

Working Guidelines

by Thierry CALAME, Reporter General
Nicola DAGG and Sarah MATHESON, Deputy Reporters General
John OSHA, Kazuhiko YOSHIDA and Sara ULFSDOTTER
Assistants to the Reporter General

Question Q230

Infringement of trademarks by goods in transit

Introduction

- 1) In trade today, goods are transported by air, over land and sea, across vast geographical areas. During transport these goods and commodities may pass through a number of jurisdictions before reaching their final destination. In this context the issue of how goods are treated when in transit comes into play.
- 2) Some scholars argue that transit procedures are used for the illicit diversion of goods into the country and as a way to disguise the true origin of goods. The defenders of this view advocate that goods in transit should be considered to infringe registered trademarks in the transit country if the goods would be deemed to be infringing if put on the market in that transit country. Others believe that this would extend the trademark protection beyond what is reasonable and would also hinder legitimate international trade where the goods may not infringe any intellectual property rights either in the country of origin or in the final destination. This working question hence raises issues about balancing the interests of trademark owners' interests in protecting their trademarks with the need to maintain free and transparent multilateral international trade without unreasonable obstacles.
- 3) The question of infringement of intellectual property rights by goods in transit is of current interest. For example, India and Brazil submitted to the WTO Dispute Settlement Body, a dispute with the European Union regarding the shipment of medicines from India to Brazil through the European Union. In a press release of 28 July 2011 it was announced that India and the European Union have come to an informal understanding of principles to guide border enforcement of IP in the EU. Although the primary discussion in this dispute was patent-related, it underlined the potential tension between intellectual property rights in general and the issues relating to transit goods. Specifically, the issue that goods in transit through the EU territory with an IP right applicable to such goods in the EU Territory does not in itself constitute grounds for seizure on the basis that the goods are infringing those IP rights.
- 4) The aim of this working question is to conduct a comparative law study on how goods in transit – which if put onto the market in the transit country would be trademark infringing – are handled when being subject to transit procedures.

- 5) The subject of this working question is complex and broad. It is closely linked with customs law. Customs law itself is a multifaceted area of law governed by multinational, bi- and trilateral agreements and national law, involving free trade agreements and customs unions around the world. It may well be that some of the questions cannot be answered by the Groups without taking into account some aspects of customs law. However, this question is limited to an intellectual property law perspective. Therefore, customs law should only be addressed to the extent necessary to address the intellectual property law issues.
- 6) In view of the lack of a common term for the person or company who brings or causes goods to be brought into a transit country, or in other words, the alleged infringer, these Working Guidelines will refer to this person/company as “importer”. The role and responsibility of intermediaries (such as shippers, landlords) who handle goods in transit, is beyond the scope of this working question, as is infringement by goods in transit of intellectual property rights other than trademarks, including copyrights, patents and designs
- 7) The country or countries where the transit takes place will simply be referred to as the transit country.

Previous Work of AIPPI

- 8) AIPPI has not previously studied the specific issue of trademark infringement by goods in transit as a stand-alone question. However, the issue has been touched upon in other questions recently studied by AIPPI.
- 9) In 2009, in Buenos Aires, AIPPI studied the question Q208, entitled “Border measures and other means of customs intervention against infringers”. One of the questions in the Working Guidelines was “If goods are found to infringe IP rights, may a right holder oppose exportation of infringing goods from the respondent’s country, infringing goods in transit and placement of infringing goods in a free trade zone or free trade warehouse?”. However, in the debates in the Working Committee, the issue of IP infringement by goods in transit was controversial and, therefore, Resolution Q208 does not specifically address this issue.
- 10) In 2007, in Singapore, AIPPI studied the question Q195, entitled “Limitations of trademark protection”. It was mentioned in some Group reports that one limitation which had not been included in the limitations of protection discussed in the Working Guidelines was the one regarding goods in transit. The issue was, however, not addressed in Resolution Q195.
- 11) In 2000, in Sorrento, AIPPI studied, under question Q147, “The effectiveness of border measures after TRIPS”. The Groups were asked to answer the question “Do the procedures in your country or region apply also to goods protected by trademark law and goods protected by copyright law in transit and goods which are to be exported?”. In Resolution Q147, AIPPI recommended that all countries extend border measures to goods in transit and to goods intended to be exported, which would otherwise infringe intellectual property rights in the country of transit, or in the country of export, respectively.
- 12) In two recent AIPPI workshops, the issue of IP infringement by goods in transit was also discussed, namely at Workshop X, on “Current IP issues at WTO”, during the Paris

