

Combating IPR Infringement in the Express Supply Chain

EEA presentation for CEPS conference on
Digital Traceability in the Fight against Illicit Trade
Improving Rules and Practices

Cezary Sowinski

Senior Director Customs and Regulatory Affairs Europe, DHL Express

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About the express industry

THE ROLE OF THE EXPRESS CARRIERS

What is the express industry?



It provides a fully "integrated" service that accelerates the process of transporting goods across the globe.



The core business is the provision of value-added, door-to-door transport and deliveries of time-definite shipments, worldwide.



It connects EU Member States with over 90% of the world within 72 hours.

What is the role of express carriers in the economy?



Express services are an enabler of e-commerce and SMEs.



96% of EU companies use express delivery services because they need next-day and guaranteed delivery.



On average, 15% of sales revenue of SMEs is dependent on express delivery services. This number reaches 36% in the Netherlands.



43% of SMEs think they would lose orders without next-day international delivery.

What is the impact of customs procedures on express deliveries?



Efficient customs processes are key to ensuring fast delivery of goods and a dynamic economy.



Express carriers play a unique and crucial role in shipments that cross international borders. They handle customs clearance as well as the payment of duties and taxes as required, services that particularly help SMEs.



Members of the European Express Association (EEA) represent over 30% of customs clearances and some of the largest customs brokerage operations in the EU.

Source of express statistics: The Economic Impact of Express Carriers in Europe, Oxford Economics, 2011

For more information visit www.euroexpress.org

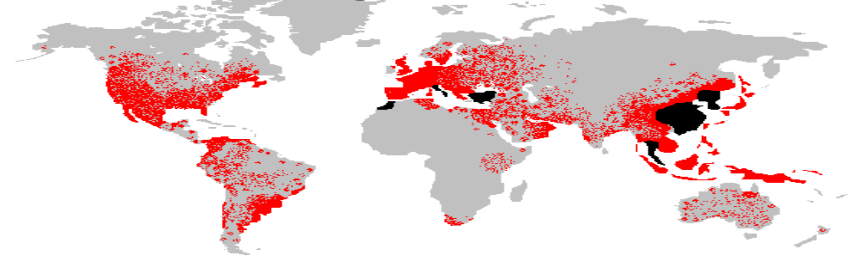


IPR and the express delivery industry

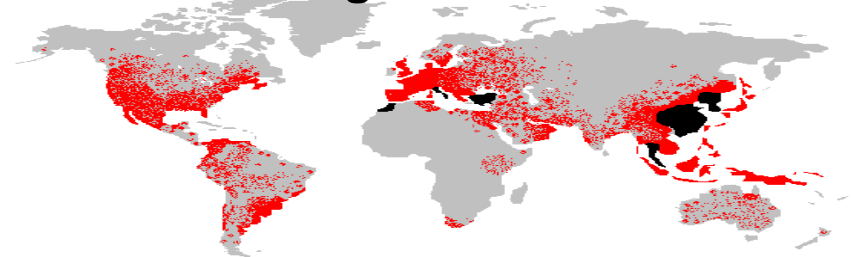
Market perspective

- Counterfeiters' production entering increasingly global market place
- Smuggling of IPR-breaching shipments principally from Asia Pacific
- Follows recognisable business models

Manufacturing bases & Markets



Counterfeiting bases & Markets



IPR/Counterfeit impact on express carriers

Counterfeited goods have an international market and need transportation

- The challenge for Express:
 - Global networks and reach
 - Member operations are integrated and transparent “end to end”
 - Members transport goods in good faith
 - Members’ brands are global and are targets in their own right
 - We are not IPR experts
- EEA members recognise:
 - Concern for society and the economies they service
 - Rights holders are also our customers
 - Need to reinforce relationships with Customs and stakeholders



