



European Communities Trade Mark Association

21 October 2010

ECTA POSITION PAPER REFLECTION ON GOODS IN TRANSIT INFRINGING A TRADE MARK ¹

1. Introduction

1.1. Factual context

According to the latest European Commission statistics, in 2008 over 60% of the suspect goods intercepted by the Customs authorities of the EU were blocked while in transit or under a Customs warehousing procedure². This figure alone shows how important the issue of suspensive Customs procedures is in the framework of the enforcement of intellectual property rights.

Customs control of goods in transit is paramount for several reasons. First of all because once goods are in transit through the territory of the EU it is very easy to change their status from 'goods in transit' to 'Community goods'. In fact the goods are already physically present within the EU and the change in the Customs status merely requires a form to be filled in. It has often been argued by right-holders that fraudsters abuse of the transit status of goods to finally declare them for 'importation' whilst passing through an EU Customs checkpoint with less tight controls. Often, those who deal in such goods provide false details of origin and/or of destination.

Furthermore, transit is used by traffickers to disguise the real origin of goods. This practice, which consists for example in shipping counterfeited spare parts for European cars through the EU to give them a 'touch of authenticity' has been recognised by the EU institutions. In a Commission Communication on a Customs response to the latest trends in counterfeiting and piracy³, the Communication stressed that *transshipment is of growing concern because fraudsters break routes to disguise the origin of the goods and reported cases in which the Community itself was used to disguise the origin of goods (e.g., fake medicines from Asia transhipped through the EU en route to Africa)*.

¹ This reflection paper has been drafted by Marius Schneider, Chair of ECTA Anti-Counterfeiting Committee, and Olivier Vrins, Belgian Member of ECTA Anti-Counterfeiting Committee, and inspired by their following articles and contributions : Olivier VRINS, "The real story of a fiction: transit after *Montex* under Regulation (EC) 1383/2003", Journal of Intellectual Property Law and Practice, May 2010, Vol. 5, no. 5, p. 358 – 371 ; Marius SCHNEIDER, "Fakes in transit would not be counterfeits", a review of *Nokia Corporation v Her Majesty's Commissioners of Revenue & Customs* [2009] EWHC 1903 (Ch), High Court, England and Wales, 27 July 2009 , published in the Journal of Intellectual Property Law and Practice, January 2010, Vol. 5, no. 1, p. 19 – 22 and ECTA's response to the Consultation Paper on the Review of EU Legislation on Customs Enforcement of IRPs.

² DG TAXUD, Report on EU Customs Enforcement of Intellectual Property Rights. Results at the European Border (2009).

³ COM(2005) 479final of 11 October 2005.



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That same Communication also stressed that *EU Customs legislation was reckoned to be amongst the strongest in the world and that with controls on all movements of goods, especially during transshipment, Customs protect not only the EU but also other parts of the world and, in particular, the least developed countries, which are often targeted by fraudsters.*

We agree with this approach, whilst we also believe that a balance must be struck between free trade in legitimate, authentic goods and the prohibition of trade in counterfeited and pirated products.

1.2. The Community legal background

1.2.1. The Border Measures Regulation

The current version of the European Union's Border Measures Regulation 1383/2003 of 22 July 2003⁴ empowers the Customs authorities of the EU Member States to retain goods suspected of infringing certain IP rights in order to enable the right-holder, within a fixed term, to initiate proceedings to determine whether an IP right has been infringed or to settle the matter under the simplified procedure.

Article 1 of the Regulation authorises Customs to intervene in virtually every Customs situation provided the goods suspected of infringing IP rights originate in, or are destined for, a non-member country of the European Community. That is when goods are entered for release for free circulation, exported or re-exported, and when they are discovered during checks on goods placed under a suspensive procedure, including, *i.a.*, external transit and Customs warehousing. External transit is a Customs procedure allowing the movement of non-Community goods from one point to another within the Customs territory of the Community without those goods being subject to import duties or other charges.