Congress 2010 and at Workshop VIII, on “Border Measures and goods in transit” during the Hyderabad Forum 2011.

Discussion

“In-transit” term

13) Transit and in-transit are not universally defined terms. The term transit is relative and may, depending on the context, have different meanings. In addition, it is not a term commonly used in intellectual property law. In its broadest meaning, transit may refer to the transfer of goods or people through a territory. In various international treaties the term has been defined in different ways. Transit, in customs law, has a very specific meaning and refers to customs procedures and treatment of goods, among other things.

14) The General Agreement on Tariffs and Trade (GATT) deals with the Freedom of Transit. Paragraph (1) of Article V GATT describes in-transit as follows:

“Goods (including baggage), and also vessels and other means of transport, shall be deemed to be in transit across the territory of a contracting party when the passage across such territory, with or without trans-shipment, warehousing, breaking bulk, or change in the mode of transport, is only a portion of a complete journey beginning and terminating beyond the frontier of the contracting party across whose territory the traffic passes. Traffic of this nature is termed in this article “traffic in transit”.”

15) In paragraph (3) the concept of Freedom of Transit is set out:

“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 coming from or going to the territory of other contracting parties shall not be subject to any unnecessary delays or restrictions and shall be exempt from customs duties and from all transit duties or other charges imposed in respect of transit, except charges for transportation or those commensurate with administrative expenses entailed by transit or with the cost of services rendered.”

16) In the Anti-Counterfeiting Trade Agreement (ACTA) as released on 15 November 2010, “in-transit” covers both goods under “customs transit” and “transshipment”, which in turn are defined as follows:

- “Customs transit” means the customs procedure under which goods are transported under customs control¹ from one customs office to another;
- “Transshipment” means the customs procedure under which goods are transferred under customs control from the importing means of transport to the exporting means of transport within the area of one customs office which is the office of both importation and exportation.

17) The amended International Convention on the simplification and harmonization of Customs Procedures, (the “Revised Kyoto Convention”) adopted by the Customs Co-

¹ In the Glossary of International Customs Terms (published by the World Customs Organization (WCO) in 2006) customs control is defined as “measures applied by the Customs to ensure compliance with Customs law”. It is noted that “measures may be general e.g. in relation to all goods entering the Customs Territory, or may be specifically related to, e.g. [...] (c) the Customs procedure applied to the goods (Customs transit etc.)”.

operation Council, appears to distinguish between customs transit on the one hand and transshipment on the other hand, but does not specifically address “transit”.

- 18) It should also be noted that when goods are transported through a country or region, different customs procedures may apply during different parts of the transport. Customs warehousing is a separate customs procedure under various customs treaties and customs laws. “In transit” goods could, for example, be stored in a customs warehouse during a period of time while awaiting a suitable transport. Subsequently, when the goods are transported through the territory they are placed under a customs transit procedure. The wording of GATT indicates that also for example warehousing is included in the GATT definition of traffic in transit.
- 19) Under ACTA, border measures may be applied in respect of not only in-transit goods (as defined, see paragraph 16 above) but also in other situations where the goods are under customs control.
- 20) Against this background, the working question is not limited to a specific definition of “in-transit”. Rather, “in-transit” in this context should be understood broadly and may include for example, transshipment, breaking bulk, warehousing, customs warehouses, free warehouses, free zones and other customs procedures under which the goods are not released for free circulation and are kept under customs control.

