

Court of Justice EU, 1 December 2011, Philips - Nokia



TRADEMARK LAW – CUSTOMS SEIZURE

Not ‘counterfeit goods’ within the meaning of the regulation when brought into customs territory under suspensive procedure

- goods coming from a non-member State which are imitations of goods protected in the European Union by a trade mark right or copies of goods protected in the European Union by copyright, a related right or a design cannot be classified as ‘counterfeit goods’ or ‘pirated goods’ within the meaning of those regulations merely on the basis of the fact that they are brought into the customs territory of the European Union under a suspensive procedure;

Counterfeit goods: where proven that they are intended to be put on sale in the EU

- those goods may, on the other hand, infringe the right in question and therefore be classified as ‘counterfeit goods’ or ‘pirated goods’ where it is proven that they 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, or where it is apparent from documents or correspondence concerning the goods that their diversion to European Union consumers is envisaged;

Suspension of release of goods for examination of infringement; grounds for suspecting infringement

- in order that the authority competent to take a substantive decision may profitably examine whether such proof and the other elements constituting an infringement of the intellectual property right relied upon exist, the customs authority to which an application for action is made must, as soon as there are indications before it giving grounds for suspecting that such an infringement exists, suspend the release of or detain those goods; and

- those indications may include, inter alia, the fact that the destination of the goods is not declared whereas the suspensive procedure requested requires such a declaration, the lack of precise or reliable information as to the identity or address of the manufacturer or con-signor of the goods, a lack of cooperation with the customs authorities or the discovery of documents or correspondence concerning the goods in question suggesting that there is liable to be a diversion of those goods to European Union consumers.

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Court of Justice EU, 1 December 2011

(A. Tizzano, A. Borg Barthet, M. Ilešič (Rapporteur), E. Levits en M. Berger)

JUDGMENT OF THE COURT (First Chamber)

1 December 2011 (*)

(Common commercial policy – Combating the entry into the European Union of counterfeit and pirated goods – Regulations (EC) No 3295/94 and No 1383/2003 – Customs warehousing and external transit of goods from non-member States which constitute imitations or copies of goods protected in the European Union by intellectual property rights – Action by the authorities of the Member States – Conditions)

In Joined Cases C-446/09 and C-495/09,

REFERENCES for a preliminary ruling under Articles 234 EC and 267 TFEU from the Rechtbank van eerste aanleg te Antwerpen (Belgium) (C-446/09) and from the Court of Appeal (England and Wales) (Civil Division) (C-495/09), made by decisions of 4 and 26 November 2009 respectively, received at the Court on 17 November and 2 December 2009, in the proceedings Koninklijke Philips Electronics NV (C-446/09)

v

Lucheng Meijing Industrial Company Ltd,
Far East Sourcing Ltd,
Röhlig Hong Kong Ltd,
Röhlig Belgium NV,
and

Nokia Corporation (C-495/09)

v

Her Majesty’s Commissioners of Revenue and Customs,
intervener:

International Trademark Association,

THE COURT (First Chamber),

composed of A. Tizzano, President of the Chamber, A. Borg Barthet, M. Ilešič (Rapporteur), E. Levits and M. Berger, Judges,

Advocate General: P. Cruz Villalón,

Registrar: M. Ferreira, Principal Administrator,

having regard to the written procedure and further to the hearings on 18 November 2010,

after considering the observations submitted on behalf of:

– Koninklijke Philips Electronics NV, by C. De Meyer and C. Gommers, advocaten,

– Far East Sourcing Ltd, by A. Kegels, advocaat,
 – Nokia Corporation, by J. Turner QC, instructed by A. Rajendra, Solicitor,
 – International Trademark Association, by N. Saunders, Barrister, instructed by M. Harris and A. Carboni, Solicitors,
 – the Belgian Government (C-446/09), by M. Jacobs and J.-C. Halleux, acting as Agents,
 – the United Kingdom Government, by L. Seeboruth, acting as Agent, and T. de la Mare, Barrister,
 – the Czech Government, by M. Smolek and K. Havlíčková, acting as Agents,
 – the French Government (C-495/09), by B. Beaupère-Manokha, acting as Agent,
 – the Italian Government, by G. Palmieri, acting as Agent, and by G. Albenzio (C-446/09) and W. Ferrante (C-495/09), avvocati dello Stato,
 – the Polish Government (C-495/09), by M. Szpunar, M. Laszuk and E. Gromnicka, acting as Agents,
 – the Portuguese Government (C-495/09), by L. Fernandes and I. Vieira Lopes, acting as Agents,
 – the Finnish Government (C-495/09), by J. Heliskoski, acting as Agent,
 – the European Commission, by W. Roels and B.-R. Killmann (C-446/09), and by B.-R. Killmann and R. Lyal (C-495/09), acting as Agents,
 after hearing [the Opinion of the Advocate General at the sitting on 3 February 2011](#),
 gives the following

Judgment

1 These references for a preliminary ruling concern the interpretation of 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 (OJ 1994 L 341, p. 8), as amended by Council Regulation (EC) No 241/1999 of 25 January 1999 (OJ 1999 L 27, p. 1), and of 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 2003 L 196, p. 7).

2 The references have been made in proceedings between, first, Koninklijke Philips Electronics NV ('Philips') and Lucheng Meijing Industrial Company Ltd, established in Wenzhou (China) ('Lucheng'), Far East Sourcing Ltd, established in Hong Kong (China) ('Far East Sourcing'), and Röhlig Hong Kong Ltd and Röhlig Belgium NV (together 'Röhlig') concerning the entry into the customs territory of the European Union of goods allegedly infringing designs and copyright held by Philips (C-446/09) and, second, Nokia Corporation ('Nokia') and Her Majesty's Commissioners of Revenue and Customs ('HMRC') concerning the entry into that customs territory of goods allegedly infringing a trade mark of which Nokia is the proprietor (C-495/09).

Legal context

The Customs Code

3 The basic European Union rules on customs matters, set out in Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code (OJ 1992 L 302, p. 1), have been repealed and replaced by Regulation (EC) No 450/2008 of the European Parliament and of the Council of 23 April 2008 laying down the Community Customs Code (Modernised Customs Code) (OJ 2008 L 145, p. 1).

4 Regulation No 450/2008 entered into force on 24 June 2008 as regards its provisions granting powers to adopt implementing measures, while the date of entry into force of the other provisions was specified as being 24 June 2009 at the earliest and 24 June 2013 at the latest. Accordingly, having regard to the date of the events in the main proceedings, those actions continue to be governed by the rules laid down in Regulation No 2913/92, as amended, with regard to Case C-446/09, by Regulation (EC) No 2700/2000 of the European Parliament and of the Council of 16 November 2000 (OJ 2000 L 311, p. 17) and, with regard to Case C-495/09, by Regulation (EC) No 648/2005 of the European Parliament and of the Council of 13 April 2005 (OJ 2005 L 117, p. 13) ('the Customs Code').

5 Article 4 of the Customs Code provides:

'For the purposes of this Code, the following definitions shall apply:

...

(15) "Customs-approved treatment or use of goods" means:

- (a) the placing of goods under a customs procedure;
 - (b) their entry into a free zone or free warehouse;
 - (c) their re-exportation from the customs territory of the Community;
 - (d) their destruction;
 - (e) their abandonment to the Exchequer.
- (16) "Customs procedure" means:
- (a) release for free circulation;
 - (b) transit;
 - (c) customs warehousing;
 - (d) inward processing;
 - (e) processing under customs control;
 - (f) temporary admission;
 - (g) outward processing;
 - (h) exportation.

...

(20) "Release of goods" means the act whereby the customs authorities make goods available for the purposes stipulated by the customs procedure under which they are placed.

...

6 Article 37 of the Customs Code states:

1. Goods brought into the customs territory of the Community shall, from the time of their entry, be subject to customs supervision. ...

2. They shall remain under such supervision for as long as necessary to determine their customs status, if appropriate, and in the case of non-Community goods ..., until their customs status is changed, they enter a

free zone or free warehouse or they are re-exported or destroyed ...'

7 Articles 48 to 50 of the Customs Code read as follows:

'Article 48

Non-Community goods presented to customs shall be assigned a customs-approved treatment or use authorised for such non-Community goods.

Article 49

1. Where goods are covered by a summary declaration, the formalities necessary for them to be assigned a customs-approved treatment or use must be carried out within:

(a) 45 days from the date on which the summary declaration is lodged in the case of goods carried by sea;

(b) 20 days from the date on which the summary declaration is lodged in the case of goods carried otherwise than by sea.

...

Article 50

Until such time as they are [assigned] a customs-approved treatment or use, goods presented to customs shall, following such presentation, have the status of goods in temporary storage. ...'

8 The first sentence of Article 56 of the Customs Code provides:

'Where the circumstances so require, the customs authorities may have goods presented to customs destroyed.'

9 Article 58 of the Customs Code provides:

'1. Save as otherwise provided, goods may at any time, under the conditions laid down, be assigned any customs-approved treatment or use ...

2. Paragraph 1 shall not preclude the imposition of prohibitions or restrictions justified on grounds of public morality, public policy or public security, the protection of health and life of humans, animals or plants, the protection of national treasures possessing artistic, historic or archaeological value or the protection of industrial and commercial property.'

10 Article 59(1) of the Customs Code provides that *'[a]ll goods intended to be placed under a customs procedure shall be covered by a declaration for that customs procedure'*.

11 Under Article 75 of the Customs Code:

'Any necessary measures, including confiscation and sale, shall be taken to deal with goods which:

(a) cannot be released because:

...

– the documents which must be produced before the goods can be placed under the customs procedure requested have not been produced; or,

...

– they are subject to bans or restrictions;

...

12 Article 84(1) of the Customs Code provides:

'In Articles 85 to 90:

(a) where the term "procedure" is used, it is understood as applying, in the case of non-Community goods, to the following arrangements:

– external transit;

– customs warehousing;

– inward processing ...;

– processing under customs control;

– temporary importation.'

13 Article 91(1) of the Customs Code states:

'The external transit procedure shall allow the movement from one point to another within the customs territory of the Community of:

(a) non-Community goods, without such goods being subject to import duties and other charges or to commercial policy measures;

...

14 Article 92 of the Customs Code states:

'1. The external transit procedure shall end and the obligations of the holder shall be met when the goods placed under the procedure and the required documents are produced at the customs office of destination in accordance with the provisions of the procedure in question.

2. The customs authorities shall discharge the procedure when they are in a position to establish, on the basis of a comparison of the data available to the office of departure and those available to the customs office of destination, that the procedure has ended correctly.'

15 Article 98(1) of the Customs Code provides:

'The customs warehousing procedure shall allow the storage in a customs warehouse of:

(a) non-Community goods, without such goods being subject to import duties or commercial policy measures;

...

Regulations No 3295/94 and No 1383/2003

16 Regulation No 3295/94 was repealed, with effect from 1 July 2004, by Regulation No 1383/2003. In view of the time at which the events occurred, the main action in Case C-446/09 remains governed by Regulation No 3295/94, as amended by Regulation No 241/1999. On the other hand, the main action in Case C-495/09 is governed by Regulation No 1383/2003.

17 The second recital in the preamble to Regulation No 3295/94 stated:

'... the marketing of counterfeit goods and pirated goods causes considerable injury to law-abiding manufacturers and traders and to holders of the copyright or neighbouring rights and misleads consumers; ... such goods should as far as possible be prevented from being placed on the market and measures should be adopted to that end to deal effectively with this unlawful activity without impeding the freedom of legitimate trade; ...'