Article 2 of the Regulation defines counterfeited goods as goods, including packaging, bearing without authorisation a sign identical to a trade mark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trade mark, and which thereby infringes the trade mark holder's rights under Community law or the law of the Member State where the goods are found.

Article 10 of the Regulation further provides that it is the law in force in the Member State within which the goods are discovered that is to be applied when deciding whether an intellectual property right has been infringed under national law in the sense of the Regulation.

⁴ 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 (OJ L 196, 2003, p. 7).

1.2.2. The Community Trade Mark Regulation and the Harmonisation Directive

The Community Trade Mark Regulation 207/2009 of 26 February 2009⁵ and the Trade Marks Harmonisation Directive 2008/95/EC of 22 October 2008⁶ define the exclusive rights conferred to the trade mark proprietor, who should as a minimum be able in the Member States to prevent all third parties not having his consent from using in the course of trade:

- (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;
- (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark.

The following acts are considered to be use of a trade mark:

- (a) affixing the sign to the goods or to the packaging thereof;
- (b) offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;
- (c) importing or exporting the goods under the sign;
- (d) using the sign on business papers and in advertising.

The above rules have been subject to extensive case law, the most important being the decision of the Court of Justice of the European Union ('CJEU') in the *Montex* case and the decision of the UK High Court in *Nokia* (see hereafter under 2).

1.2.3. EU Legislation in the light of the TRIPS Agreement

Article 51 of TRIPS only relates to Customs checks at import and does not compel WTO Members to apply border measures to goods in transit (TRIPS, fn 13 to Art 51).

However, the TRIPS Agreement is an agreement *a minima* and does not preclude WTO Members from setting up their own national border measures, exceeding as the case may be the protection thresholds laid down in TRIPS.

Although Article V(2) of the 1994 GATT Agreement (Annex 1A to the WTO Agreement) sets out the principle of freedom of transit through the territory of each contracting party (thus including the EU), Article XX(d) also stipulates that nothing in the Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures necessary to secure compliance with the laws or regulations relating to Customs enforcement, the protection of patents, trade marks and copyrights and the prevention of deceptive practices.

⁵ Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (codified version) (OJ L 78, 24.3.2009, p.1).

⁶ Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Codified version) (OJ L 299, 8.11.2008, p. 25). Formerly, First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ L 40, 11.2.1989, p. 1).



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The Modernised Customs Code (Arts 91(1) and 177(2)(d)) also entitles the EU Member States to subject non-Community goods to such prohibitions and restrictions as are justified on grounds of, *inter alia*, the protection of industrial or commercial property, including “certain intellectual property rights”. The freedom of transit principle does not aim to apply to illicit trade, including trade in goods infringing IPRs.

Thus, the scope of the current Border Measures Regulation does respect the TRIPS Agreement, and also takes into consideration the core principles laid down in the GATT Agreement.

This is important in the light of the complaints filed by India and Brazil to challenge the EU Border Measures Regulation in front of a WTO panel.

2. Recent case law on counterfeited goods in transit

2.1. The stance taken by the CJEU in *Montex*⁷

In the *Montex* case, the dispute followed the detention by German Customs under the Border Measures Regulation⁸ of 5,076 pairs of women’s jeans bearing the 'Diesel' trade mark, made in Poland by a third party without the consent of the holder of the 'Diesel' trade mark in Germany and destined for Ireland. The owner of the German trade mark registration (who had applied for the border measures) had not registered the 'Diesel' trade mark in Ireland and therefore could not oppose the sale of the goods on the Irish market. The goods’ status, at the time of their detention by Customs, of being not in free circulation within the Community, but in external transit, was not disputed. Considering that this transit infringed its trade mark rights because of the risk of the goods being sold in Germany, Diesel applied for an injunction prohibiting Montex from moving the goods across German territory.