Processes and systems to secure our supply chain

Secure and compliant operations

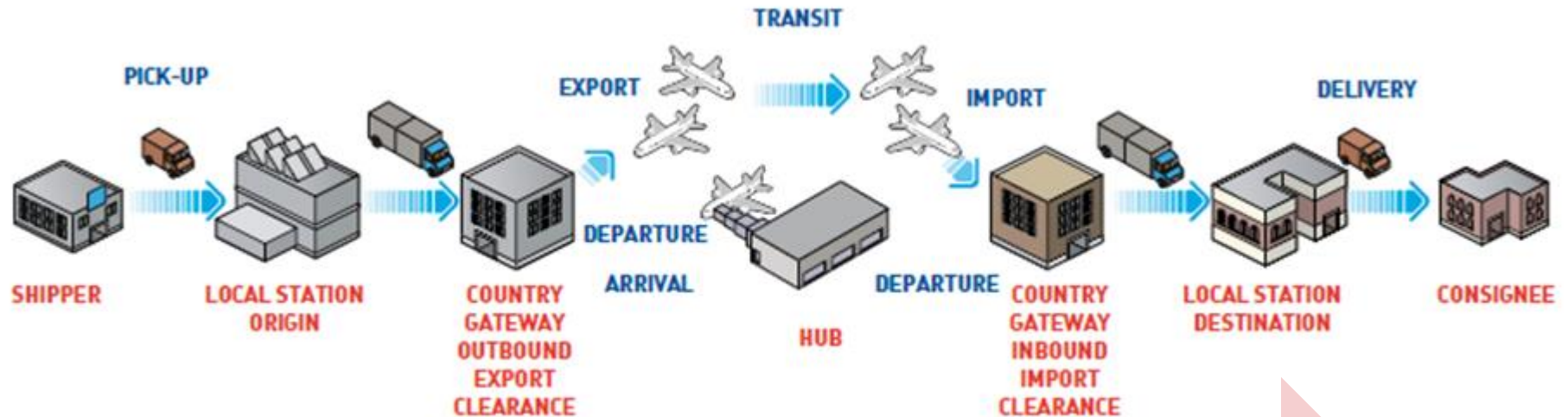


Source: Global Express Association

Express industry has established, enhanced processes and procedures that promote a secure and compliant supply chain:

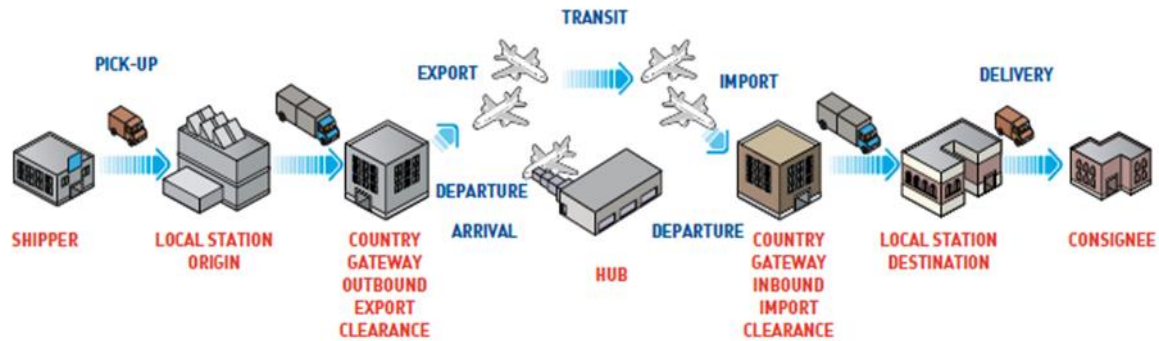
- Compliance with international legislation (Annex 17 ICAO, Doc 30 ECAC, Reg. 185/2010, Decision 2010/774)
- Significant investment in facility security and inspection systems supported through our own internal audit programmes
- Threat-based risk managed approach
- Global training programs & procedures in place

Express delivery chain



The express industry utilizes sophisticated networks to collapse the time and distance between places thereby globally connecting business. Shipments **from** anywhere, **to** anywhere can be delivered within 24-72 hrs

