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**Submissions to the Court of Justice in Case C-495/09, Nokia  
International Trademark Association (INTA)**

*Court of Justice, First Chamber on 18 November 2010 at 11:00*

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My lords and ladies, the International Trademark Association - INTA, was joined to these proceedings in the English Court of Appeal as an *amicus curiae*.

INTA is a 131-year-old not-for-profit organisation which is dedicated to the development of trade mark law and the role of trade marks as essential elements of commerce. INTA's European membership includes over 1000 brand owners, law firms and lawyers that are based throughout the 27 Member States of the European Union.

In these submissions INTA wishes to comment on the background to the issues referred, to address the court briefly on the purpose and intent of the Counterfeit goods regulation, and to make submissions in relation to the points made by the parties in relation to the case law of the court.

The starting point is the background against which this and the reference in the Philips case have been made.

That was summarised by the Commission in its 11 October 2005 communication to the Council on a Customs Response to the latest trends in counterfeiting and piracy as follows:

- there was a 1000% increase in seizures of counterfeit goods by EU customs authorities between 1998 and 2004
- In 2005, seizures amounted to over 100 million articles annually but that is, according to the report 'only the tip of the fake iceberg'; and
- there is a considerable risk faced by EU citizens as a result in the growth of dangerous fake goods such as medicines, car parts and foodstuffs.

But most importantly, it is quite wrong to think of counterfeiting as a problem that predominantly affects luxury goods manufacturers. The vast majority of counterfeit goods

seized are not the fake Louis Vuitton handbags or Chanel sunglasses your lordships may be familiar with seeing being sold in tourist centres.

According to the Commission report, that may have been true about 20 years ago when 70% of fake goods were in the luxury goods sector.

But in 2004 less than 2% of goods seized were luxury goods. The remainder were foodstuffs, medicines, toys, alcoholic drinks and other goods including cigarettes. As the Commission notes, fake medicines and alcoholic drinks raise serious health risks for European Consumers.

So, in INTA's submission, this is an important issue for European consumers and brand owners alike and one on which there are currently very different approaches being taken by the customs authorities in various Member States.

In its most recent published Report (Results at the European Border 2008), the Commission states that about half of all articles were intercepted in import procedures and 21% in re-export. But in 2008, 26% of the total of 178 million articles were intercepted in transit.

Given that some 20% of all goods seized were considered by the Commission to be potentially damaging to the health of consumers, the questions referred to the court have an obvious impact in relation to some 9 million dangerous items seized in transit. As Nokia has noted in its submission, neither Nokia nor HM Revenue & Customs itself considers a requirement to demonstrate specific evidence of diversion to be satisfactory.

However, in INTA's submission, it is clear from the legislative history and intent through the previous counterfeit goods regulations that Regulation 1383/2003 was intended to catch goods in transit.

In particular the second recital to Regulation 1383/2003 makes it clear that its intent is to prevent marketing of counterfeit and pirate goods '...so far as is possible.'

That, coupled with the third recital, make its intention clear and unambiguous. The third recital states that:

*In cases where counterfeit goods, pirated goods and, more generally, goods infringing an intellectual property right originate in or come from third countries, their introduction into the Community customs territory, including their transshipment, release for free circulation in the Community, placing under a suspensive procedure*

*and placing in a free zone or warehouse, should be prohibited and a procedure set up to enable the customs authorities to enforce this prohibition as effectively as possible.*

That recital is notable because it is the first time that any of the counterfeit goods regulations have expressly referred to goods in transit. Under the predecessor regulation the reference was instead to goods placed under a suspensive procedure (which includes transit as defined in Regulation 2913/92).

In Regulation 1891/2004 implementing the counterfeit goods regulation, recital (1) states that:

*Regulation (EC) No 1383/2003 introduced common rules with a view to prohibiting the entry, release for free circulation, exit, export, re-export or entry for a suspensive procedure of counterfeit and pirated goods, and to dealing effectively with the illegal marketing of such goods...*

It would be very surprising indeed for that recital to be drafted in those terms if the counterfeit goods regulation did not affect counterfeit goods in transit between two non-EU countries. It would also be very surprising for those recitals to be drafted that way if the right of action was to be confined to cases in which there is specific evidence to suggest that the goods will, as a matter of fact, be placed on the market in the EU (that is to say where there is specific evidence of diversion onto the EU market).

As Nokia noted, just a few moments ago, what form exactly would such evidence take? It is extraordinarily unlikely that someone dealing with fake goods would make admissions about intended diversion when they had placed the goods under a transit procedure.