The main question referred to the CJEU in the *Montex* case related in substance to whether a trade mark owner has the right to prohibit the transit of goods bearing a sign identical to its trade mark through the territory of an EU Member State in which the trade mark enjoys protection, to another EC Member State where the trade mark holder cannot oppose the sale of the goods in the country of destination. The question had to be answered not only in the light of Article 5(1) and (3) of the Trade Mark Directive, but also by reference to the Border Measures Regulation.

The Court held that, under EC law, the proprietor of a trade mark can prohibit the transit through a Member State in which that mark is protected of goods bearing the trade mark and placed under the external transit procedure, whose destination is another Member State where the mark is not so protected, *only* if those goods are subject to the act of a third party while they are placed under the external transit procedure, which necessarily entails their being sold in that Member State of transit. The merely *abstract* risk that the goods may “leak” onto the market before reaching the country of destination where they may be freely sold is not sufficient for the right-holder to block them in transit. It is in that regard, in

⁷ CJEU, Case C-281/05, *Montex Holdings Ltd v Diesel S.p.A.*, 9 November 2006, [2006] ECR I-10881.

⁸ At the time, Council Regulation (EC) No 3295/94 of 22 December 1994 laying down measures concerning the entry into the Community and the export and re-export from the Community of goods infringing certain intellectual property rights, as amended by Council Regulation (EC) No 241/1999 of 25 January 1999.

principle, irrelevant whether the goods were manufactured in the country of origin lawfully or in infringement of the existing trade mark rights of the proprietor in that country.

By reference to its earlier judgment in the *Class International* case⁹, the Court reiterated that placing non-Community goods bearing a trade mark under a suspensive Customs procedure such as that of external transit was not, per se, interference with the right of the proprietor of the trade mark to control the initial marketing in the Community¹⁰.

As regards the burden of proof, the Court found, once again by reference to *Class International*¹¹, that it is in principle for a trade mark proprietor wishing to oppose the placing in transit of non-Community goods bearing his trade mark in a Member State in which the mark is protected, to prove either the existence of a release for free circulation of the goods, or of another act necessarily entailing their being put on the market in such a Member State¹².

The ruling of the CJEU in *Montex* came as a surprise, not the least because, in our view, it is impossible to reconcile with the CJEU's earlier judgment in *Rolex*¹³, where the Court had held that, by virtue of the Border Measures Regulation, the EU Member States had to prohibit and punish the mere placing in external transit of counterfeit goods through their territories. In *Rolex*, the Court did not indicate that, for that purpose, an assessment of whether, having regard to the concrete circumstances of the case, the trade mark owner had serious reasons to fear that the goods might ultimately "leak" onto the market in the Member State of transit should be carried out; this 'criterion' does not seem to have played any role in *Rolex*.¹⁴

Although the Court states in *Montex* that '*none of the provisions of [the Border Measures Regulation] introduces a new criterion for the purpose of ascertaining the existence of an infringement of trade mark law or to determine whether there is a use of the mark liable to be prohibited because it infringes that law*', not one single reference is made in this decision to the specific provision of the Regulation¹⁵ which stipulates that, in the absence of Community rules, the criteria to be used in determining whether or not goods infringe an intellectual property right should be the same as those used to determine whether goods *produced* in the Member State where the Customs action has taken place infringe the rights of the holder. This provision has sometimes been referred to (*inter alia* by the Dutch courts – see below) as containing a so-called 'manufacturing fiction', whereby goods blocked whilst under a suspensive Customs procedure through an EU Member State should be considered counterfeit, were they to have infringed the right-holder's trade mark, had they been manufactured in the country of transit.

⁹ CJEU, Case C-405/03, *Class International v Colgate-Palmolive*, 18 October 2005, [2005] ECR I-8735, para. 47. M Leitzen, 'Inneregemeinschaftlicher Transit, Markenverletzung und Produktpiraterie - Zugleich Anmerkung zu BGH *Diesel* und EuGH *Class International/Colgate-Palmolive*', [2006] GRUR 89 – 96.