Data process

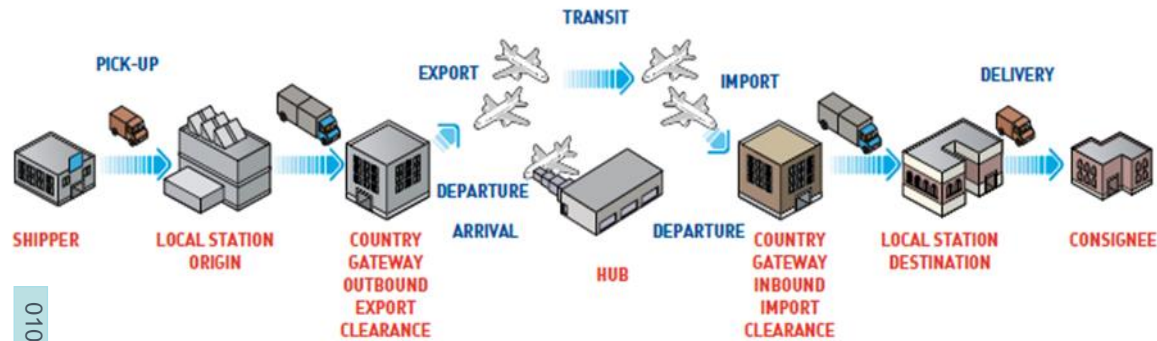


CARRIER IT SYSTEM



TARGETING CENTER

Data received from shipper



01011101011101100
011011011

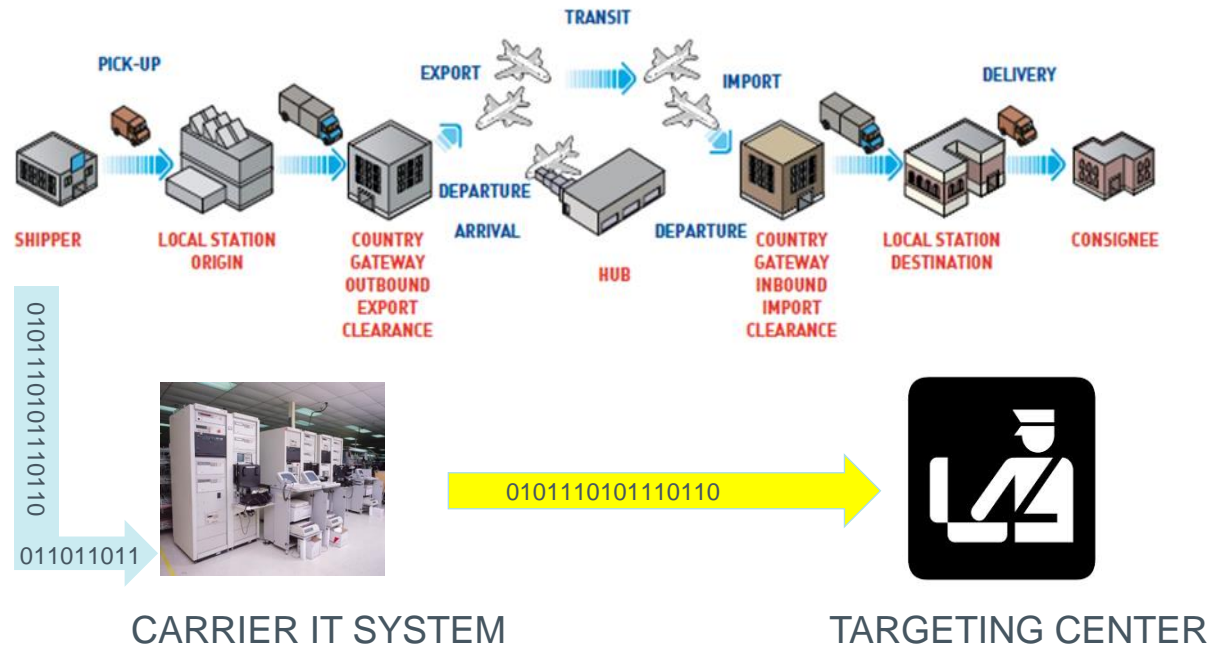


CARRIER IT SYSTEM



TARGETING CENTER

Shipper data availability to destination country authorities



We make high quality data available to Customs, whether through ICS, Anti-Smuggling Nets or their normal risk analysis systems, early in the movement of goods in the supply chain, allowing customs sufficient time for risk analysis, and to intercept shipments if they wish to do so.

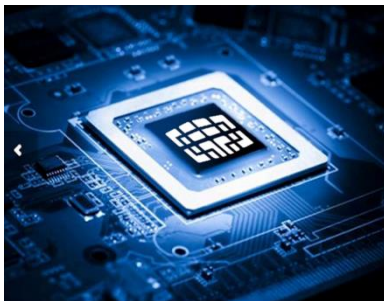


What have we done?