Indeed the Commission doesn't appear to have considered this a particular problem, in its 2005 Communication to the Council, the Parliament and the European Economic and Social Committee it stated that:

*In the Community, Customs have powers that go well beyond the minimum controls on imports set out in the TRIPS Agreement, and can stop suspected fakes during import, export, transit or transshipment... 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 (cf. seizures of fake medicines, condoms and car parts stopped at EU borders on route to Africa).*

In INTA's written observations we have developed arguments concerning the proper approach to the definition of counterfeit goods in the regulation and also set out its purpose and context. We don't propose to go over all of that again in our oral submissions but, subject to any questions that the court has, will address the case law of the court. In our submission that case law, when properly understood, supports the proposition that specific evidence of illicit diversion of goods is not necessary in the circumstances of Nokia's case.

The starting point are Cases C-383/98 *Polo/Lauren* and Case C-60/02 *Rolex*, each of which involved facts on all fours with the facts of the present case.

In *Polo/Lauren*, goods marked with the POLO trade mark were detained by the Austrian Customs authorities in transit from Indonesia to Poland. Poland was then not part of the Community. In *Rolex*, Hilfiger and Gucci marked goods on their way to Slovakia were also intercepted in Austria. Slovakia was at that time not a member state.

The UK Government contends that these cases merely decided that the Regulation is capable of applying to goods in transit, but that the way in which trade mark law operates is such that trade marked goods cannot be seized. Closer examination shows this to be a far too narrow reading of the decisions and it is a reading which, INTA submits, would render much of the Court's reasoning in these decisions otiose and meaningless.

In *Polo Lauren* it is clear from the wording of the question put by the national court and paragraph 15 of the Court's decision that the rights holder in that case claimed that its trade mark rights were being infringed. At paragraph 33, the Court refers to the fact that the Community was empowered under TRIPS to introduce common rules for stopping counterfeit goods under a suspensive customs procedure and then in paragraph 34 goes on to describes the legal fiction that applies in such a case as follows:

*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 of more Member States before being exported to another non-member country.*

*This operation is all the more liable to have a 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 Government states in footnote 4 to its written observations that the discussion of a legal fiction in *Polo Lauren* is irrelevant, given its contention that goods must be placed on the market for the market to be caught by the regulation. Despite what appears to be a clear statement by the Court in *Polo Lauren* that the very nature of the transit procedure when applied to counterfeit goods is such that there is always a risk that they might be placed on the Community market, the UK position appears to be that any such conclusion is wrong or at least that this factor should not be taken into account when assessing infringement.

It might be said by those seeking to explain away these comments of the Court in *Polo Lauren* that there was insufficient consideration by the Court of trade mark law in that case for it to realise that the Regulation could not effectively operate where trade mark goods were in transit. No similar suggestion can be made in the *Rolex* case. Paragraphs 30 to 36 of that decision record the differing views of the parties as to whether at the relevant time Austrian trade mark law prohibited the transit of counterfeit goods.

The Court at paragraphs 57 to 63 of the *Rolex* decision is then at pains to point out that if the Austrian court concluded that national law did not prohibit the mere transit of counterfeit goods, then national law would be in conflict with the Regulation. That statement from the Court can only sensibly be understood in the context of the facts then before the Court, i.e. unauthorised goods bearing the mark of another in transit through the community.

In INTA's submission, the court's reasoning in these two cases is directly contrary to the position adopted by the UK Government.

In contrast Advocate General Póitares Maduro in *Montex* considered the reasoning in these two decisions to be perfectly intelligible. At paragraph 43 of his Opinion he states:

*In Polo v Lauren and Rolex, it was precisely 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 Regulation No 3295/94 should be taken, even though the goods at issue were under an external transit procedure*

There are two aspects of this statement that are significant. First, he confirms that in *Polo* and *Rolex* the Court was positively requiring intervention measures to be taken. Second, he confirms that the process of external transit is such that it carries with it a high likelihood that the goods would be marketed unlawfully.

Of course, in *Montex*, and in marked contrast to the position in *Polo/Lauren* and *Rolex*, the goods were prima facie in transit to a country, Ireland, where their placing on the market was lawful. As the Advocate General recorded at paragraph 36 of his opinion and was subsequently held by the Court, the mere possibility without more in such a case that the goods might be diverted in transit was not enough. However, he also went on to conclude that:

*If it emerges that Montex is engaged in, or has in the past been engaged in, marketing its products bearing the DIESEL sign either in the State of transit or in another – even third – country in which Diesel enjoys protection in respect of the mark, that would constitute conclusive evidence to support such a suspicion.*

The facts currently before the Court in the *Nokia* case are that the goods were in transit to Columbia and that *Nokia* holds trade mark rights in Colombia and that importation into that country will involve infringement.

Further, as *Nokia* has also explained in its oral submissions there are other facts in this case that suggest that the owners of the goods are not legitimate traders.

Ultimately, the exact facts are for the national court to determine, but in INTA's submission in a case where the goods in question are counterfeit within the definition in Article 2 and there is no legitimate commercial purpose to the continuation of the transit in respect of those goods, then nothing more should be required evidentially.