¹⁰ CJEU, Case C-281/05, *Montex* (above, n 7), para. 21.

¹¹ CJEU, Case C-405/03, *Class international* (above, n 9), paras. 74 – 75.

¹² CJEU, Case C-281/05, *Montex* (above, n 7), para. 26.

¹³ CJEU, Case C-60/02, *Montres Rolex SA*, 7 January 2004, [2004] ECR I-651.

¹⁴ In his opinion of 4 July 2006 (para. 43), Advocate-General Poiares Maduro tried to distinguish *Montex* from the earlier CJEU case law. In *Rolex*, he contended, it was because the goods at issue were highly likely to be marketed unlawfully in the Community that the Court considered that the intervention measures laid down in the Border Measures Regulation should be taken, even though the goods at issue were under an external transit procedure. It is respectfully submitted that this is incorrect: there is nothing in *Rolex* which suggests that the goods were 'highly likely to be marketed unlawfully in the Community'.

¹⁵ At the time, Art 6(2)(b) of Reg 3295/94 (as amended); presently, Recital 8 of Regulation 1383/2003.

As it seemed that it had not explicitly been relied on by the holder of the ‘Diesel’ trade mark in the *Montex* case and the CJEU did not explicitly address it, some authors thought (and continue to believe) that the ‘manufacturing fiction’ laid down in the Regulation could still be applied after *Montex*.

The lack of clarity of the *Montex* ruling in this regard resulted in strong divergences of views in the case law of the national courts in the Member States¹⁶.

In addition, the circumstance that in *Montex* the goods were destined for a country where they could be lawfully sold, induced many rights owners to argue that the CJEU would presumably have decided otherwise, had the goods been destined for a country where their sale would have amounted to an infringement.

This, again, may explain the inconsistencies in the case law of the courts in the Member States.

2.2. The question for preliminary ruling in Nokia v HMCR

2.2.1. The stance taken by the UK High Court

In the case *Nokia Corporation v Her Majesty’s Commissioners of Revenue & Customs (HMRC)*¹⁷ handed down by the UK High Court of Justice on 27 July 2009, the facts were the following: HMRC had stopped a consignment of suspect telephones and their accessories, all of which bore the NOKIA trade mark, being shipped from Hong Kong to Columbia. After having inspected samples, Nokia notified HMRC that they were counterfeited.

HMRC responded that it had difficulty in understanding how goods could be counterfeit within the meaning of the Border Measures Regulation unless there was evidence that they might be diverted onto the EU market. In the absence of such evidence, HMRC indicated that it did not believe that it would be lawful to deprive the owner of its goods. Nokia was given the names and addresses of the consignor and the consignee and all documents in the possession of HMRC relating to the consignment so that it could initiate proceedings for infringement of its IP rights. Despite extensive investigations, Nokia was not able to identify the consignor and the consignee and believed that they had both taken steps to hide their true identity. As Nokia could not provide evidence that the goods would be diverted onto the EU market, HMRC decided no longer to detain the goods. Nokia filed an application for judicial review against that decision.

There being no dispute as to whether the telephones comprised in the consignment were fake, the issue put before the Court concerned, essentially, the correct interpretation of ‘counterfeit goods’ in the Border Measures Regulation and whether it encompasses non-Community goods in circumstances where there is no real prospect of them being released onto the market in the EU.

The position of HMRC is that, in order for products bearing a trade mark to be ‘counterfeited goods’ in the sense of the Border Measures Regulation, they must infringe someone’s trade mark in the territory in question.

¹⁶ For more details see: Olivier VRINS, “The real story of a fiction: transit after *Montex* under Regulation (EC) 1383/2003” (above, n 1).

¹⁷ [2009] EWHC 1903 (Ch).



