Cross-border issues in trade mark law: Goods in transit and private imports

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Trade mark law

- A trade mark confers exclusive rights to use the trade mark in the course of trade in a specific territory
  - A member state (e.g. Sweden)
  - The EU as a whole (EU trade mark)

- Historically, most goods were *imported* (in large shipments) in order to be marketed and sold by local dealers

- The TM proprietor may prohibit *i.a.* importing, marketing and selling of goods under the trade mark (Art. 5(3) TMD, Art. 9(2) TMR)

- Globalization and the internet
  - Global commerce and shipments of goods has increased
  - Many goods are sold directly to the end-user from other countries

=> The EU Customs Regulation has become a very important enforcement measure ->
The Customs Regulation (608/2013)

- Sets out the conditions and procedures for action by the customs authorities towards **goods suspected of infringing an intellectual property right**
  - *i.e.* goods with regard to which there are reasonable indications that, in the Member State where those goods are found, they are *prima facie* goods which are the **subject of an act infringing an intellectual property right in that Member State** ...

- Applies to EU trade marks and trade marks registered in a Member State (and many other IP rights)

- **Customs authorities can take action** when the goods are, or should have been, subject to customs supervision or customs control within the customs territory of the Union ... (see Art. 1)

- The Regulation applies *inter alia* when goods are *imported* to the EU
The Customs Regulation (608/2013)

- Right holders can apply to the customs authorities to monitor shipments of goods for suspected IP infringements

- The customs authorities may "seize" goods suspected of infringing IP rights (see Article 17-18)

- After "seizure", the goods may be destructed or released (Art. 23-26)

- If the declarant/holder of the goods denies the IP infringement, the right holder must bring the case before the courts (or accept release of the goods)
Guest lecture, Lund University
Dias 5
Seizures – statistics from the European Commission

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Three topics
First topic: Goods in Transit

Example
(WTO case WT/DS408/1 – India v European Union and the Netherlands)

- Shipments of pharmaceutical products from India to Columbia, Nigeria, Peru and Brazil

- The shipments contained “goods in transit” – not destined for the EU/Dutch market

- The goods were seized by the Dutch customs authorities in the Schiphol Airport because of an alleged infringement of Dutch patents

- Was this OK – and what about trade mark law?
Second topic: Private imports of *counterfeit goods*

**Example** (*CJEU C-98/13 – Rolex/Blomqvist*)

- A Danish consumer ordered a counterfeit “Rolex” watch from a Chinese webshop
- The shipment was seized by the Danish customs authorities, because of an alleged trade mark and copyright infringement
- The Danish consumer argued (*inter alia*) that he as a consumer could not violate trade mark rules (he did not act “*in the course of trade*”)  
- Was the seizure OK?
Third topic: Private imports of *genuine goods*

- Many European consumers buy genuine goods from non-EU web shops
  - Amazon.com
  - Strawberrynet.com

- **Exhaustion of trade mark rights:** The TM proprietor cannot prohibit use of the trade mark in relation to goods which have been put on the market in the EU by the proprietor or with his consent

- What about *parallel imports from outside the EU*?
  - Is that a violation of EU trade mark law?
  - Does the Customs Regulation apply?
First topic:

Goods in transit
Goods in transit

Community Customs Code ( Regulation 2913/92 as amended )

- Community goods (includes imported goods released for free circulation)
  - All other goods = non-community goods

- Different customs procedures
  - Release for free circulation
  - Transit
    - External transit
    - Internal transit
Transit as a legal fiction

European Court of Justice in C-281/05 (Montex):

“17. The Court has held [...] that the external transit of non-Community goods is 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.

18. It follows that [...] everything happens as if, before the goods entered into free circulation, [...] they had not entered Community territory.”

Challenges

• When goods in transit “disappear” from warehouses etc. (i.e. end up on the EU market)

• When goods in transit infringe IP rights in the country of destination
GATT Article V

• Establishes the freedom of transit

• “Any contracting party may require that traffic in transit through its territory be entered at the proper custom house, but, except in cases of failure to comply with applicable customs laws and regulations, such traffic ... shall not be subject to any unnecessary delays or restrictions and shall be exempt from customs duties ... ”
TRIPS Article 51: Suspension of release by Customs Authorities

- Members shall, in conformity with the provisions set out below, adopt procedures (13) to enable a right holder, who has valid grounds for suspecting that the importation of counterfeit trademark or pirated copyright goods (14) may take place, to lodge an application in writing with competent authorities, administrative or judicial, for the suspension by the customs authorities of the release into free circulation of such goods.

- Note 13: “It is understood that there shall be no obligation to apply such procedures to imports of goods put on the market in another country by or with the consent of the right holder, or to goods in transit.”

- Members may enable such an application to be made in respect of goods which involve other infringements of intellectual property rights, provided that the requirements of this Section are met.

- Members may also provide for corresponding procedures concerning the suspension by the customs authorities of the release of infringing goods destined for exportation from their territories.
Questions

• Can shipments of goods in transit be seized under the Customs Regulation?

• Can such transit goods infringe trade mark rights in the transit state under EU trade mark law?
Can goods in transit be seized under the Customs Regulation (CR)?

Customs Regulation (608/2013)

- **Art. 1**: This Regulation sets out the conditions and procedures for action by the customs authorities where *goods suspected of infringing an intellectual property right* are, or should have been, subject to customs supervision or customs control within the customs territory of the Union ...

- The Regulation applies i.a. to non-community goods in external transit
Can goods in transit infringe trade mark rights in the transit state?