18 Recitals 2 and 3 in the preamble to Regulation No 1383/2003 are worded as follows:

'(2) The marketing of ... goods infringing intellectual property rights does considerable damage to ... right-holders, as well as deceiving and in some cases endangering the health and safety of consumers. Such goods should, in so far as is possible, be kept off the market and measures adopted ... without impeding the freedom of legitimate trade.'

...

(3) *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.'*

19 Article 1 of Regulation No 1383/2003 states:

'1. This Regulation sets out the conditions for action by the customs authorities when goods are suspected of infringing an intellectual property right in the following situations:

(a) *when they are entered for release for free circulation, export or re-export ...*

(b) *when they are found during checks on goods entering or leaving the Community customs territory in accordance with Articles 37 and 183 of [the Customs Code], placed under a suspensive procedure within the meaning of Article 84(1)(a) of that [Code], in the process of being re-exported subject to notification ... or placed in a free zone or free warehouse ...*

2. This Regulation also fixes the measures to be taken by the competent authorities when the goods referred to in paragraph 1 are found to infringe intellectual property rights.'

20 Article 1(1) of Regulation No 3295/94, as amended by Regulation No 241/1999 ('Regulation No 3295/94'), which is applicable to the main action in Case C-446/09, was worded in terms analogous to those of Article 1(1) of Regulation No 1383/2003.

21 Under Article 2(1) of Regulation No 1383/2003, 'goods infringing an intellectual property right' means:

(a) *"counterfeit goods", namely:*

(i) *goods ... bearing without authorisation a trademark identical to the trademark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the trademark-holder's rights under Community law, as provided for by Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trademark [(OJ 1994 L 11, p. 1)] or the law of the Member State in which the application for action by the customs authorities is made;*

...

(b) *"pirated goods", namely goods which are or contain copies made without the consent of the holder of a copyright or related right or design right ... in cases where the making of those copies would constitute an infringement of that right under Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs [(OJ 2002 L 3, p. 1)] or the law of the Member State in which the application for customs action is made;*

(c) *goods which, in the Member State in which the application for customs action is made, infringe:*

(i) *a patent under that Member State's law;*

(ii) *a supplementary protection certificate ...*

(iii) *a national plant variety right ...*

(iv) *designations of origin or geographical indications ...*

(v) *geographical designations ...'*

22 Article 1(2) of Regulation No 3295/94 was worded in terms analogous to those of Article 2(1) of Regulation No 1383/2003.

23 Article 5(1) of Regulation No 1383/2003 provides:

'In each Member State a right-holder may apply in writing to the competent customs department for action by the customs authorities when goods are found in one of the situations referred to in Article 1(1) (application for action).'

24 Under Article 4(1) of that regulation:

'Where the customs authorities, in the course of action in one of the situations referred to in Article 1(1) and before an application has been lodged by a right-holder or granted, have sufficient grounds for suspecting that goods infringe an intellectual property right, they may suspend the release of the goods or detain them ... in order to enable the right-holder to submit an application for action in accordance with Article 5.'

25 The content of Articles 3(1) and 4 of Regulation No 3295/94 was analogous to that of Articles 5(1) and 4(1) of Regulation No 1383/2003 respectively.

26 Articles 9 and 10 of Regulation No 1383/2003, which are included in Chapter III thereof, entitled 'Conditions governing action by the customs authorities and by the authority competent to decide on the case', provide:

'Article 9

1. Where a customs office to which the decision granting an application by the right-holder has been forwarded ... is satisfied, after consulting the applicant where necessary, that goods in one of the situations referred to in Article 1(1) are suspected of infringing an intellectual property right covered by that decision, it shall suspend release of the goods or detain them.

...

3. With a view to establishing whether an intellectual property right has been infringed ..., the customs office or department which processed the application shall inform the right-holder, at his request and if known, of the names and addresses of the consignee, the consignor, the declarant or the holder of the goods ...

...

Article 10

The law in force in the Member State within the territory of which the goods are placed in one of the situations referred to in Article 1(1) shall apply when deciding whether an intellectual property right has been infringed under national law.

...

27 Analogously, Article 6 of Regulation No 3295/94 stated:

'1. Where a customs office to which the decision granting an application by the holder of a right has

been forwarded ... is satisfied, after consulting the applicant where necessary, that goods placed in one of the situations referred to in Article 1(1)(a) correspond to the description of the goods referred to in Article 1(2)(a) contained in that decision, it shall suspend release of the goods or detain them.

... the customs office or the service which dealt with the application shall notify the holder of the right, at his request, of the name and address of the declarant and, if known, of those of the consignee so as to enable the holder of the right to ask the competent authorities to take a substantive decision. ...

2. *The law in force in the Member State within the territory of which the goods are placed in one of the situations referred to in Article 1(1)(a) shall apply as regards:*

(a) *referral to the authority competent to take a substantive decision and immediate notification of the customs service or office referred to in paragraph 1 of that referral ...*

(b) *reaching the decision to be taken by that authority. In the absence of Community rules in this regard, the criteria to be used in reaching that decision shall be the same as those used to determine whether goods produced in the Member State concerned infringe the rights of the holder. ...'*

28 Article 16 of Regulation No 1383/2003 provides: *'Goods found to infringe an intellectual property right at the end of the procedure provided for in Article 9 shall not be:*

- allowed to enter into the Community customs territory,*
- released for free circulation,*
- removed from the Community customs territory, exported,*
- re-exported,*
- placed under a suspensive procedure or*
- placed in a free zone or free warehouse.'*

29 Analogously, Article 2 of Regulation No 3295/94 stated:

'The entry into the Community, release for free circulation, export, re-export, placing under a suspensive procedure or placing in a free zone or free warehouse of goods found to be goods referred to in Article 1(2)(a) on completion of the procedure provided for in Article 6 shall be prohibited.'

30 Article 18 of Regulation No 1383/2003 provides that '[e]ach Member State shall introduce penalties to apply in cases of violation of this Regulation. Such penalties must be effective, proportionate and dissuasive'. Article 11 of Regulation No 3295/94 was worded in similar terms.

International rules

31 The Agreement on Trade-Related Aspects of Intellectual Property Rights ('the TRIPS Agreement'), which constitutes Annex 1 C to the Agreement establishing the World Trade Organisation (WTO), signed in Marrakech on 15 April 1994 and approved by Council Decision 94/800/EC of 22 December 1994 concerning the conclusion on behalf of the European

Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994) (OJ 1994 L 336, p. 1), states in Article 69:

'Members agree to cooperate with each other with a view to eliminating international trade in goods infringing intellectual property rights. For this purpose, they shall establish and notify contact points in their administrations and be ready to exchange information on trade in infringing goods. They shall, in particular, promote the exchange of information and cooperation between customs authorities with regard to trade in counterfeit trademark goods and pirated copyright goods.'

The disputes in the main proceedings and the questions referred for a preliminary ruling

Case C-446/09

32 On 7 November 2002, in the port of Antwerp (Belgium), the Belgian customs authorities inspected a cargo of electric shavers from China resembling designs of shavers developed by Philips. Since those designs were protected by registrations granting exclusive rights to Philips in a number of States, including the Kingdom of Belgium, the Belgian customs authorities suspected that the goods inspected constituted pirated goods. Accordingly, they suspended release of the goods within the meaning of Article 4 of Regulation No 3295/94.

33 On 12 November 2002, in accordance with Article 3 of that regulation, Philips lodged an application for action.

34 Following that application, which was granted on 13 November 2002, the Belgian customs authorities sent certain information to Philips, such as a photograph of the shavers and the identity of the undertakings involved in their manufacture and marketing, namely Lucheng, the manufacturer, Far East Sourcing, the shipper, and Röhlig, the forwarding agent.

35 On 9 December 2002, those authorities detained the goods within the meaning of Article 6(1) of Regulation No 3295/94.

36 On 11 December 2002, Philips brought an action against Lucheng, Far East Sourcing and Röhlig before the Rechtbank van eerste aanleg te Antwerpen (Court of First Instance, Antwerp) seeking in particular a ruling that those undertakings had infringed the exclusive right conferred by the designs for Philips' shavers and copyrights held by it. Philips also seeks an order, first, that those undertakings pay it damages and, second, that the detained goods be destroyed.

37 It has been established before the Rechtbank van eerste aanleg te Antwerpen that the goods were covered initially by a summary declaration of entry giving them the status of goods in temporary storage and, on 29 January 2003, by a customs declaration made by Röhlig by which, in the absence of certainty as to the destination of those goods, it requested that they be placed under the customs warehousing procedure.

38 Philips submits before that court that, with a view to establishing the existence of an infringement of

the intellectual property rights relied on, it is appropriate to proceed on the basis of the fiction that goods such as those at issue, being held in a customs warehouse in the territory of the Kingdom of Belgium and detained there by the Belgian customs authorities, are deemed to have been manufactured in that Member State. In support of that argument, Philips relies on Article 6(2)(b) of Regulation No 3295/94.

39 On the other hand, Far East Sourcing, the only defendant to appear before the Rechtbank van eerste aanleg te Antwerpen, claims before that court that goods cannot be detained and subsequently classified as goods infringing an intellectual property right in the absence of any evidence that they will be put on sale in the European Union.

40 It is in those circumstances that the Rechtbank van eerste aanleg te Antwerpen decided to stay the proceedings and to refer the following question to the Court for a preliminary ruling:

‘Does Article 6(2)(b) of [Regulation No 3295/94] constitute a uniform rule of Community law which must be taken into account by the court of the Member State which ... has been approached by the holder of an intellectual property right, and does that rule imply that, in making its decision, the court may not take into account the temporary storage status/transit status and must apply the fiction that the goods were manufactured in that same Member State, and must then decide, by applying the law of that Member State, whether those goods infringe the intellectual property right in question?’

Case C-495/09

41 In July 2008, HMRC inspected at London Heathrow Airport (United Kingdom) a consignment of mobile telephones and mobile telephone accessories which had come from Hong Kong (China) and was destined for Colombia. Those goods bore a sign identical to a Community trade mark of which Nokia is the proprietor.

42 Suspecting that the goods were fake, on 30 July 2008 HMRC sent Nokia samples of those goods. After inspecting the samples, Nokia notified HMRC that the goods were indeed fake and asked whether HMRC would be prepared to seize the consignment pursuant to Regulation No 1383/2003.

43 On 6 August 2008, HMRC replied to Nokia, stating that, having regard to the fact that the consignment was destined for Colombia and in the absence of evidence that the goods would be diverted onto the European Union market, it could not be concluded that they were ‘counterfeit goods’ within the meaning of Article 2(1)(a)(i) of Regulation No 1383/2003. The consignment could therefore not, in the view of HMRC, be detained.

44 On 20 August 2008, Nokia made a request as provided for in Article 9(3) of Regulation No 1383/2003, asking for the names and addresses of the consignor and the consignee together with all the documents relating to the goods at issue. HMRC sent the information which it held, but after examining it, Nokia was unable to identify the consignor or the

consignee of the goods and concluded that they had both taken steps to disguise their identity.

45 On 24 September 2008, Nokia sent a letter before action to HMRC putting it on notice of Nokia’s intention to file an application for judicial review of the decision not to seize the consignment. On 10 October 2008, HMRC responded that, in accordance with its policy introduced following [the judgment in Case C-281/05 Montex Holdings \[2006\] ECR I-10881](#), goods suspected of infringing intellectual property rights were not to be detained in cases such as the present one, in the absence of evidence showing that diversion of the goods onto the European Union market was likely.