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Both the Community Trade Mark Regulation and the Trade Mark Directive make it clear that the owner of a registered trade mark is entitled to prevent a third party from using the trade mark 'in the course of trade'. Such use entails goods being put on the EU market and, according to HMRC, this has not happened, and will not happen, in the case of the consignment in question. Hence, the telephones in the consignment are not counterfeited in the sense of the Regulation, even if they are fake and, as a result, HMRC has no legal power to seize or further detain them.

Nokia contends that the position adopted by UK Customs is an unduly restrictive interpretation of the Border Measures Regulation, and that the Regulation should in all cases apply to fake goods in transit. In applying the Regulation one must adopt a 'manufacturing fiction' and assume that the suspect goods were manufactured in the Member State where the goods are being detained by Customs.

After having reviewed the relevant CJEU case law in great detail, the UK High Court derived the following principles. First, the infringement of a registered trade mark requires goods to be released for free circulation on the EU market. Goods in transit or subject to any other suspensive Customs procedure do not, without any more ado, satisfy this requirement. Second, the position is different if the goods in transit are subject to any third party act which necessarily entails them to be put on the market. The burden of establishing this rests on the trade mark proprietor. Third, a mere risk that the goods may be diverted is not sufficient to justify a conclusion that the goods have been, or will be, put on the market. The Border Measures Regulation has not introduced a new criterion for the purposes of ascertaining the existence of an infringement of a registered trade mark or determining whether there is a use of the mark which is liable to be prohibited.

The UK High Court refuted Nokia's argument according to which certain recitals and Article 1 of the Border Measures Regulation would show that it is the purpose of the Regulation to ban goods infringing IP rights by enabling Customs to take action irrespective of the goods' Customs status. According to the judge, the relevant recitals and Article 1 are all qualified by the requirement that the goods must be counterfeited goods, pirated goods or otherwise infringe an IP right. This interpretation does not render Article 1 impotent, as Customs can intervene against fake goods in transit as soon as the goods are subject to the act of a third party which necessarily entails them being put on the market. Furthermore, it cannot be excluded that substantive national laws do catch goods in transit.

Nokia cited the CJEU decision in *Polo Lauren*¹⁸, more particularly in the following passage, which, according to Nokia makes it clear that fake goods in transit are counterfeit goods within the meaning of the Regulation :

"34. After all, the external transit of non-Community goods is not completely devoid of effect on the internal market. It is, in fact, based on a legal fiction. Goods placed under this procedure are subject neither to the corresponding import duties nor to the other measures of commercial policy; it is as if they had not entered Community territory. In reality, they are imported from a non-member country and pass through one or more Member States before being exported to another non-member country. This operation is all the more liable to have direct effect on the internal market as there is a risk that counterfeit goods placed under the external transit procedure may be fraudulently brought on to the Community market, as several Governments pointed out in their written observations and at the hearing."

The UK High Court did not follow this reasoning and pointed out that the CJEU was only addressing here the more general question as to whether the Regulation applied to goods in transit. According to the judge, this passage cannot be interpreted as a presumption that goods will systematically end up on the EU market.

Nokia further cited the following passage of the CJEU decision in case C-60/02 (*Rolex*):

"58. It is not for the Court of Justice to rule on the interpretation of national law, which is a matter for the national court alone. If the national court were to find that the relevant provisions of national law do not prohibit and, thus do not penalise the mere transit of counterfeit goods through the Member State concerned, contrary none the less to the requirements under Articles 2 and 11 of Regulation No 3295/94, it would be proper to conclude that those articles preclude the national provisions in question."

Nevertheless, the High Court was not convinced that the CJEU meant that goods in transit were capable of being counterfeited goods, within the meaning of the Regulation, in circumstances where there was no threat of them being released onto the market in a Member State.