**CJEU case law**

- “Goods under the external transit cannot, merely by the fact of being placed under such procedure, infringe intellectual property rights applicable in the European Union” (Nokia/Philips, para. 56, Montex, para. 21, and others)

  **Unless** the non-community goods in external transit

  - are **offered for sale** or **sold** while they are placed under the external transit procedure and this **necessarily** entails their being put on the market in the Community (Montex, para. 22)

  - are the subject of a commercial act directed at European Union consumers, such as a sale, offer for sale or advertising (Nokia/Philips, para. 57 and 71)
Can goods in transit infringe trade mark rights in the transit state?

New EU Trade Mark Regulation, Article 9(4):

“..., the proprietor of that EU trade mark shall also be entitled to prevent all third parties from bringing goods, in the course of trade, into the Union without being released for free circulation there, where such goods, including packaging, come from third countries and bear without authorisation a trade mark which is identical with the EU trade mark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trade mark.

The entitlement of the proprietor of an EU trade mark pursuant to the first subparagraph shall lapse if, during the proceedings to determine whether the EU trade mark has been infringed, initiated in accordance with [the Customs Regulation], evidence is provided by the declarant or the holder of the goods that the proprietor of the EU trade mark is not entitled to prohibit the placing of the goods on the market in the country of final destination.”

Similar provision in the new EU TM Directive, Article 10
What does this mean?

And how does it relate to the freedom of transit under GATT?
Summing up

• The Customs Regulation contains **procedural rules** to enforce IP law in the EU

• The Customs Regulation applies also to non-community goods in external transit

• Until now, it has been difficult to use the Customs Regulation (correctly) to target goods in transit

• This will change significantly with the new EU trade mark rules
  
  • The new EU Trade Mark Regulation entered into force on 23 March 2016
  
  • The Member States shall comply with the new EU Trade Mark Directive on or before 14 January 2019
Issue 2:

Private imports of *counterfeit goods*
Private imports and trade mark law

- Many internet webshops sell counterfeit goods which are purchased by European consumers

  - Does **the consumer** violate trade mark law when **buying** such goods?

- No – a consumer buying counterfeit goods for his/her personal use does not infringe any trade mark rights

  - No use of the mark *in the course of trade* (*TMD/CTMR*)

  - (Unless the consumer re-sells the goods to other consumers)

- Can customs authorities seize shipments of such goods under the Customs Regulation?
Private imports and the Customs Regulation

- The Regulation applies when *goods suspected of infringing an intellectual property right* are entered for free circulation (art. 1)

- “This Regulation shall not apply to goods of a non-commercial nature contained in travellers’ personal luggage” (art. 1(4))

- The Regulation *does* apply to “small consignments” of goods (sent by ordinary mail or a courier service)
Do private imports involve a trade mark infringement in the EU?

L’oreal/eBay case (C-324/09)

• “58. By its seventh question [...] the referring court asks, in essence, whether, for the proprietor of a trade mark registered in a Member State of the EU or of a Community trade mark to be able to prevent [...] the offer for sale, on an online marketplace, of goods bearing that trade mark which have not previously been put on the market in the EEA or, in the case of a Community trade mark, in the EU, it is sufficient that the offer for sale is targeted at consumers located in the territory covered by the trade mark.”

• The Court: Yes – AND:

“67. [...] the trade mark proprietor may prevent that sale, offer for sale or advertising by virtue of the [trade mark] rules [...]”

⇒ Web shops “targeting” European consumers may violate trade mark law in the EU
Is there a trade mark infringement in the EU?

Blomvist/Rolex case (C-98/13)

- European Union law requires that the sale be considered, in the territory of a Member State, to be a form of [...] use in the course of trade within the meaning of the trade mark directive and the Community trade mark regulation (para. 29)

- It may be an infringement where, even before their arrival in the territory covered by that protection, goods coming from nonmember States are the subject of a commercial act directed at consumers in that territory, such as a sale, offer for sale or advertising (para. 32 – ref. to Nokia/Philips)

- It has to be proven that the goods are intended to be put on sale in the European Union, such proof being provided, inter alia, where it turns out that the goods have been sold to a customer in the European Union or offered for sale or advertised to consumers in the European Union (para. 33)

- The sale in itself is sufficient (para. 34)
What do you think of this?

You may argue that it is quite far reaching

- The consumer has not violated any laws
- The consumer is the owner of the goods
- The consumer may be in good faith

- The consumer is “punished” for an infringement committed by the seller

Why?

- Protection of European right holders / European industry
- Protection of European consumers (goods may be dangerous)
A public international law / competition law perspective

Jurisdiction to prescribe

- **Subjective territorial jurisdiction**: A state may apply its laws to conduct *initiated within* its territory but completed *outside* its territory
- **Objective territorial jurisdiction**: A state may apply its laws to conduct *initiated outside*, but *completed inside*, its territory

Challenge: No standard for locating incidents to one or more territories
- Example: A cross-border sale of goods

EU competition law

- **Implementation doctrine**: The mere sale of goods to buyers within the EU territory is sufficient to assert jurisdiction irrespective of the sources of supply and the production plant
- **Effects doctrine**: Provides jurisdiction to a state over any matter which produces an effect within its territory (controversial)
Issue 3:

Private imports of *genuine goods*
Case: Private import of genuine goods

- Does the private import of genuine trade-marked goods from e.g. the US or Asia involve any trade mark infringement under European trade mark law?
  - Example: Purchase of original special-edition DVDs, books, perfumes

- Can consignments of such goods to European consumers be seized under the Customs Regulation?
  - This was subject to debate in connection with the latest revision of the Customs Regulation – parallel imports of genuine goods from low-price countries may harm European industry on its “home market”
  - See now Art. 1(5): “This Regulation shall not apply to goods that have been manufactured with the consent of the right-holder or to goods manufactured, by a person duly authorised by a right-holder to manufacture a certain quantity of goods, in excess of the quantities agreed between that person and the right-holder.”