46 On 31 October 2008, Nokia brought an action against HMRC before the High Court of Justice of England and Wales, Chancery Division, which was dismissed by judgment of 29 July 2009. Nokia appealed to the referring court against that judgment.

47 The referring court found, firstly, that the telephones in question were fake goods under the mark of which Nokia is the proprietor and, secondly, that there was no evidence to suggest that those goods would be put on sale in the European Union. Having regard to the action brought, in similar circumstances, by Philips before the Rechtbank van eerste aanleg te Antwerpen and to the differences in interpretation in the case-law of the Member States, the Court of Appeal (England and Wales) (Civil Division) decided to stay the proceedings and to refer the following question to the Court for a preliminary ruling:

‘Are non-Community goods bearing a Community trade mark which are subject to customs supervision in a Member State and in transit from a non-member State to another non-member State capable of constituting “counterfeit goods” within the meaning of Article 2(1)(a) of Regulation [No 1383/2003] if there is no evidence to suggest that those goods will be put on the market in the [European Community], either in conformity with a customs procedure or by means of an illicit diversion?’

48 By order of the President of the First Chamber of 11 January 2011, Cases C-446/09 and C-495/09 were joined for the purposes of the Opinion and the judgment.

Consideration of the questions referred

49 By their questions, which it is appropriate to consider together, the referring courts ask, in essence, whether goods coming from a non-member State which are imitations of goods protected in the European Union by a trade mark right or copies of goods protected in the European Union by copyright, a related right or a design can be classified as ‘counterfeit goods’ or ‘pirated goods’ within the meaning of Regulation No 1383/2003 and, before the entry into force of that regulation, within the meaning of Regulation No 3295/94 merely on the basis of the fact that they are brought into the customs territory of the European Union, without being released for free circulation there.

50 According to the definition of the terms ‘counterfeit goods’ and ‘pirated goods’ in Article 1(2)

of Regulation No 3295/94 and Article 2(1) of Regulation No 1383/2003, they cover infringements of a trade mark, copyright, a related right or a design which applies pursuant to European Union legislation or pursuant to the domestic law of the Member State in which the application for action by the customs authorities is made. It follows that only infringements of intellectual property rights as conferred by European Union law and the national law of the Member States are covered.

51 In the main proceedings, it is not in dispute that the shavers detained in the port of Antwerp could, where appropriate, be classified as ‘pirated goods’ within the meaning of Regulation No 3295/94 if they were put on sale in Belgium or in another Member State where Philips holds a copyright and enjoys the design protection on which it relies, or that the mobile telephones inspected at London Heathrow Airport would infringe the Community trade mark relied on by Nokia and would therefore be ‘counterfeit goods’ within the meaning of Regulation No 1383/2003 if they were put on sale in the European Union. However, the parties to the main proceedings, the Member States which have submitted observations to the Court and the European Commission disagree on whether those goods can infringe those intellectual property rights by reason of the mere fact that they have been the subject, in the customs territory of the European Union, of a declaration seeking one of the suspensive procedures referred to in Article 84 of the Customs Code, namely, in Case C-446/09, customs warehousing and, in Case C-495/09, external transit.

52 Referring, in particular, to the risk of fraudulent diversion of goods declared under a suspensive procedure to consumers in the European Union and to the risks to health and safety often posed by goods which are imitations or copies, Philips, Nokia, the Belgian, French, Italian, Polish, Portuguese and Finnish Governments and the International Trademark Association submit that imitations and copies discovered while warehoused or in transit in a Member State must be detained and, where appropriate, removed from trading without it being necessary to have evidence to suggest or to show that those goods are or will be put on sale in the European Union. Since such evidence is, as a general rule, difficult to gather, the need to provide it would negate the effectiveness of Regulations No 3295/94 and No 1383/2003.

53 In order for Regulations No 3295/94 and No 1383/2003 to be applied effectively, Philips and the Belgian Government suggest accepting the fiction that goods declared for warehousing or for transit which are covered by an application for action within the meaning of those regulations are deemed to have been manufactured in the Member State where that application is made, even though it is not in dispute that they were manufactured in a non-member State (production fiction).

54 Far East Sourcing, the United Kingdom and Czech Governments and the Commission, while recognising the problems connected with the

international traffic in imitations and copies, argue that goods cannot be classified as ‘counterfeit goods’ or ‘pirated goods’ within the meaning of those regulations where there are no indications suggesting that the goods in question will be put on sale in the European Union. The contrary interpretation would unduly extend the territorial scope of intellectual property rights conferred by European Union law and by the national law of the Member States and would, in many cases, hinder legitimate international trade transactions in goods transiting through the European Union.

The temporary detention of goods placed under a suspensive customs procedure

55 As follows from Articles 91, 92 and 98 of the Customs Code, the transit and customs warehousing procedures are respectively characterised by the movement of goods between customs offices and the storage of goods in a warehouse under customs supervision. On any view, those operations cannot, as such, be regarded as the putting of goods on sale in the European Union (see, with regard to intra-Community transit operations, [Case C-115/02 Rioglass and Transremar \[2003\] ECR I-12705, paragraph 27](#), and [Montex Holdings, paragraph 19](#)).

56 The Court has repeatedly deduced from that fact that goods placed under a suspensive customs procedure cannot, merely by the fact of being so placed, infringe intellectual property rights applicable in the European Union (see inter alia, as regards rights concerning designs, [Case C-23/99 Commission v France \[2000\] ECR I-7653, paragraphs 42 and 43](#), and, as regards rights conferred by trade marks, [Rioglass and Transremar, paragraph 27](#), [Case C-405/03 Class International \[2005\] ECR I-8735, paragraph 47](#), and [Montex Holdings, paragraph 21](#)).

57 On the other hand, those rights may be infringed where, during their placement under a suspensive procedure in the customs territory of the European Union, or even before their arrival in that territory, goods coming from non-member States are the subject of a commercial act directed at European Union consumers, such as a sale, offer for sale or advertising (see [Class International, paragraph 61](#), and [Case C-324/09 L’Oréal and Others \[2011\] ECR I-0000, paragraph 67](#)).

58 Having regard to the risk, previously pointed out by the Court in [Case C-383/98 Polo/Lauren \[2000\] ECR I-2519, paragraph 34](#), of fraudulent diversion to European Union consumers of goods warehoused in the customs territory of the European Union or transiting that territory, it must be stated that, in addition to the existence of a commercial act already directed to those consumers, other circumstances can also lead to temporary detention by the customs authorities of the Member States of imitations or copies which are declared under a suspensive procedure.

59 As the French, Italian and Polish Governments have pointed out, the placing of goods from a non-member State under a suspensive procedure is often requested in circumstances where the destination of the

goods is either unknown or declared in a manner which is unreliable. Having regard, in addition, to the secretive nature of the activities of traffickers of goods which are imitations or copies, the detention by customs authorities of goods which they have identified as being imitations or copies cannot, without reducing the effectiveness of Regulations No 3295/94 and No 1383/2003, be made subject to a requirement for proof that those goods have already been sold, offered for sale or advertised to European Union consumers.

60 On the contrary, a customs authority which has established the presence in warehousing or in transit of goods which are an imitation or a copy of a product protected in the European Union by an intellectual property right can legitimately act when there are indications before it that one or more of the operators involved in the manufacture, consignment or distribution of the goods, while not having yet begun to direct the goods towards European Union consumers, are about to do so or are disguising their commercial intentions.

61 With regard to the indications required to be before that authority in order for it to suspend release of or detain goods within the meaning of Article 6(1) of Regulation No 3295/94 and Article 9(1) of Regulation No 1383/2003, it is sufficient, as the Advocate General has noted in points 96, 97, 110 and 111 of his Opinion, that there be material such as to give rise to suspicion. That material may include the fact that the destination of the goods is not declared whereas the suspensive procedure requested requires such a declaration, the lack of precise or reliable information as to the identity or address of the manufacturer or consignor of the goods, a lack of cooperation with the customs authorities or the discovery of documents or correspondence concerning the goods in question suggesting that there is liable to be a diversion of those goods to European Union consumers.

62 As the Advocate General has observed in point 106 of his Opinion, such a suspicion must, in all cases, be based on the facts of the case. If that suspicion and the resulting action were capable of being based merely on the abstract consideration that fraudulent diversion to European Union consumers cannot necessarily be ruled out, all goods in external transit or customs warehousing could be detained without the slightest concrete indication of an irregularity. Such a situation would give rise to a risk that actions of the Member States' customs authorities would be random and excessive.

63 It should be borne in mind, in that regard, that imitations and copies coming from a non-member State and transported to another non-member State may comply with the intellectual property provisions in force in each of those States. In the light of the common commercial policy's main objective, set out in Article 131 EC and Article 206 TFEU and consisting in the development of world trade through the progressive abolition of restrictions on trade between States, it is essential that those goods be able to pass in transit, via the European Union, from one non-member State to

another without that operation being hindered, even by a temporary detention, by Member States' customs authorities. Precisely such hindrance would be created if Regulations No 3295/94 and No 1383/2003 were interpreted as permitting the detention of goods in transit without the slightest indication suggesting that they could be fraudulently diverted to European Union consumers.

64 That consideration is moreover corroborated by the second recital in the preamble to those regulations, stating that the objective of the European Union legislature is restricted to preventing goods infringing intellectual property rights from being 'placed on the market' and to adopting measures for that purpose 'without impeding the freedom of legitimate trade'.

65 Finally, with regard to goods in respect of which there is no indication as referred to in paragraph 61 of this judgment, but in respect of which there are suspicions of infringement of an intellectual property right in the presumed non-member State of destination, it must be noted that the customs authorities of the Member States where those goods are in external transit are permitted to cooperate, pursuant to Article 69 of the TRIPS Agreement, with the customs authorities of that non-member State with a view to removing those goods from international trade where appropriate.

66 It is in the light of the foregoing details that, in order to assess whether the refusal issued by HMRC to Nokia complies with Article 9(1) of Regulation No 1383/2003, the Court of Appeal (England and Wales) (Civil Division) must examine whether there were indications before HMRC such as to give rise to suspicion for the purposes of that provision, requiring them, in consequence, to suspend release of or detain the goods under that regulation in order to immobilise them pending the determination to be made by the authority competent to take a substantive decision. The facts relied on by Nokia and mentioned in the order for reference, relating, inter alia, to the fact that it was impossible to identify the consignor of the goods in question, would, if they were to prove correct, be relevant in that regard.

The substantive decision following the temporary detention of goods placed under a suspensive customs procedure

67 Unlike the Court of Appeal (England and Wales) (Civil Division), which is called upon to settle the dispute between Nokia and HMRC concerning the refusal of HMRC to detain goods, the Rechtbank van eerste aanleg te Antwerpen, in the case brought by Philips, will have to ascertain, in accordance with Article 6(2)(b) of Regulation No 3295/94 (now the first paragraph of Article 10 of Regulation No 1383/2003), whether goods already detained by the customs authorities under Article 6(1) of Regulation No 3295/94 do actually infringe the intellectual property rights relied upon.

68 Unlike the decision taken by the customs authority to detain the goods temporarily, by means of the detention provided for in Article 6(1) of Regulation

No 3295/94 and Article 9(1) of Regulation No 1383/2003, the substantive decision as referred to in Article 6(2)(b) of Regulation No 3295/94 and the first paragraph of Article 10 of Regulation No 1383/2003 cannot be adopted on the basis of a suspicion but must be based on an examination of whether there is proof of an infringement of the right relied upon.