Nokia finally contended that goods in transit, or subject to another suspensive Customs procedure, should be considered counterfeited goods by applying the 'manufacturing fiction', which would be contained in recital 8 of the Regulation, that states that proceedings initiated to determine whether an IP right has been infringed under national law will be conducted with reference to the criteria used to establish whether goods produced in that Member State infringe IP rights. Nokia cited a Dutch case of the Court of The Hague (case No 311378 *Sisvel v Sosecal* of 18 July 2008) to support that stance.

According to the Court, recital 8 cannot bear the weight that Nokia seeks to impose upon it, since the provision finds no echo in any of the Articles of the Border Measures Regulation and since such a 'manufacturing fiction' would substantially extend the rights conferred upon the proprietor of a registered trade mark under the Community Trade Mark Regulation and

¹⁸ CJEU, Case C-383/98, *The Polo Lauren Company v PT Dwidua Langgeng Pratama International Freight Forwarders*, 6 April 2000, [2000] ECR I-2519.

the Harmonisation Directive. Recital 8 would simply indicate that the law in force in the relevant Member State is to be applied in determining whether an IP right has been infringed.

For the above reasons, the UK High Court refused Nokia's application for judicial review. **The Court recognised that this result is not satisfactory and hoped that it provokes a review of the adequacy of the measures available to combat the international trade in fake goods by preventing their transshipment through the EU.**

2.2.2. The question for preliminary ruling

Nokia has appealed the decision of the High Court and the Court of Appeal heard the matter on 9 November 2009. It seems that the Appeal Judges, including Lord Justice Jacob, made it clear that they were strongly persuaded by the initial judgment of Mr Justice Kitchin.

They did nevertheless consent to refer a question for a preliminary ruling to the CJEU (pending under Case C-446/09), which will essentially address whether non-Community goods in transit from one non-Member State to another non-Member State are capable of constituting 'counterfeit goods' within the meaning of Article 2 (1) (a) of the Border Measures Regulation if there is no evidence that they will be released for free circulation in the EU or be illicitly diverted onto the EU market.

The Appeal Judges warranted their decision for the referral by the contrary Dutch decision in the *Sisvel v Sosecal* case and the recent Belgian reference on a similar issue of the Antwerp Court of First Instance in the *NV Koninklijke Philips Electronics v Far East Sourcing Limited* case (AR No 02/7600/A, 4 November 2009). This case, which is pending before the CJEU under number C-495/09, relates to Regulation 3295/94, the predecessor of Regulation 1383/2003.

3. What should be done about counterfeited goods in transit: the recommendations of the ECTA Anti-Counterfeiting Committee

Unlike, for example INTA, the ECTA Anti-Counterfeiting Committee has preferred not to file arguments before the CJEU. This has been decided because there is no consensus in the Anti-Counterfeiting Committee on sustaining the argument of the manufacturing fiction.

This being said, the ECTA Anti-Counterfeiting Committee is, just like the UK High Court, convinced that a legislative solution has to be adopted to resolve the issue of counterfeited goods in transit. A balance has to be struck between free trade and protection of the IP rights holders and consumers against fake products in transit.



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The ECTA Anti-Counterfeiting Committee submits the following proposals:

3.1. Review of harmonized substantive law

3.1.1. The European Commission has recently released a Consultation Paper of the review of the Border Measures Regulation.¹⁹ In this Paper, the Commission questions, *inter alia*, whether the next Border Measures Regulation should still allow Customs to take action against goods in transit. The Commission considers in this regard that the Border Measures Regulation should not affect substantive IPR law applicable in the Member States and in particular to the extent of the rights conferred by such law to the rights holders.

Thus, on the face of it, it seems that the Commission is somewhat reluctant to reinstate (or maintain) what has occasionally been referred to as the 'manufacturing fiction'. As the Commission is aware, this issue has been referred to the Court of Justice of the European Union ('CJEU') for a preliminary ruling in cases C-446/09 and C-495/09.