Goods in transit - infringement

- 21) Typically, the rights conferred on the owner of a registered trademark includes the right to prevent others from offering, putting on the market, selling and importing goods bearing a mark that infringes such trademark by unlawfully reproducing or imitating it. It could be argued that transit does not interfere with the functions of a trademark and only involves a mere transportation of goods. Transit would consequently not imply a marketing of the goods in the transit country. It may also be that in some jurisdictions, the owner of a registered trademark may prevent the warehousing of counterfeit trademark merchandise.
- 22) It has been established in several cases by the Court of Justice of the European Union (CJEU) that trademark infringement requires that the trademark be used in the territory of the EU after customs clearance, i.e. once the goods are released for free circulation within the EU. It is said that goods placed under a suspensive customs procedure (such as external transit) cannot, merely by the fact of being so placed, infringe intellectual property rights, such as trademarks rights, applicable in the European Union.
- 23) Finland has addressed this issue by amending the Finnish trademark act in 2000, specifically adding that the trademark owner could also prevent others from introducing goods affixed with confusingly similar trademarks into Finland for the purpose of forwarding the goods to a third country.
- 24) In Australia it has been established in case law that importation for sale of infringing goods is enough to constitute use of a trademark for the purposes of infringement. However, goods that are simply in transit (i.e. where the destination of importation is outside Australia), as opposed to imported goods, will not infringe, under the Australian trademark act. The definition of importation has been derived from case law and imported goods are international goods brought into Australian territory with the effect that the carriage of the goods ends in Australia and where there is an absence of some new or further arrangement for carrying the goods away. (*Wilson v. Chambers & Co Pty Ltd* (1926) 38 CLR 131, 139)

- 25) One way of looking at this would be to say that the concept of in-transit and the different transit procedures belong to the body of customs law. Trademark law is a separate body of law and the purpose and rationale of these two bodies are very different. One issue of interest is whether the concept “to import”, which under many trademark laws is an act or a right reserved for the trademark owner and its licensee(s) alone, also covers goods in transit, which ultimately is a concept under customs law. In a Criminal Cassation Court case from Argentina (Raul Oviedo S.R.L case), concerning a truck in transit in Argentina transporting counterfeit toys from Paraguay to Uruguay the court defined import as bringing goods into any territory under Argentine sovereignty in which a uniform customs duties system and economic prohibitions on imports and exports are applied, concluding that the case under analysis was considered an import and that this was not altered by the fact that goods were in transit to another country.
- 26) It is not practical for a trademark owner to register its trademark in every country in the world. This means that depending on where the goods are manufactured or assembled, the route of transport and the final destination, the mark fixed on the goods may not be protected in every country the goods pass through during their transport from the country of origin to the country of destination. For instance, the trademark may not be registered in the country of origin, so that the goods may have been lawfully manufactured and exported from that country. Similarly, there may be no trademark protection in the country of destination, so the goods could lawfully be imported into that country. These constellations may also have an impact on the assessment as to whether particular goods in transit would be considered to infringe the trademark right in the transit country.
- 27) In addition, due to the nature of international trade today, the country of destination and final consignee may in some cases not even be known at the time of transit of goods in one particular country; perhaps only the “next in line” transfer country is known.
- 28) In a number of cases, for example the Montex Case (C-281/05), the CJEU has dealt with the question of when a trademark owner can prohibit the transit of goods bearing the trademark, which are placed under the external transit procedure in a Member State in which the trademark is protected. If the final destination of the goods is another Member State, the trademark owner can only prohibit the goods in transit if the goods are subject to the act of a third party while they are placed under the external transit procedure, which necessarily entails them to be put on the market in that Member State of transit. It is only in these cases that the trademark owner’s exclusive rights are adversely affected and only in these cases that an infringement takes place.
- 29) It is the trademark owner who must be able to prove that the introduction of goods subject to the external transit or customs warehousing procedures necessarily leads to the goods being put on the community market.
- 30) In very recent case law (Nokia/Phillips C-446/09 and C-495/09) the CJEU has stated that such evidence exists where it turns out that the goods have been sold to a customer within the EU, or offered for sale or advertised for consumers in the EU. This is also the case when it is apparent from documents or correspondence concerning the goods that their diversion into the EU is envisaged. However, customs authorities may act and either suspend the release of or detain the goods without such evidence if there are indications that an infringement exists. Such indications could be that the destination of goods is not declared where the customs procedure requires such a declaration, the lack of precise or reliable information as to the identity or address of the manufacturer or consignor of goods, a lack of cooperation with the customs authorities or the discovery of documents or correspondence concerning the goods suggesting that there is a risk of diversion of these goods to the EU.