Joint pilot project with OLAF



- Coordinators
- Participating States
- Rights holders
- Law enforcement authorities
- Sponsor Organisations
- Express operators



- Identified threat
- Legal Framework
- Structural Description
- Stakeholders
- Objective of the Pilot Project
- Operational Targets
- Modus Operandi
- Operational Description
- Exchange of Information
- Roles of European Commission (OLAF) and Europol
- Briefing Meeting
- De-Brief Meeting and Reporting
- Financing
- Communication

Joint pilot project with OLAF – outcome (Express perspective)

- shipments have been identified by customs authorities as suspected counterfeit
- selected shipments intercepted by Express operators before customs clearance
- in 20% cases the IPR holder has confirmed the counterfeit and has taken measures to act against it
- in the rest of the cases the IPR holder has not confirmed the counterfeit or was not willing to act against it
- success down to co-creation

Own initiative case by DHL Express

- shipments containing suspected counterfeit goods have been identified by DHL Express using information shared by Customs
- partially excluded from transportation at origin
- shipments destined to the US seized by CBP
- shipments destined to EU MS:
 - reported to customs authorities
 - no action from customs authorities / right holders

Joint profiling projects by DHL Express

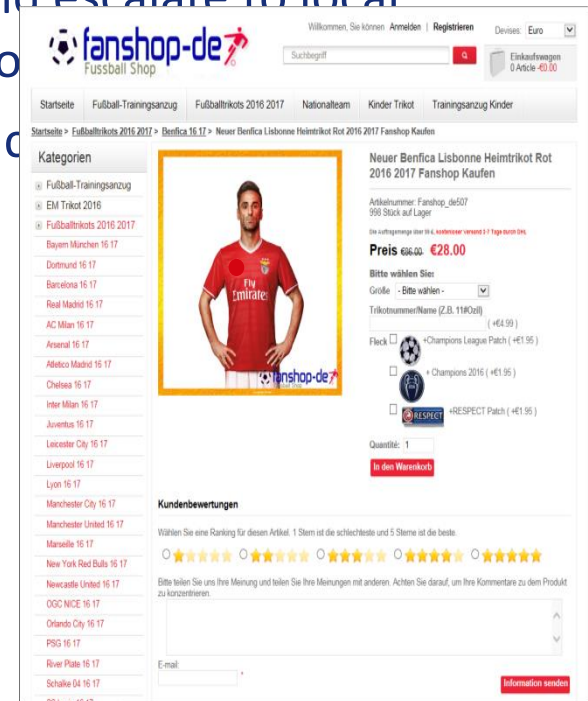
- joint initiative of DHL Express and customs authorities of some EU MS
- targetting of suspect shipments internally by DHL Express through use of own IT systems and information from customs authorities
 - 100% hit rate
 - action from customs authorities / right holders – not known

Case study: abuse of Express network

1. Intelligence received
2. Data analyzed and additional shipments are intercepted across EU, one of the involved eCom websites is identified
3. Destination countries intercept the shipments and escalate to local

Row Labels	Count of AL_HAWB#
FR	75
AT	1
BE	1
CA	1
CH	2
DE	4
ES	14
GB	6
IT	29
LU	1
NL	1
PT	32
RO	1
SE	1
SI	1
Grand Total	170

priority – some shipments found to contain
priorities release the shipments after a
low threshold'



Case study: conclusions

- 1 day, single shipper, ~200 items, all intercepted on time, but released by Customs and delivered
- E-commerce platform remains active
- New counterfeiters' business model is de-facto 'legalized'





Our views and partnership

Rights holders-Customs-Integrators partnership

Effective enforcement of IPR infringements requires:

- risk-based and threat-managed approach, as well as
- cooperation and information-sharing between rights holders, Customs and express delivery companies.



Rights holders are the experts in identifying counterfeit items. Customs are the competent authority to enforce IPR laws, conduct risk assessments and seize illegal items. Express delivery companies assist Customs.

Express delivery companies assist Customs

- **Advance electronic shipment information:** Express delivery companies transmit electronic information in advance of arrival of shipments to enable Customs to perform risk assessment and target shipments for further examination.
- **Track and Trace:** Systems allow packages identified by Customs as suspicious to be removed from traffic flows and provided to Customs officers for further examination.
- **Facilities:** Express delivery companies provide Customs officers at express delivery hubs with adequate facilities and equipment to enable them to identify and examine suspect shipments efficiently.
- **Information on shippers and consignees:** Express delivery companies provide Customs administrations with available relevant information that may legally be disclosed on shippers and consignees of shipments identified as containing offending goods.
- **Close accounts** of customers publicly identified by Customs as repeat offenders.

Future partnership

The Customs-Integrators collaborative approach must be:

- Legal
- Sustainable
- Economically viable
- Operationally non-intrusive
- Consistent in a global context
- Inclusive of stakeholders
- Constantly reviewed
- Intelligence driven



THANK YOU