As the Commission is aware, this issue has been referred to the Court of Justice of the European Union ('CJEU') for a preliminary ruling in cases C-446/09 and C-495/09 and, despite the fact that the judgments of the CJEU in those two cases might be interesting, a review of the current legislation is obviously required to clarify the matter.

3.1.2. Should the Commission eventually refuse to reinstate (or maintain) a 'manufacturing fiction' in the new Regulation, then the most effective way to deal with suspensive Customs procedures in the framework of IPR enforcement, would be to revisit the Community substantive legislation.

In the framework of the review of the overall functioning of the European trade mark system, the ECTA Anti-Counterfeiting Committee submits that the notion of 'use of a sign in the course of trade' should be re-examined in-depth. The question whether or not the placing of non-authentic goods under a suspensive Customs procedure or the trans-shipment of such goods should be explicitly regarded in the Trade Mark Directive and the Community Trade Mark Regulation as 'use of a trade mark', should be seriously reconsidered.

Indeed, the national law (including, as the case may be, the criminal law) of several Member States do treat the transit of counterfeit goods as a trade mark infringement.²⁰

The question of whether the mere fact that goods in transit are normally not intended for sale in the transit country should be sufficient to regard such goods as not infringing, is arguable. Indeed, by analogy, it is well-accepted that goods unlawfully bearing a trade mark that are declared for export in a Member State where the trade mark is protected, are capable of infringing trade mark rights, even though they are not destined for that Member State and are in no way whatsoever disclosed to the public (see, e.g., in the Benelux, the judgment of the Benelux Court of Justice of 13 June 1994, *Wolf Oil/Century Oils*). One may wonder why the

¹⁹ Consultation Paper: "Review of EU legislation on the Customs enforcement of intellectual property rights", http://ec.europa.eu/taxation_customs/resources/documents/common/consultations/customs/ipr_2010_03_consultation_paper_en.pdf.

²⁰ See, e.g., Article 337 of the Dutch Criminal Code; Articles 473 to 474 of the Italian Criminal Code and Article 127 of the Italian Industrial Property Code; Article 4(1) of the Finnish Trade Marks Act; Article ... of the Romanian Trade Marks Act (as amended in April 2010); Article L.716-9 of the French Intellectual Property Code.

situation should be different for goods that are in the process of being re-exported or are in transit or trans-shipment.

3.2. Review of the Border Measures Regulation

3.2.1. As already mentioned above (see para. 3.1.1.), the Commission is in the process of reviewing the Border Measures Regulation and questions, *inter alia*, whether the next Regulation should still allow Customs to take action against goods in transit.

In our reply to the Commission, the ECTA Anti-Counterfeiting Committee advocated that, even if the Commission eventually refused to reinstate (or maintain) some kind of 'manufacturing fiction', the Border Measures should continue to be applicable to infringing goods that are declared for release for free circulation in the EU, as well as to all other situations in which such goods are under Customs supervision (including, in particular, (re-)exportation, external transit, Customs warehousing, transshipment, temporary deposit, placement in free zones or free warehouses).

Excluding suspensive Customs procedures (and, in particular, external transit and Customs warehousing), as well as transshipment, from the scope of the Regulation would convey the wrong signal to infringers, whilst seriously undermining the efficiency of the Regulation to tackle IPR infringements in a global economy. Indeed, it would allow infringers to pre-empt the application of the Regulation by systematically placing their goods under a suspensive procedure, and later on changing the Customs status of the shipment.

In the context of this discussion, one ought not to lose sight of the fact that goods in transit are capable of infringing IPRs, if not in the countries of origin or transit, then at least in the country of destination. It would be inappropriate to deprive the rights holders of the possibility of preventing the transit through the Community Customs territory of goods that would infringe their rights in the country of destination. In such situations, even assuming that the goods would not enter the EU market and thus would not infringe any IPR in the Member State of transit, they should still be regarded as illegitimate and may then be subject to border measures pursuant to Article XX(d) of the GATT Agreement and Article 91(1) of the Modernised Community Customs Code.²¹

The ECTA Anti-Counterfeiting Committee is of the opinion that the scope of the current Border Measures Regulation does respect the TRIPS Agreement, and also takes into consideration the core principles laid down in the GATT Agreement. The Commission does not, in our point of view, have to fear a WTO panel.