69 In the event that the judicial or other authority competent to take a substantive decision finds an infringement of the intellectual property right relied upon, the destruction or abandonment of the goods in question is the only customs-approved treatment which they can receive. That follows from Article 2 of Regulation No 3295/94 and Article 16 of Regulation No 1383/2003, read in conjunction with Article 4 of the Customs Code, while Articles 11 and 18 respectively of those regulations state, in addition, that effective and dissuasive penalties must be laid down for infringements found on the basis of those regulations. It is clear that the operators concerned cannot suffer such dispossession or penalties on the sole basis of a risk of fraud or on the basis of a fiction such as that proposed by Philips and the Belgian Government.

70 Consequently, as the United Kingdom and Czech Governments and the Commission rightly point out, the authority competent to take a substantive decision cannot classify as ‘counterfeit goods’ and ‘pirated goods’ or, more generally, ‘goods infringing an intellectual property right’ goods which a customs authority suspects of infringing an intellectual property right applicable in the European Union but in respect of which, after substantive examination, it is not proven that they are intended to be put on sale in the European Union.

71 With regard to the evidence which the authority competent to take a substantive decision must have in order to find that goods which are imitations or copies and have been brought into the customs territory of the European Union without being released for free circulation there are liable to infringe an intellectual property right applicable in the European Union, it must be stated that such evidence may include the existence of a sale of goods to a customer in the European Union, of an offer for sale or advertising addressed to consumers in the European Union, or of documents or correspondence concerning the goods in question showing that diversion of those goods to European Union consumers is envisaged.

72 The interpretation given in the preceding paragraph regarding the standard of proof before the authority competent to take a substantive decision is not invalidated by the observations submitted to the Court by some parties to the main proceedings and some governments to the effect that any failure, as a result of that requirement relating to the standard of proof, to destroy imitations or copies discovered in the customs territory of the European Union compromises the effectiveness of Regulations No 3295/94 and No 1383/2003 and, furthermore, disregards the fact that, in many branches of commerce, including those involving

electrical items, such goods pose risks for the health and safety of consumers.

73 As regards, firstly, the effectiveness of those regulations, it must be stated that effective combating of unlawful operations is not weakened by the fact that the customs authority which has detained goods is required to end that action whenever the authority competent to take a substantive decision finds that it is not duly proven that the goods are intended to be put on sale in the European Union.

74 The end of detention of goods carried out under Regulations No 3295/94 and No 1383/2003 does not in any way imply that those goods will from then on escape customs supervision. It is apparent from Article 37 of the Customs Code and the implementing provisions of that code that each stage of a suspensive procedure, such as that relating to external transit, must be rigorously monitored and documented by the Member States’ customs authorities and that any significant derogation from the data given on the customs declaration may give rise to an action in respect of the goods by those authorities.

75 Nor is the combating of unlawful operations impeded by the fact, already found by the Court, that it is impossible for the holder of the intellectual property right to refer the case to the authority competent to take a substantive decision if the operators responsible for the presence of the goods in question in the customs territory of the European Union have conceded their identity ([Case C-223/98 Adidas \[1999\] ECR I-7081, paragraph 27](#)). It must be borne in mind, in that regard, that European Union customs law establishes the principle that all goods intended to be placed under a customs procedure must be covered by a declaration (Case C-138/10 DP grup [2011] ECR I-0000, paragraph 33). As is clear from Article 59 of the Customs Code and the implementing provisions of that code, a declaration which does not permit identification since the name or address of the declarant or other relevant operators is concealed will have the consequence that the release of the goods for the purposes provided for by the customs procedure requested cannot be validly granted. Moreover, if the lack of reliable information as to the identity or address of the operators responsible persists, the goods are liable, under Article 75 of the Customs Code, to be confiscated.

76 As regards, secondly, the risks to consumers’ health and safety which goods that are imitations or copies sometimes pose, it is apparent from the file and from recital 2 in the preamble to Regulation No 1383/2003 that those risks are amply documented and their existence recognised by the European Union legislature. Furthermore, as, inter alia, Nokia and the Portuguese Government have pointed out, precautionary considerations may militate in favour of an immediate seizure of goods identified as posing such risks, irrespective of the customs procedure under which they are placed. In such a context, the question whether the operators responsible for the manufacture and distribution of those goods direct them to

consumers in the European Union or in non-member States is irrelevant.

77 The fact remains, however, that Regulations No 3295/94 and No 1383/2003, interpretation of which is requested by the referring courts, deal only with combating the entry into the European Union of goods which infringe intellectual property rights. In the interest of correct management of the risks for the health and safety of consumers, it must be stated that the powers and obligations of the Member States' customs authorities as regards goods posing such risks must be assessed on the basis of other provisions of European Union law, such as Articles 56, 58 and 75 of the Customs Code.

78 Having regard to all the foregoing considerations, the answer to the questions referred is that Regulations No 3295/94 and No 1383/2003 must be interpreted as meaning that:

– goods coming from a non-member State which are imitations of goods protected in the European Union by a trade mark right or copies of goods protected in the European Union by copyright, a related right or a design cannot be classified as 'counterfeit goods' or 'pirated goods' within the meaning of those regulations merely on the basis of the fact that they are brought into the customs territory of the European Union under a suspensive procedure;

– those goods may, on the other hand, infringe the right in question and therefore be classified as 'counterfeit goods' or 'pirated goods' where it is proven that they 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, or where it is apparent from documents or correspondence concerning the goods that their diversion to European Union consumers is envisaged;

– in order that the authority competent to take a substantive decision may profitably examine whether such proof and the other elements constituting an infringement of the intellectual property right relied upon exist, the customs authority to which an application for action is made must, as soon as there are indications before it giving grounds for suspecting that such an infringement exists, suspend the release of or detain those goods; and

– those indications may include, inter alia, the fact that the destination of the goods is not declared whereas the suspensive procedure requested requires such a declaration, the lack of precise or reliable information as to the identity or address of the manufacturer or consignor of the goods, a lack of cooperation with the customs authorities or the discovery of documents or correspondence concerning the goods in question suggesting that there is liable to be a diversion of those goods to European Union consumers.

Costs

79 Since these proceedings are, for the parties to the main proceedings, a step in the actions pending before

the referring courts, the decision on costs is a matter for those courts. Costs incurred in submitting observations to the Court, other than the costs of those parties, are not recoverable.

On those grounds, the Court (First Chamber) hereby rules:

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, and 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 must be interpreted as meaning that:

– goods coming from a non-member State which are imitations of goods protected in the European Union by a trade mark right or copies of goods protected in the European Union by copyright, a related right or a design cannot be classified as 'counterfeit goods' or 'pirated goods' within the meaning of those regulations merely on the basis of the fact that they are brought into the customs territory of the European Union under a suspensive procedure;

– those goods may, on the other hand, infringe the right in question and therefore be classified as 'counterfeit goods' or 'pirated goods' where it is proven that they 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, or where it is apparent from documents or correspondence concerning the goods that their diversion to European Union consumers is envisaged;

– in order that the authority competent to take a substantive decision may profitably examine whether such proof and the other elements constituting an infringement of the intellectual property right relied upon exist, the customs authority to which an application for action is made must, as soon as there are indications before it giving grounds for suspecting that such an infringement exists, suspend the release of or detain those goods; and

– those indications may include, inter alia, the fact that the destination of the goods is not declared whereas the suspensive procedure requested requires such a declaration, the lack of precise or reliable information as to the identity or address of the manufacturer or consignor of the goods, a lack of cooperation with the customs authorities or the discovery of documents or correspondence concerning the goods in question suggesting that there is liable to be a diversion of those goods to European Union consumers.

[Signatures]

* Languages of the case: Dutch and English.

OPINION OF ADVOCATE GENERAL CRUZ VILLALÓN

delivered on 3 February 2011 (1)

Joined Cases C-446/09

Koninklijke Philips Electronics NV

v

Lucheng Meijing Industrial Company Ltd

Far East Sourcing Ltd

Röhlig Hong Kong Ltd

and

Röhlig Belgium NV

(Reference for a preliminary ruling from the Rechtbank van eerste aanleg te Antwerpen, Belgium)

Case C-495/09

Nokia Corporation

v

Her Majesty's Commissioners of Revenue and Customs

(Reference for a preliminary ruling from the Court of Appeal of England and Wales, United Kingdom)

(Goods placed under the external transit procedure – Intellectual property rights – Regulation (EC) No 3295/94 and Regulation (EC) No 1383/2003 – Treatment of goods in transit as if they were goods produced in the territory of the Union ('production fiction') – Conditions governing action by the customs authorities in cases where goods in transit are counterfeit or pirated – Suspected infringement of an intellectual property right)

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A – To the question referred by the Rechtbank van eerste aanleg te Antwerpen (Case C-446/09)

B – To the question referred by the Court of Appeal of England and Wales (Case C-495/09)

I – Introduction

1. In the present joined cases, two national courts have each referred for a preliminary ruling a question concerning the interpretation of the European Union legislation governing action by customs authorities against possible infringements of intellectual property rights.

2. More specifically, both cases concern allegedly counterfeit or pirated goods which were in the customs situation of 'external transit', an aspect of the customs duty suspension arrangements which, in accordance with Article 91(1)(a) of the Community Customs Code, (2) allows 'the movement from one point to another within the customs territory of the Community of ... non-Community goods, without such goods being subject to import duties and other charges or to commercial policy measures'. According to case-law, 'external transit' is based on a legal fiction, since the whole procedure unfolds as if the non-Community goods concerned had never entered the territory of a Member State. (3)

3. In the first case, Koninklijke Philips Electronics NV v Lucheng Meijing Industrial Company Ltd and Others, C-446-09 ('Philips'), the applicant in the main proceedings claims that, as part of the legal fiction that is the external transit situation, another legal fiction – the so-called 'production fiction' – applies, in accordance with which non-Community goods in transit are treated as though they had been manufactured in the Member State in which they are situated and are, accordingly, subject to the legislation on the protection of intellectual property in force in that Member State. This therefore circumvents the burden of proving that the goods concerned will be traded in the Union, a condition which is, in principle, unavoidable for the purposes of obtaining protection of all forms of intellectual property right.

4. In the second case, Nokia Corporation v Her Majesty's Commissioners of Revenue and Customs, C-495/09 ('Nokia'), the United Kingdom customs authorities refused Nokia's application for seizure of some apparently counterfeit goods, arguing that their destination was Colombia and there was no evidence that they were going to be diverted onto the European Union market. The referring court asks the Court of Justice whether that is a matter which it is essential to establish in order to classify goods as 'counterfeit' for the purposes of the customs legislation and, in short, in order for the customs authorities to be able to detain those goods.

5. Thus, the present joined cases will enable the Court to determine whether or not the customs regulations have an effect on the substantive rules governing intellectual property in the context of goods

in transit and also the action which customs authorities may take in relation to goods in transit, against a background of rather confused case-law.

II – Legal framework

6. The present references for a preliminary ruling concern the Community legislation governing action by customs authorities against possible infringements of intellectual property rights.

7. In particular, Philips concerns 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 ('the old Customs Regulation' or 'the Regulation of 1994'). (4) On the other hand, in Case C-495/09 Nokia, the legislation applicable is 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 ('the new Customs Regulation' or 'the Regulation of 2003'), (5) which repealed and replaced the previous regulation.

