as a guideline for them, to visualize current regulations and existing practice in Armenia.

Additionally, it can be beneficial for state authorities to focus on actual gaps and imbalances in current regulations, to direct them towards possible solutions and development of the field.

Thus the most notable issues, that are discussed in the scope of this Thesis Paper are the following:

- Overburdening obligation on Intellectual Property Right holder, while submitting an Application for Suspension,
- Granting Customs Body Officers with a right to decide by themselves, whether to provide IPR holders with information on IPR infringing goods or not,
- The ten plus ten days term for IPR holder to undertake necessary measures, and the dissonance with terms under the Civil Procedure Code,
- Misunderstanding or misinterpretation of the article on securing the claim.

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