INTA would suggest that the facts in this case are sufficient to support such a conclusion that there is a risk of the goods finding their way on to the EU market that would justify seizure without the need to show more by way of evidence of diversion. Indeed, INTA also contends that in such circumstances there is damage to one or more of the functions of the trade marks such that there is infringement.

The other case law of the Court is consistent, or at least not inconsistent, with this approach including the decision in *Montex* itself.

In both Case C-23/99, *Commission v France* and Case C-155/02, *Rioglass v Transremar* goods manufactured in Spain were being intercepted in or at the border with France in reliance on French national intellectual property provision.

In both cases the circumstances of manufacture were such that the Regulation did not apply. Of the two cases *Rioglass* is the most significant, given that the intellectual property rights in question were trade mark rights and the Court specifically examined whether the process of transit interfered with the essential function of that right. At paragraph 25 of that decision the Court considered the essential function of a trade mark to be to protect

*“against competitors wishing to take unfair advantage of the status and reputation of the trade mark by selling products illegally bearing it”.*

However, there was no consideration of the extent to which that function was affected where the goods had no obvious lawful use. Of course since that case was decided, the Court has emphasised in the context of infringement that there are a number of other functions of a trade mark which are protected in addition to the origin function. INTA has suggested an anti-counterfeiting function, but this could alternatively be seen as a subset of the origin function, given that the nature of the goods (and other factors in this case) mean that there is a risk that these goods will come back into the EU – in such a case (as opposed to one such as *Montex* where there was a prima facie legitimate purpose to the transit) it is INTA’s submission that there should be no need to show specific evidence that the goods will enter the market.

Case C-405/03, *Class International v Colgate-Palmolive Company* was a case of genuine parallel trade. Genuine toothpaste from South Africa where the marks had been lawfully affixed was placed into a warehouse in the Netherlands. Throughout, his Opinion, Advocate General Jacobs limited his comments about the essential function of a mark to cases where genuine goods were subject to the external transit procedure. Similarly the Court in answering the question put to it makes it clear in paragraph 50 of the decision that its answer given is in relation to the transit of original goods. There was no consideration of goods of the type presently before the court.

Further, the Court in its answer in *Montex*, specifically limits its formal answer to a set of facts that do not arise in the present case and did not arise in *Polo Lauren* or *Rolex*. The Court found that there was a requirement, before prohibiting goods in transit that bear a mark

which is protected in the country of transit, for an act “which necessarily entails their being placed on the market”. But that requirement was said to apply where the destination of the goods was another Member State where the mark was not protected. The Court provided no guidance as to whether the requirements might differ in a case where the goods might not be lawfully used in their place of destination. INTA contends that in such circumstances, the decisions in *Polo* and *Rolex* made it clear that there is no such requirement for such positive evidence.

Your Lordships have just heard in the *Phillips* case that in *Montex* itself the Court at paragraphs 35 to 40 of that decision directly considered the decisions in *Polo Lauren* and *Rolex* and concluded that neither of these cases were authority for the proposition that the Counterfeit Goods Regulation, as the Court put it,

*“introduces a new criterion for the purposes 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”*

The Court’s point in those paragraphs is that the Counterfeit Goods Regulation is not a back-door harmonisation of trade mark law. INTA would suggest that the court is not being asked to hold that the Counterfeit Goods Regulation imposes any new criteria in relation to trade mark infringement. Rather an issue is whether, in the case of goods that cannot be placed legitimately on any market, or at least the markets to which they are purportedly headed, there may be trade mark infringement and the fact that the goods are in transit precludes that infringement. The decisions in *Polo Lauren* and *Rolex* suggest that in such a case there is infringement and the fact that the goods are in transit does not prevent that. As the Court emphasised in *Polo Lauren*, the fiction of the goods not actually being in the Community is subject to limits and that fiction should not be extended further than is necessary.

In summary, in INTA’s submission the case law of the court is entirely consistent with the application of the counterfeit goods regulation not requiring specific evidence that goods will be diverted onto the market in the EU. In particular, the Court’s decisions in *Polo Lauren* and *Rolex* are the basis on which this question should be answered.

Finally, it is also important for the Court to be aware that a number of countries including the USA, Australia, Canada, Japan, Korea, Mexico and the European Union have just agreed the text of the Anti Counterfeiting Trade Agreement (ACTA) on Monday this week. The text

is subject to a legal verification meeting in Australia at the end of November but no further substantive changes are to be negotiated by the contracting states.

The agreed ACTA text provides that in respect of counterfeit trademarked goods (which have a very similar definition in ACTA to that found in the counterfeit goods regulation), signatories may provide procedures for suspect goods in transit or in other situations where the goods are under Customs control.

For each of these reasons, INTA submits that the Court should answer the referred question on the basis that it is not necessary for the relevant customs authorities or the national court to assess whether the goods will be put on the market in the EU, either in conformity with a customs procedure or by means of an illicit diversion.