8. Both regulations were adopted on the basis of Article 133 EC, (6) relating to the common commercial policy, paragraph 1 of which provides: 'The common commercial policy shall be based on uniform principles, particularly in regard to changes in tariff rates, the conclusion of tariff and trade agreements, the achievement of uniformity in measures of liberalisation, export policy and measures to protect trade such as those to be taken in the event of dumping or subsidies.' (7)

9. Both the old and new customs regulations define their scope by referring to the different customs situations applicable to goods against which action may be taken and by defining, for those purposes, the concept of 'goods infringing an intellectual property right'.

10. Both regulations provide for initial prior action by the customs authorities (Article 4 of both regulations), followed by an opportunity for the right-holder to lodge an application for action (Article 3 of the old regulation and Article 5 of the new regulation), acceptance of the application, the adoption of the appropriate measures and, as the case may be, the commencement of substantive proceedings before the competent authority.

A – Regulation No 3295/94 (8)

11. Article 1 defines the scope of the regulation:

'1. This Regulation lays down:

(a) the conditions under which the customs authorities shall take action where goods suspected of being goods referred to in paragraph 2(a) are:

- entered for free circulation, export or re-export, in accordance with Article 61 of Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code,
- found in the course of checks on goods under customs supervision within the meaning of Article 37 of Council Regulation (EEC) No 2913/92, placed under

a suspensive procedure within the meaning of Article 84(1)(a) of that Regulation, re-exported subject to notification or placed in a free zone or free warehouse within the meaning of Article 166 thereof;

and

(b) the measures which shall be taken by the competent authorities with regard to those goods where it has been established that they are indeed goods referred to in paragraph 2(a).

2. For the purposes of this Regulation:

(a) "goods infringing an intellectual property right" means

– "counterfeit goods", namely:

– goods, including the packaging thereof, bearing without authorisation a trade mark which is identical to the trade mark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such trade mark, and which thereby infringes the rights of the holder of the trade mark in question under Community law or the law of the Member State where the application for action by the customs authorities is made,

...

– "pirated goods", namely: goods which are or embody copies made without the consent of the holder of the copyright or neighbouring rights, or of the holder of a design right, whether registered under national law or not, or of a person duly authorised by the holder in the country of production, where the making of those copies infringes the right in question under Community law or the law of the Member State in which the application for action by the customs authorities is made.

...'

12. In accordance with Article 6:

'1. Where a customs office to which the decision granting an application by the holder of a right has been forwarded pursuant to Article 5 is satisfied, after consulting the applicant where necessary, that goods placed in one of the situations referred to in Article 1(1)(a) correspond to the description of the goods referred to in Article 1(2)(a) contained in that decision, it shall suspend release of the goods or detain them.

...

2. The law in force in the Member State within the territory of which the goods are placed in one of the situations referred to in Article 1(1)(a) shall apply as regards:

(a) referral to the authority competent to take a substantive decision and immediate notification of the customs service or office referred to in paragraph 1 of that referral, unless referral is effected by that service or office;

(b) reaching the decision to be taken by that authority. In the absence of Community rules in this regard, the criteria to be used in reaching that decision shall be the same as those used to determine whether goods produced in the Member State concerned infringe the rights of the holder ...'

B – Regulation No 1383/2003

13. Article 1 provides as follows:

‘1. This Regulation sets out the conditions for action by the customs authorities when goods are suspected of infringing an intellectual property right in the following situations:

(a) when they are entered for release for free circulation, export or re-export in accordance with Article 61 of Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code;

(b) when they are found during checks on goods entering or leaving the Community customs territory in accordance with Articles 37 and 183 of Regulation (EEC) No 2913/92, placed under a suspensive procedure within the meaning of Article 84(1) (a) of that Regulation, in the process of being re-exported subject to notification under Article 182(2) of that Regulation or placed in a free zone or free warehouse within the meaning of Article 166 of that Regulation.

2. This Regulation also fixes the measures to be taken by the competent authorities when the goods referred to in paragraph 1 are found to infringe intellectual property rights.’

14. Article 2(1) of Regulation No 1383/2003 defines ‘goods infringing an intellectual property right’ for the purposes of the regulation:

‘(a) “counterfeit goods”, namely

(i) goods, including packaging, bearing without authorisation a trade mark identical to the 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, as provided for by Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark or the law of the Member State in which the application for action by the customs authorities is made;

...

(b) “pirated goods” ...’

15. Article 9 of Regulation No 1383/2003 governs the conditions for action by the customs authorities. Article 9(1) provides as follows: ‘Where a customs office to which the decision granting an application by the right-holder has been forwarded pursuant to Article 8 is satisfied, after consulting the applicant where necessary, that goods in one of the situations referred to in Article 1(1) are suspected of infringing an intellectual property right covered by that decision, it shall suspend release of the goods or detain them ...’

16. In accordance with Article 10 of Regulation No 1383/2003, ‘[t]he law in force in the Member State within the territory of which the goods are placed in one of the situations referred to in Article 1(1) shall apply when deciding whether an intellectual property right has been infringed under national law.’

III – The main proceedings and the questions referred for a preliminary ruling

A – Philips

17. On 7 November 2002, the Antwerpse Opsporingsinspectie van de Administratie der Douane en Accijnzen (Antwerp investigations inspectorate of the Belgian Customs and Excise Administration)

detained a consignment of shavers from Shanghai. The goods were suspected of infringing the intellectual property rights of Koninklijke Philips Electronics NV (‘Philips’), in particular the international design registrations for shavers which were registered in respect of (inter alia) Benelux with the World Intellectual Property Organization (WIPO) under numbers DM-034.562, on 9 June 1995, and DM-045.971, on 29 July 1998, together with the copyright in the external appearance of the shavers.

18. On 12 November 2002 the applicant lodged a general application for action with the Centrale Administratie der Douane en Accijnzen te Brussel (Central Administration of Customs and Excise, Brussels). That application was accepted on 13 November 2002.

19. The customs authorities then sent Philips a photograph of the ‘Golden Shaver’ and informed it that the following companies were involved in the manufacture of or trade in the detained shavers: Lucheng Meijing Industrial Company Ltd, a Chinese manufacturer of shavers; Far East Sourcing Ltd, established in Hong Kong, the shipper of the goods; Röhlig Hong Kong Ltd, the forwarding agent for the goods in Hong Kong, acting on the instructions of the declarant or consignee of the goods; Röhlig Belgium NV, the forwarding agent for the goods in Belgium, acting on the instructions of the declarant or consignee of the goods.

20. In the customs declaration issued by the representative [of] Röhlig Belgium NV, drawn up in Antwerp on 29 March 2003, the goods were declared under the temporary import arrangements without stating the country of destination. Before, when the goods arrived in Antwerp, a summary declaration was made in respect of the goods in accordance with Article 49 of the Community Customs Code.

21. On 11 December 2002, Philips brought an action before the Rechtbank van eerste aanleg te Anwerpen (Court of First Instance, Antwerp) seeking a ruling that its intellectual property rights had been infringed. The applicant claimed that, in accordance with Article 6(2)(b) of Regulation No 3295/94, the Rechtbank should use as its starting point the fiction that the shavers seized had been manufactured in Belgium and should then apply Belgian law for the purposes of establishing the infringement.

22. Before ruling on the merits of the case, the Rechtbank referred the following question to the Court of Justice for a preliminary ruling:

‘Does Article 6(2)(b) of Council Regulation (EC) No 3295/94 of 22 December 1994 (the old Customs Regulation) constitute a uniform rule of Community law which must be taken into account by the court of the Member State which, in accordance with Article 7 of that regulation, has been approached by the holder of an intellectual-property right, and does that rule imply that, in making its decision, the court may not take into account the temporary storage status/transit status and must apply the fiction that the goods were manufactured in that same Member State, and must

then decide, by applying the law of that Member State, whether those goods infringe the intellectual-property right in question?

B – Nokia

23. In July 2008, Her Majesty's Commissioners of Revenue and Customs (the United Kingdom customs authorities; 'HMRC') stopped and inspected at Heathrow Airport a consignment of goods which had come from Hong Kong and was destined for Colombia, comprising approximately 400 mobile telephones, batteries, manuals, boxes and hands-free kits, each of which bore the trade mark 'Nokia'.

24. On 30 July 2008, HMRC sent Nokia Corporation ('Nokia') a letter accompanied by samples of those goods. After inspecting the samples, Nokia notified HMRC that the goods were counterfeit and asked whether HMRC intended to detain them.

25. On 6 August 2008, HMRC responded stating that, having received legal advice, it was uncertain how goods could be 'counterfeit' within the meaning of Article 2(1)(a)(i) of Regulation No 1383/2003 in the absence of any evidence that they might be diverted onto the European Union market. HMRC therefore concluded that, in the absence of such evidence, it was not lawful to deprive the owner of its goods.

26. On 20 August 2008, Nokia issued an application against HMRC, asking for the names and addresses of the consignor and the consignee together with any other relevant documents relating to the consignment in the possession of HMRC. Even though such documents were sent to it, Nokia did not succeed in identifying the consignor or the consignee of the goods, and concluded that they had both taken steps to hide their identity.

27. After a further formal letter to HMRC, Nokia commenced legal proceedings on 31 October 2008.

28. In a judgment of 29 July 2009, Kitchin J, sitting in the Chancery Division of the High Court of England and Wales, held that Regulation No 1383/2003 did not entitle or require customs authorities to detain or seize counterfeit goods in transit where there was no evidence that the goods would be diverted onto the market in Member States because such goods were not 'counterfeit goods' under Article 2(1)(a)(i) of Regulation No 1383/2003.

29. An appeal was lodged against the decision of Kitchin J. before the Court of Appeal of England and Wales ('the Court of Appeal'), which, in the light of the Philips case and of the divergent views adopted by different courts of the Member States, and given the need for a systematic and uniform interpretation of the regulation, referred the following question to the Court of Justice for a preliminary ruling:

'Are non-Community goods bearing a Community trade mark which are subject to customs supervision in a Member State and in transit from a non-Member State to another non-Member State capable of constituting "counterfeit goods" within the meaning of Article 2(1)(a) of Regulation (EC) No 1383/2003 if there is no evidence to suggest that those goods will be put on the market in the EC, either in conformity with a customs procedure or by means of an illicit diversion?'

IV – The procedure before the Court of Justice

30. The order for reference in Philips was received at the Registry of the Court of Justice on 17 November 2009. The order for reference in Nokia was received at the Registry on 2 December 2009.

31. Written observations were lodged, in Philips, by the applicant (Philips), Far East Sourcing, the Belgian, United Kingdom and Italian Governments, and the Commission, and, in Nokia, by the applicant (Nokia), the International Trademark Association, the United Kingdom, Portuguese, Polish, Czech, Finnish and Italian Governments, and the Commission.

32. At the hearings, held on 18 November 2010, oral argument was presented, in Philips, by the applicant, Far East Sourcing, the Belgian, Czech and United Kingdom Governments, and the Commission, and, in Nokia, by the applicant, the International Trademark Association, the United Kingdom, Czech, French, Polish and Finnish Governments, and the Commission.

33. By order of 11 January 2011, the two cases were joined for the purposes of the Opinion and the judgment.

V – A preliminary matter: similarities and differences between Nokia and Philips

34. Regardless of all the similarities between the present joined cases, it is essential at the outset to identify the main difference between them so that the specific nature of each case is clear.