Categories of goods and trademarks

- 31) This question is not limited to counterfeit goods, though it appears that it is counterfeit goods that have attracted the most attention in case law and legal doctrine. The “counterfeit goods” in this context mean any goods, bearing a mark, without necessary authorisation, which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark.
- 32) Parallel traded goods have also been subject to discussion in one case decided by the CJEU (Class International C-405/03) in which goods were put on the market in one country by consent from the trademark holder and then brought to the European Union on their way to a destination country where there was no trademark registration. Against this background it is also interesting to enquire with the groups whether there are any differences between goods in transit being counterfeit, parallel traded or bearing a mark that is confusingly similar to that which has been registered.
- 33) Famous and well-known trademarks have extended protection, in accordance with for example Article 6^{bis} of the Paris Convention and Article 16 of TRIPS. Another issue to look at in this working question is whether famous and well-known trademarks are in any way treated differently in transit situations, especially when such famous and well-known trademarks have not been registered in the transit country.

Border measures and Remedies

- 34) Border measures as set out in section 4 of the TRIPS agreement are often used to stop suspected counterfeit goods from entering a country. But TRIPS neither prohibits nor mandates the seizure of goods in transit (or parallel traded goods in general); instead it is left to the contracting parties of the agreement to decide whether border measures should be available also to goods in transit. Footnote 13 to Article 51 reads: “It is understood that there shall be no obligation to apply [border measures] 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.”
- 35) If a court establishes that a trademark infringement has occurred, typically a number of sanctions and remedies may be granted, such as for example monetary damages and injunctions, provided the prerequisites of that particular remedy are met.
- 36) How would the trademark owner’s rights be affected and what damage has the trademark owner suffered in transit situations? Should potential damage also be considered? These questions are particularly relevant if the goods are retained by customs authorities when entering the transit country. It could, of course, be argued that all dealings with infringing goods affects the reputation and goodwill of a trademark. The counterfeit trade could also give rise to pressure on price reductions. It may, however, be difficult to calculate damages in this regard. Based on this, one subject to be dealt with is what remedies are available to the trademark owner if it is established that the marks used by third parties on goods in transit fall within the scope of the former’s trademark protection.

Questions

I. Analysis of current legislation and case law

The Groups are invited to answer the following questions under their national laws and if applicable their regional/community legislation:

In-transit term

- 1) Does your country's law provide for an "in transit" concept (regardless of the exact terminology)?
- 2) If yes to question 1, what term is used in your country to describe this concept?
- 3) If yes to question 1, does your country make any distinction between "customs transit", "transshipment" and "in-transit"?
- 4) Does your country's "in transit" concept include for example customs warehouses, free warehouses, free zones and other customs procedures under which the goods are not released for free circulation and are kept under customs control?

Goods in transit – infringement

In the following questions 5-12, "in-transit" refers to the term used in your country.