²¹ The judgment of the CJEU of 9 November 2006 in case C-281/05 (*Montex*) (above, n 7) does not address this issue, since it only relates to the transit through a Member State of goods whose destination is a Member State where there is no trade mark protection.

3.2.2. Assuming that the Commission would consider removing the so-called ‘manufacturing fiction’ (if any) from the Border Measures Regulation, then Article 10 of the current Regulation should at least be amended in such a way as to provide that, when deciding whether an IPR has been infringed or not for the application of the Regulation, reference shall be made to the law of the Member State in whose territory the goods have been intercepted by Customs, as well as to the laws of the countries of origin and destination of the goods.

In matter of transit, it is not uncommon to provide that the legal status of the goods is to be dealt with having regard to the law of the country of destination (see, e.g., Art 88 of the Belgian Code of International Private Law). Reference to the law of transit should nevertheless be maintained, as the national law of several Member States, as mentioned above, do entitle the law enforcement authorities to treat the transit of counterfeit goods as a trade mark infringement, if not even as a criminal offence.

Having regard to the possibility for infringers to ‘break routes’ or to place goods under Customs procedures (such as, e.g., the Customs warehousing procedure) where the destination of the goods is not yet known, it could be provided under the new Border Measures Regulation, in order to impede illegitimate trade as much as possible, that goods which have been placed under a suspensive procedure or are in the process of being transhipped, and which would infringe an IPR if they were released for free circulation in the Member State where they have been intercepted, will not be released by Customs, as long as no conclusive evidence is provided by the declarant, holder or owner of the goods to Customs (and to the rights holder) that the goods are destined for a country in which their sale would not result in an IPR infringement, and the onus should be placed on the declarant, holder or owner of the goods to prove that the goods do not infringe the right holder’s IPRs in the country of destination of the goods.

Article 10 of the Regulation could, for example, be amended to read as follows:

"When determining whether an intellectual property right has been infringed under this Regulation, reference shall be made to:

- *the law of the Member State within whose territory the goods have been placed in one of the situations referred to in Article 1(1); and*
- *the laws of the countries of origin and destination of the goods.*

When determining the applicable laws, the declarant, holder or owner of the goods shall bear the burden of proving the final destination of the goods and the burden of proving that the goods do not infringe the right holder’s IPRs in the country of destination of the goods. Pending the proceedings referred to in Article 13, the detention of the goods shall not be ended so long as conclusive evidence of the country of destination of the goods".

Accordingly, the definition of “goods infringing an intellectual property right” and the reference to “the law of the Member State in which the application for action by the Customs authorities is made” or to the legislation of the Member State where the goods have been found, should be complemented by a reference in the Regulation to the laws of the countries of origin and destination of the goods.

3.2.3. In its response to the Commission’s Consultation Paper on the review of EU legislation on Customs enforcement of intellectual property rights, the ECTA Anti-Counterfeiting Committee has also asked the Commission to consider conferring



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competence on the Customs authorities under the Border Measures Regulation for goods infringing an unregistered well-known trade mark, in the sense of Article 6bis of the Paris Convention for the Protection of Industrial Property. This would presumably allow, in many cases, the avoidance of discussions regarding the Customs status of the goods when determining whether goods that have been detained by Customs infringe trade mark rights or not. Since well-known trade marks ought to be protected virtually in all countries, the declarant, holder or owner of goods unduly bearing such a trade mark could no longer rely on the fact that the goods are non-Community goods to pre-empt the application of border measures.