35. In the first place, it must be noted that the legal framework is different, as a result of the developments which have taken place in European Union customs legislation. Thus, in Philips, the facts are governed by the old Regulation No 3295/94, whereas, in Nokia, the new Regulation No 1383/2003 is applicable. Moreover, the questions refer to non-identical articles of those two provisions.

36. In the second place, the cases differ in terms of the type of intellectual property right at issue: copyright and registered designs in Philips, (9) and the rights to a trade mark in Nokia. (10)

37. However, the most important difference between the two cases is to be found in the subject-matter of the proceedings in which each question has been referred to the Court for a preliminary ruling. In both cases, the facts concern the detention by the customs authorities of goods in transit, but while the main proceedings in Nokia, the second case before the Court, turn on the lawfulness of the actions of the United Kingdom customs authorities, which suspended detention of the goods on the grounds that there was no 'actual' or 'real' infringement of the trade mark claimed, the first case, Philips, reached the Court at a later and qualitatively different stage, in which, following action by the Belgian customs authorities in relation to goods in transit, the holder of the intellectual property right allegedly infringed applied to the court for a ruling that such an infringement had indeed occurred together with the appropriate consequences.

38. That clarification is all the more fitting because a number of the observations lodged in the present cases display a certain amount of confusion between

those two aspects of the protection of intellectual property rights. For this reason, I believe it necessary, in the context of these preliminary remarks, to draw attention to the three successive steps which, in accordance with the regulations concerned, the authorities of a Member State may take when there has possibly been an infringement of an intellectual property right in respect of goods in transit.

39. The first, 'preparatory', stage begins when, in the light of 'sufficient grounds for suspecting' an infringement of intellectual property rights, the customs authorities adopt 'prior measures' consisting of suspending the release of the goods or detaining them, in both cases for a period of three working days. (11)

40. The second stage starts when, on application by the holder of the right which has allegedly been infringed, (12) and where those suspicions persist, the customs authorities confirm that they have suspended release of the goods or detained them. (13) This is still an administrative, interim stage but it represents rather more 'stable' action than the previous stage.

41. As from this moment, in the third and final stage, the following situations may arise: (a) the owner of the goods seized relinquishes them, in which case they may be destroyed under customs control; (14) (b) within 10 days of notification of the action in the second stage, the holder of the intellectual property right allegedly infringed applies to the 'competent authority' (normally a court) for a determination in substantive proceedings that such an infringement has occurred; (15) or (c) the right-holder does not take action within that 10-day period (that is to say, if neither (a) nor (b) takes place), in which case release of the goods is granted, or their detention is ended. (16)

42. In short, and to put it as succinctly as possible, in Nokia the referring court asks the Court of Justice whether, for the purposes of detaining the goods in what I have described as the 'second stage', the customs authorities must have some proof that those goods are to be traded on the European Union market in one way or another, whereas, in Philips, the referring court asks whether that consideration is essential in order for a ruling to be made, during any substantive proceedings which may take place at the end of the 'third stage', on whether or not an intellectual property right has been infringed.

43. It is important to bear in mind that essential difference when providing the national courts with a helpful reply. The different characteristics of the two cases make it advisable to reply separately to the questions referred in number order, even though that reverses the chronological order of the two methods of protection against counterfeit or pirated goods.

VI – Analysis of the question referred for a preliminary ruling in Philips

44. The Rechtbank van eerste aanleg te Anwerpen ('the Rechtbank') asks the Court about the procedure for verifying whether there has been an infringement of intellectual property rights when the goods concerned were seized while in transit.

45. As I have reiterated, quite apart from the conduct of the customs authorities concerned, what is at issue in this first case is the determination, in this case by a court, that there has been a real and actual infringement of intellectual property rights, with all the consequences to which that gives rise. (17)

46. More specifically, the Rechtbank asks whether it follows from Article 6(2)(b) of Regulation No 3295/94 that that assessment must be made without taking into account the customs situation of the goods and, more particularly, by applying the fiction, which it is claimed underlies that article, that the goods concerned were manufactured in the Member State in which they are situated. (18)

47. The referring court thus expressly enquires about the compatibility with European Union law of what is becoming known as 'the production fiction', the most important consequence of which is the possibility of holding that non-Community goods in transit have infringed an intellectual property right in the same way as if they were goods which had been unlawfully manufactured in the Member State in which they are in transit, regardless of whether or not those goods are destined for the European Union market. (19)

48. Reliance on this legal fiction, which is at the heart of the question, makes it possible, above all, to disregard the condition of 'use in the course of trade' which is laid down in Article 9 of Regulation No 40/94, Article 5 of Directive 89/104 and Article 12 of Directive 98/71 as a requirement for establishing the infringement of a Community trade mark, a national trade mark or design rights, respectively.

49. The specific purpose of intellectual property rights is to grant the holder of a trade mark or a design the exclusive right to use that trade mark or design and to prohibit third parties from using it in the course of trade. In that way, the substantive law establishes a link between the protection of intellectual property rights and the existence of trade in the goods or services concerned.

50. Before going on to address that proposed interpretation of Article 6(2)(b), it is appropriate to point out how the Court has had occasion to clarify that transit does not, in itself, involve any marketing of the goods in question and does not, therefore, infringe the specific subject-matter of the trade mark. (20)

51. In those circumstances, in order to find that goods in transit infringe an intellectual property right, it is essential to establish that they are to be traded in the territory where that right is protected. The application of the so-called 'production fiction' would mean that the Customs Regulations had increased the protection of those rights vis-à-vis the provisions of substantive law referred to above, by permitting protection dissociated from actual 'trading' or 'use in the course of trade' in the territory of the Member State concerned.

52. In the light of the foregoing, it is difficult to argue, as Philips does in its written observations, that this 'production fiction' is not a new criterion for defining an infringement of intellectual property rights

and that it does not alter the substantive law governing those rights. (21)

53. In my opinion, as we will see below, the interpretation based on the ‘production fiction’ may not be inferred from the wording of the articles invoked in support of it, goes beyond the objectives of the Customs Regulation and conflicts with the existing case-law in that regard.

A – ‘The production fiction’ cannot be inferred from the wording of the provision relied on

54. In the first place, I believe that the so-called ‘production fiction’ can hardly be constructed from the wording of Article 6(2)(b) of Regulation No 3295/94, which it may be useful to repeat here: ‘The law in force in the Member State within the territory of which the goods are placed in one of the situations referred to in Article 1(1)(a) shall apply as regards: ... (b) reaching the decision to be taken by that authority. In the absence of Community rules in this regard, the criteria to be used in reaching that decision shall be the same as those used to determine whether goods produced in the Member State concerned infringe the rights of the holder. Reasons shall be given for decisions adopted by the competent authority.’

55. First of all, the fact that, in accordance with that provision, ‘the competent authority’, when adopting its decision on the substance of the matter, must use the same criteria as those used to determine whether the goods produced in the Member State concerned infringe the rights of the holder does not in any way mean that non-Community goods in transit must be treated for all purposes as though they were goods unlawfully produced in the State in question.

56. On the contrary, careful reading of the text shows, as suggested by the United Kingdom and the Commission, that by that wording the European Union legislature intended, ‘in the absence of Community rules in this regard,’ to lay down subsidiarily a rule of conflict of laws making it possible to establish which substantive rule the competent authority (in this case, the Belgian court) must apply in order to rule on the merits of the case and therefore to assess whether or not there is an infringement of intellectual property. That clarification is indispensable (as the Commission has emphasised, there are 27 different national legislative schemes that may be applied in the circumstances of the case) and constitutes a natural application of the principle of territoriality governing those rights. (22)

57. Furthermore, it is only in that way that formulation of the subsidiary nature of the provision (‘in the absence of Community rules in this regard’) makes any sense. If it were to be accepted that Article 6 introduced the so-called ‘production fiction’, would it be necessary to exclude its application to, for example, Community trade marks governed by Regulation No 40/94, thus affording them a degree of protection lower than that given to other intellectual property rights?

58. That conclusion is borne out by Article 10 of the new Regulation No 1383/2003, which to a large extent repeats the content of Article 6(2)(b) of Regulation No 3295/94. Article 10, set out in clearer terms, provides

that ‘the law in force in the Member State within the territory of which the goods are placed in one of the situations referred to in Article 1(1) shall apply when deciding whether an intellectual property right has been infringed under national law.’ That provision of the new regulation has therefore abandoned the expression referring to ‘production’ and assumed more clearly the nature of a rule of conflict of laws. (23)

B – The interpretation proposed by Philips goes beyond the objectives pursued by the customs regulation

59. In the second place, it appears clear that application of ‘the production fiction’ to goods of this kind would entail the possibility of prohibiting their merely being placed under a suspensive procedure (temporary storage or transit) regardless of their intended destination, a consequence clearly going beyond the objectives of the European Union’s customs legislation.

60. In accordance with Recital 2 in the preamble to Regulation No 3295/94, the purpose of the provisions laid down therein is that ‘[counterfeit and pirated goods] should as far as possible be prevented from being placed on the market and measures should be adopted to that end to deal effectively with this unlawful activity without impeding to [sic] freedom of legitimate trade’, inasmuch as the marketing of such goods ‘causes considerable injury to law-abiding manufacturers and traders and to holders of the copyright or neighbouring rights and misleads consumers.’ (24)

61. Recital No 2 reflects, therefore, the Community legislature’s wish to render the content of the customs rules compatible with the ordinary rules for the protection of intellectual property rights based, as we have seen, on ‘use in the course of trade’.

62. In point of fact, the object is to prevent counterfeit and pirated goods from being placed on the European Union market, not to prohibit their transit even before their destination is known. To afford such a right to the holder of the allegedly infringed right would be an impediment to the freedom of legitimate trade which the regulation states it seeks to preserve at all events, and would extend the usual content of intellectual property rights.

63. Admittedly, the content of Recital No 3 in the preamble to the regulation of 1994 must not be ignored (‘in so far as counterfeit or pirated goods and similar products are imported from third countries, it is important to prohibit their release for free circulation in the Community or their entry for a suspensive procedure’). (25) Nevertheless, Recital 3, in particular the last part, cannot be understood without Recital 2, reproduced above. If it is read in conjunction with Recital 2, it clearly refers to the prohibition which may be imposed by the competent authority if in the end it establishes the existence of an infringement of an intellectual property right, after finding that the goods are in fact to be marketed in the European Union. Only so may the existence of a procedure for action by the customs authorities be understood, which, as indicated

in that third recital, is intended 'to ensure that such a prohibition can be properly enforced'.

64. Philips and the Belgian and Italian Governments have argued that 'the production fiction' is essential in order to ensure the application of the Regulation of 1994 (and of the new regulation of 2003) to goods in external transit, included in Article 1; in short, in order that the customs authorities may take action in cases such as this. However, as I have already noted, argument of that kind is the result of confusing the conditions necessary for action by the customs authorities with the stricter conditions to be satisfied if a competent authority is to make a definitive finding of infringement of intellectual property.