- 5) Are goods in transit considered to fall within the trademark owner's exclusive right to prevent others from importing goods bearing the trademark?
- 6) Taking into account the following scenarios, are goods in transit considered to be infringing in the country of transit if:
 - i. goods bearing a trademark are sent from country A (where it is not registered) to country C (where it is not registered) via transit country B (where it is registered).
 - ii. the trademark owner has a valid trademark registration only in the country of destination (country C).
 - iii. the trademark owner has a valid trademark registration only in the country of origin (country A).
 - iv. the final destination of the goods is not known at the time of entrance of the goods in the transit country (consider both scenarios – where it is registered in country B and where it is not registered in country B).
- 7) In those scenarios where in-transit goods are considered to infringe a registered trademark right in the transit country:
 - i. Would that be the case if it is shown that goods will be or that there is a risk for the goods being illicitly diverted into the market in the transit country?
 - ii. Who has the burden of proof to show that goods will be or that there is a risk for the goods being illicitly diverted into the market of the transit country?
 - iii. What is the nature of evidence that may have to be submitted in this regard?
 - iv. What is the standard of proof in such cases?

Categories of goods and trademarks

- 8) Are there any differences as to whether goods in transit are considered to be infringing in the country of transit if the goods are (i) counterfeit, (ii) parallel traded or (iii) bear confusingly similar trademarks?

- 9) Is there any extended or special protection for well-known and famous trademarks in respect of goods in transit?
- 10) Does the extended or special protection under question 9 above, exist even where no registration has been obtained in the country of transit?

Border measures and Remedies

- 11) Are border measures available for goods in transit under your statutory law? If yes, please quote the corresponding article(s) or paragraph(s).
- 12) Does your case law / jurisprudence deal with border measures regarding goods in transit? If yes, please comment if possible trends can be observed from court precedents, and in which direction.
- 13) What kinds of remedies are available if goods in transit are considered to be infringing in the transit country? Are, for example, injunctions, monetary damages, or destruction of such goods possible?
- 14) If the answer to question 13 includes monetary damages, how are the damages computed?
- 15) If the answer to question 13 includes destruction of the infringing goods, who is responsible for ensuring the destruction of the infringing goods?

II. Proposals for harmonisation

The Groups are invited to put forward proposals for the adoption of harmonised rules as to the infringement of trademarks by goods in transit. More specifically, the Groups are invited to answer the following questions.

Please note that in-transit in the following refers to the term in a broader sense and is not limited to a specific customs procedure.

Goods in transit - infringement

- 16) Should goods in transit be considered to infringe a registered trademark in the transit country? If yes, why? If no, why not?
- 17) Should it matter whether the goods have been lawfully manufactured in and/or exported from the country of origin?
- 18) Should it matter whether the goods could be lawfully put on the market in the country of destination?
- 19) If in-transit goods are not considered to infringe a registered trade mark in the transit country, should there be an exception if it is shown that the goods will be or that there is a risk for the goods being illicitly diverted onto the market in the transit country?
- 20) What kind of evidence should be presented for this exception to take effect?

Categories of goods and trademarks

- 21) Should infringement by goods in transit be limited to counterfeit goods or should also parallel traded goods and goods bearing confusingly similar goods be considered to infringe when in-transit?
- 22) Should famous and well-known trademarks enjoy extended protection in respect of goods in transit? If so, should this be the case even when no registration has been obtained in the country of transit?

Border measures and Remedies

- 23) Should border measures be available for goods in transit?
- 24) Should the same remedies (such as injunctions, monetary damages and destruction) be available for infringement by goods in transit as for other trademark infringements?
- 25) Should the same defenses be available for the importers of goods in transit as for goods under direct importation from the country of origin or other?

National Groups are invited to any additional issue concerning the infringement of trademarks by goods in transit.

NOTE:

It will be helpful and appreciated if the following points could be taken into consideration when editing the Group Report:

- kindly follow the order of the questions and use the questions and numbers for each answer
- if possible type your answers in a different colour
- please send in a word document
- in case images need to be included high resolution (not less than 300 dpi) is required for good quality printing