65. Furthermore, it is to be borne in mind that protection of intellectual property rights is based on the principle of territoriality. By virtue of that principle, holders may prohibit the unauthorised use of their right only in those States in which it enjoys protection. (26) Given that transit does not amount to 'use in the course of trade', resort to the production fiction would constitute a significant exception to this principle of territoriality which, from this point of view also, would go beyond the objectives of the customs regulation. (27)

C – In the final analysis, the earlier case-law does not support 'the production fiction'

66. The answer I propose to give to the question in Philips is to be completed by paying special attention to the more recent case-law on the subject, frequently invoked by one party or another, depending on their various interests. By anticipating to some extent the conclusion of this section, I consider that the so-called 'production fiction' is not compatible with more recent decisions in this field, represented in essence by Class International (28) and Case C-281/05 Montex Holdings. (29)

67. In 2005, in Class International, the Court of Justice declared that Directive 89/104 and Regulation 40/94 must be interpreted as meaning that a trade mark proprietor may not oppose the mere entry into the Community, under the external transit procedure or the customs warehousing procedure, of original goods bearing that mark which had not previously been put on the market in the Community by that proprietor or with his consent. In such situations, it is for the trade mark proprietor to prove the facts which would give grounds for exercising the right of prohibition, by proving either release for free circulation of the non-Community goods bearing his mark or an offering or sale of the goods which necessarily entails their being put on the market in the Community.

68. This reply meshed consistently with Rioglass and Transremar, in which it was held that mere transit of goods did not mean that they were placed on the market for the purpose of obtaining the protection given by the substantive rules on trade marks.

69. A year later, it was held in Montex that Article 5(1) and (3) of Directive 89/104 must be interpreted as meaning that the proprietor of a trade mark may 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, 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 put on the market in that Member State of transit.'

70. To sum up, in both judgments it is unequivocally found that 'use in the course of trade' constitutes an essential requirement for the activating of protection of intellectual property rights, in terms leaving no place for the argument of 'the production fiction'. It is true that those are judgments given in interpretation of the substantive rules governing trade marks (Directive 89/104 and Regulation No 40/94) which do not concern the regulations concerning customs action. It is, however, to be borne in mind that the provisions of those regulations whose interpretation is at issue here fall, exceptionally, within the scope *ratione materiae* of those rights.

71. In this regard, mention must be made of paragraph 40 of Montex, in which it is expressly stated that 'none of the provisions of Regulation No 3295/94 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'. In the light of that clarification in the case-law, there is no place in the customs regulation for 'the production fiction' relied upon which, as I have said, involves redefinition of intellectual property rights.

72. Nevertheless, there is earlier case-law referring specifically to the customs regulations, whose strained relations with Class International and Montex cannot at root be denied, which has been heavily relied on by those who, in the present case, have supported 'the production fiction' proposition. These are, in particular, Polo v Lauren, (30) in 2000, and Rolex in 2004. (31)

73. In point of fact, in both Polo v Lauren and Rolex the Court of Justice declared that the customs regulation of 1994 was applicable to non-Community goods in transit to a non-member country, without particular reference to any need to prove that they were destined for the Community market. In those terms, the differences plainly apparent between the two sets of judgments explain why they have often been criticised for being contradictory. (32)

74. In the first place, it must in this regard be stated that the Court of Justice has been alive to that strain, and has for that reason taken care to make clear that Class International and Montex are not challenged by the earlier case-law. (33)

75. In the second place, account must be taken of the fact that the focus of attention of the two earlier judgments had shifted toward questions like the validity of the customs regulation and its legal basis (in Polo v Lauren) and whether there existed a *criminal lex previa* (in Rolex), analysis of the question whether the destination of the goods was within the European Union remaining relatively secondary.

76. Finally, it is to be stressed that *Polo v Lauren* attaches great importance to the danger of counterfeit goods being fraudulently brought on to the European Union market, deducing therefrom that that transit may 'have a direct effect on the internal market'. (34)

77. Regardless of all those circumstances, however, it must be acknowledged that there is a certain inconsistency between the two groups of judgments. In so far as it is sought to attach some relevance to this strain, I consider that it is the two later judgments (*Class International* and *Montex*) that most accurately reflect this Court's position.

78. In any case, and in my opinion, the confusion generated by in the interpretation of this series of judgments is largely due to the fact that the Court of Justice has, till now, adapted its answers to the legal rule invoked in each reference for a preliminary ruling, without necessarily taking into consideration the subject-matter of the case out of which it arose.

79. The challenge in the cases now before the Court of Justice is to make clear in what circumstances each of those provisions is to be applied, and to define the conditions necessary for crossing the threshold beyond which action by the customs authorities, on the one hand, and a finding (usually judicial) of infringement of a right, on the other, are justified. (35)

D – Conclusion

80. Having regard to the foregoing, I propose replying to the question referred by the *Rechtbank* that Article 6(2)(b) of Regulation No 3295/94 is not to be interpreted as meaning that the authority (in this case judicial) of the Member State called on, in accordance with Article 7 of that regulation, by the holder of an intellectual property right, may take no account of the status of temporary entry or of transit of the goods in question, or, therefore, as meaning that that authority may apply the fiction that those goods were produced in that same Member State for the purpose of ruling, in accordance with the law of that State, whether or not they infringe the intellectual property right at issue.

VII – Analysis of the question referred in Nokia

A – Preliminary considerations

81. As has been pointed out, in *Nokia*, unlike the case we have just examined, the Court of Appeal formulates its question in proceedings challenging the lawfulness of a decision of the UK customs authorities rejecting *Nokia's* application for detention of certain goods in transit.

82. In formal terms, the reference for a preliminary ruling is framed as a question of interpretation of the term 'counterfeit goods' contained in Article 2(1)(a) of Regulation No 1383/2003: 'goods, including packaging, bearing without authorisation a trade mark identical to the 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, as provided for by Council Regulation (EC) No 40/94 ... or the law of the Member State in which the application for action by the customs authorities is made'.

83. In those terms, it is for the Court of Justice to determine whether that provision creates an autonomous definition of counterfeit goods, unconnected to the substantive legislation on action by customs authorities.

84. It seems to me that the reference in the provision in question to the substantive rules on trade marks, although introduced by the expression 'thereby', (36) is unconditional and that, in consequence, the theory of 'autonomous definition', put forward by certain parties, cannot prosper. So, if there is to be a 'counterfeit trade mark' for the purpose of Regulation No 1383/2003, it has to be proved that the goods concerned were destined for the market of the European Union. If not, the goods in transit do not satisfy the condition of 'use in the course of trade' laid down in both Regulation No 40/94 and the national laws on trade marks.

85. As we have seen with the previous case, that requirement is indispensable when it has to be settled – judicially or otherwise – whether there has been an infringement of the right to the trade mark in the case in the main proceedings. The instant case concerns the question whether that proof is also necessary in the preparatory stage of action by the customs authorities.

86. That is the criterion relied on, on the basis of Article 2 of Regulation No 1383/2003, by the British authorities to refuse to take action in respect of goods in transit, on the grounds that there was no good evidence that the goods were destined for the European Union market.

87. Nevertheless, if it is a question of clarifying what 'counterfeit goods' are for the purposes of the Regulation or, which comes to the same thing, what conditions must be met in order for the customs authorities to be able to take action, it would seem evident that Article 2 of Regulation No 1383/2003, which is the focus of the question referred, cannot be analysed in isolation.

88. On the contrary, I believe that particular account must be taken of Article 1 of that regulation, which defines its scope, and of Articles 4 and 9, which specify the conditions for action by the customs authorities. As we shall see below, all those provisions use the terms 'suspected', 'suspecting' or 'suspicions' as a criterion for that action. (37)

89. Moreover, an extensive and isolated interpretation of Article 2, used as the sole reference provision for determining whether the customs authorities may take action, would hardly be reconcilable with the objectives of the regulation or with the powers that the latter confers on those authorities, or indeed with the case-law in this field. (38)

B – Articles 1, 4 and 9 introduce a specific criterion to justify action: 'suspected' infringement

90. Unlike Article 2, which simply defines what is meant 'for the purposes of this regulation' by goods infringing an intellectual property right, Articles 1, 4 and 9 make express reference to the possibility of action by the customs authorities when they 'suspect' that the goods in question, whatever their customs

situation, infringe or may infringe an intellectual property right.

91. As indicated above, Regulation No 1383/2003 (and Regulation No 3295/94 before it) clearly distinguishes the stage of action by the customs authorities from the stage of the material finding of infringement. The former is typically administrative and preventative, whereas the latter is usually judicial and in every case involves a decision on the substance of the case, generally definitive.

92. However, in the same way as the regulation attributes the decision in each of those stages to different authorities, it also makes the decision subject to different conditions, stricter in the case of the decision on the substance, for it alone can lead to the prohibition of the use of the trade mark in question in the course of trade in the European Union. (39) In contrast, the measures to be adopted by the customs authorities are provisional and preventative, and it is therefore logical that the threshold beyond which it is permissible to take that action should be fixed at a lesser degree of requirement.

93. Only thus is it explicable that Article 5(5) of Regulation No 1383/2003, which regulates exhaustively the content of the application for action by the customs authorities, merely requires that application to contain 'all the information needed to enable the goods in question to be readily recognised by the customs authorities' and, in particular, 'any specific information the right-holder may have concerning the type or pattern of fraud'. (40)

94. At the same time, that provision requires from the applicant 'proof that the applicant holds the right for the goods in question', and requires it to make a declaration accepting liability towards the persons involved if the procedure for action should be discontinued owing to an act or omission of the holder or if the goods in question should subsequently be found not to infringe an intellectual property right (Article 6(1)). The 'location ... of ... intended destination' of the goods, like other information such as 'the scheduled arrival or departure date of the goods', for example, need be given in the application only '[b]y way of indication and where known' [to the right-holder].

95. The point is, therefore, to identify the place where the suspect goods are to be found and to ensure that the application is serious to a certain degree, and not, of course, to make a finding that the right claimed has been infringed. If the legislature had wished to require, at this early stage, convincing evidence of infringement of the right (even if it were only potential), it would have done so expressly.

C – The customs authorities may not anticipate what the decision on the substance will be

96. Furthermore, it is clear that it is not for the customs authorities to decide definitively whether or not any intellectual property rights have been infringed. If it were to be inferred from Article 2 that the regulation demanded the same level of proof of infringement for detention of the goods under customs

control as for their definitive withdrawal from commercial channels or their destruction, the customs authorities' decision would in a certain manner anticipate the outcome of the procedure on the substance, which will perhaps take place later and may be decided by another authority.

97. In short, preventive control may not be made conditional upon a conclusive finding of infringement of an intellectual property right. Being a preventive measure, it is provisional in nature (no more than 10 days) and it is natural that it should be adopted on the basis of provisional information and 'suspicions'. (41)

D – Excessive evidential requirements could render nugatory the extent of the Regulation's field of application

98. Requirements of that kind concerning evidence could, in practice, prevent any preventive action in respect of goods in external transit, even though those are expressly included in the ambit of the Regulation of 2003.

99. The changes in the customs legislation offer the clearest evidence of the importance attached by the legislature to covering all customs situations in which counterfeit or pirated goods may be found. (42) So, Article 1 of Regulation No 1383/2003 includes within its ambit both goods entered for release for free circulation, export or re-export and those found entering or leaving the customs territory of the European Union, in the process of being re-exported subject to notification, placed in a free zone or free warehouse or placed under a suspensive procedure. In accordance with Article 84(1)(a) of the Community Customs Code, that suspensive procedure includes, inter alia, external transit, customs warehousing and temporary importation.

100. Customs arrangements of this kind can be used fraudulently as devices for the entry of goods intended to be illegally marketed in the European Union, inasmuch as nothing obliges the consignee, at the outset, to declare their destination or even to reveal his identity.

101. Given the difficulties raised by situations of that kind so far as concerns evidence, if suspicions of unlawfulness were not enough to set in motion preventive action by the customs authorities, then the breadth with which Article 1 of the Regulation of 2003 defines its ambit would be pointless, and would increase the danger of abuse of suspensive procedures in order to avoid the goods being seized.

E – The regulation introduces the criterion of 'suspicion'

102. Having regard to all the foregoing, I consider that the definition of 'counterfeit goods' in Article 2(1)(a) of the Regulation of 2003 is designed to assist the application of the other provisions of that regulation and must be interpreted so as to enable their proper application.

103. As may be gathered from its title, the regulation governs both '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’.

104. As regards the latter, it will be necessary to find that the goods are ‘counterfeit’ or ‘pirated’ within the meaning of Article 2. For that purpose, as I have already had occasion to conclude in respect of Philips, recourse must be had to the criteria laid down in the substantive legislation on trade marks and other intellectual property rights. The reference to the latter made in Article 2 must therefore be understood to that effect.

105. On the other hand, for customs authorities to be able to seize certain goods, the existence of ‘suspicion’ is enough to satisfy the requirements of Article 2, including those laid down in the substantive legislation to which that article refers. The regulation demands nothing more; nor does the case-law.

106. Now the problem is that the meaning of ‘suspicion’ in this context is inherently bound up with the facts. It is beyond doubt that ‘suspicion’ must not be taken to mean irrefutable findings, but that criterion must be prevented from leading to total discretion for the customs authorities in their action. (43)

107. For that reason, I consider that, for the customs authorities to be able lawfully to seize goods in transit subject to their control, they must at the very least have ‘the beginnings of proof’, that is to say, some evidence that those goods may in fact infringe an intellectual property right.

108. In the specific case of goods in transit, the most difficult thing to prove at this stage is, of course, the destination of the goods.

109. To that end, in the assessing of those ‘suspicions’ particular account must be taken of the danger of fraudulent entry of goods into the European Union. Despite all the precautions entailed by the system of Community vigilance, that danger exists, inasmuch as it is not to be forgotten that, even if the external transit procedure itself is founded on a legal fiction, the goods are physically to be found in the territory of the European Union.

110. So, by virtue of that fiction, goods included in the external transit procedure are not subject to import duties or to other measures of commercial policy, just as though they had not entered the territory of the European Union. However, as is clearly stated in *Polo v Lauren*, that transit ‘is not completely devoid of effect on the internal market’. (44) In short, it is a question of determining whether that danger is so great as to make it possible to classify certain goods as ‘suspected’ of infringing an intellectual property right.

111. In those terms and without any claim to exhaustiveness, circumstances such as the excessive duration of the transit, the kind and number of means of transport used, the greater or lesser difficulty of identifying the consignor of the goods or the lack of information on their physical destination or consignee, could, in particular cases, lend substance to a well founded suspicion that goods appearing in themselves to be ‘counterfeit’ or ‘pirated’ are to be placed on the market of the European Union.

112. To sum up, I propose replying to the Court of Appeal of England and Wales that non-Community goods bearing a Community trade mark which are subject to customs supervision in a Member State and in transit from one non-member country to another non-member country may be seized by those customs authorities provided that there are sufficient grounds for suspecting that they are counterfeit goods and, in particular, that they are to be put on the market in the European Union, either in conformity with a customs procedure or by means of an illicit diversion, even though there is no evidence of their destination.

VIII – Conclusion

113. I therefore conclude that the Court should reply as follows:

A – To the question referred by the *Rechtbank van eerste aanleg te Antwerpen (Case C-446/09)*

Article 6(2)(b) of 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 is not to be interpreted as meaning that the judicial authority of the Member State called on, in accordance with Article 7 of that regulation, by the holder of an intellectual property right, may take no account of the status of temporary entry or of transit of the goods in question, or, therefore, as meaning that that authority may apply the fiction that those goods were produced in that same Member State for the purpose of ruling, in accordance with the law of that State, whether or not they infringe the intellectual property right at issue.

B – To the question referred by the *Court of Appeal of England and Wales (Case C-495/09)*

Non-Community goods bearing a Community trade mark which are subject to customs supervision in a Member State and are in transit from one non-member country to another non-member country may be seized by the customs authorities provided that there are sufficient grounds for suspecting that they are counterfeit goods and, in particular, that they are to be put on the market in the European Union, either in conformity with a customs procedure or by means of an illicit diversion.

1 – Original language: Spanish.

2 – Established by Council Regulation (EEC) No 2913/92 of 12 October 1992 (OJ 1992 L 302, p. 1).

3 – Case C-383/98 *Polo v Lauren* [2000] ECR I-2519, paragraph 34.

4 – OJ 1994 L 341, p. 8. Amended by Council Regulation (EC) No 241/1999 of 25 January 1999 (OJ 1999 L 27 p. 1).

5 – OJ 2003 L 196 p. 7.

6 – Prior to the Treaty of Amsterdam, Article 113 of the EC Treaty. The 1994 Regulation refers to that numbering while the 2003 Regulation cites Article 133 EC.

7 – The new Article 207 TFEU, which essentially reproduces the wording of this provision, refers specifically to ‘the commercial aspects of intellectual property’.

8 – As amended by Regulation No 241/99.

9 – Governed by Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs (OJ 1998 L 289, p. 28) and the applicable transposing legislation.

10 – Governed by Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1) and the national legislation on trade marks which was harmonised by First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1).

11 – Article 4 of Regulation No 3295/94 and Article 4 of Regulation No 1383/2003.

12 – This application for action is governed by Article 3 of Regulation No 3295/94 and Articles 5 and 6 of Regulation No 1383/2003.

13 – Article 6(1) of Regulation No 3295/94 and Article 9 of Regulation No 1383/2003.

14 – Article 11(1) of Regulation No 1383/2003. The 1994 Regulation does not provide for this ‘simplified’ procedure.

15 – Articles 6(2) and 7(1) of Regulation No 3295/94 and Article 13(1) of Regulation No 1383/2003. If, in those substantive proceedings, it is found that there has been an infringement, the goods may be subject to the ‘definitive’ measures provided for in Article 8 of Regulation No 3295/94 and Articles 16 and 17 of Regulation No 1383/2003: prohibition of entry into the Community customs territory, prohibition of release for free circulation, prohibition of export, etc., in addition to the destruction of the goods or disposal of them outside commercial channels without compensation and depriving the persons concerned of any economic gains from the transaction.

16 – Article 7(1) of Regulation No 3295/94 and Article 13(1) of Regulation No 1383/2003.

17 – Inter alia, destruction of the goods concerned or disposal of them outside commercial channels without compensation of any sort (Article 8(1) of Regulation No 3295/94 and Article 17 of Regulation No 1383/2003).

18 – As we have seen, in addition to the foregoing, the question referred by the Rechtbank begins by asking whether the article concerned is a ‘uniform rule of Community law’. Framed in those terms, the question barely warrants a response other than that the regulation is, as such, a compulsory provision in all its elements and that it has direct effect throughout the Union.

19 – This ‘production fiction’ appears to have been applied for the first time in a patent case by the Hoge Raad der Nederlanden in its judgment of 19 March 2004 (LJN AO 0903, Philips v Postec and Princo), and it was subsequently adopted by the president of the Rechtbank Den Haag in a decision of 18 July 2008 and by the Rechtbank van eerste aanleg te Anwerpen itself

in a judgment of 9 October 2008. A number of academic writers appear to have accepted the fiction, such as Eijsvogels, F., ‘Some remarks on Montex Holdings Ltd. v Diesel Spa’, Boek9.nl, 24 November 2006, <http://www.boek9.nl/default.aspX?id=2968> and Puts, A. ‘Goods in transit’, 194 Trademark World, 22-23 (February 2007).

20 – Case C-115/02 Rioglass and Transremar [2003] ECR I-12705, paragraph 27. Unlike the present cases, that judgment concerned goods which had been lawfully manufactured in one Member State, were in transit through another Member State and were destined for a third Member State, from which it followed that the dispute centred on whether or not it was possible to rely on the free movement of goods against action by the customs authorities. In spite of that fundamental difference, the considerations set out in that judgment concerning the nature of Community goods in transit are fully applicable to a situation where non-Community goods are in transit. As Advocate General Jacobs stated in his Opinion in Case C-405/03 Class International [2005] ECR I-8735 (to which I will return shortly), ‘it may be thought that if the Court took that view with regard to goods in free circulation in the Community it would apply a fortiori to non-Community goods in respect of which import formalities have not been completed’ (point 32).

21 – If the Community legislature had wished to redefine these substantive rules governing intellectual property rights in the Customs Regulations, by granting holders of such rights powers which go beyond the ones laid down in the substantive law referred to, it would have relied on Articles 100 A EC or 235 of the EC Treaty (Articles 95 EC and 308 EC in the later numbering of the Treaty of Amsterdam; now Articles 114 TFEU and 352 TFEU), concerning the functioning of the internal market and the usual legal basis for substantive provisions on intellectual property rights.

22 – To this effect, see Case C-3/91 Exportur [1992] ECR I-5529, paragraph 12, and Case C-9/93 IHT Internationale Heiztechnik and Danzinger [1994] ECR I-2789, paragraph 22.

23 – In the new regulation, the only reference to the criterion of production is in recital No 8. None the less, the final part of that recital clearly partakes of the nature of a conflict of laws text: ‘This Regulation does not affect the Member States’ provisions on the competence of the courts or judicial procedures.’ In my opinion, while those two passages appear in the same recital, that is because they have the same object: to make clear the rules applicable to the procedure in respect of infringement of an intellectual property right. What is more, it seems improbable that a rule of such import should have to be deduced from a recital. In support of this, see van Hezewijk, J. K., ‘Montex and Rolex – Irreconcilable differences? A call for a better definition of counterfeit goods’, International review of intellectual property and competition law, Vol. 39 (2008), No 7, p. 779.

24 – Emphasis added. To that effect, see recital No 2 in the preamble to Regulation No 1383/2003.

25 – Emphasis added.

26 – IHT Internationale Heiztechnik and Danzinger, paragraph 22. See also my Opinion in Case C-96/09 P Anheuser-Busch, delivered on 14 September 2010, point 106 et seq.

27 – Philips has cited the Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee on a Customs response to latest trends in counterfeiting and piracy of 11 October 2005 [COM(2005) 479 final, p. 8, Annex III.1], which states that ‘EU Customs legislation in this area is now reckoned to be among the strongest in the world ... 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’. None the less, the fact is that neither case-law nor the legislation now in force makes it possible to infer that strictly European protection may be extended to non-member countries by extending the measures adopted at the border. To this effect, see Große Ruse-Khan, H. and Jaeger, T., ‘Policing patents worldwide? EC border measures against transiting generic drugs under EC and WTO intellectual property regimes’, *International review of intellectual property and competition law*, Vol. 40 (2009), No 5, pp. 502-538.

28 – Cited above.

29 – Case C-281/05 Montex Holdings [2006] ECR I-10881, ‘Montex’.

30 – Cited above.

31 – Case C-60/02 Criminal proceedings against X [2004] ECR I-651, ‘Rolex’.

32 – Vrins, O. and Schneider, M., ‘Trademark use in transit: EU-phony or cacophony?’, *Journal of IP Law and Practice*, 2005, vol. 1, No 1, pp. 45 and 46.

33 – In that respect, see, in particular, Montex, paragraphs 35 to 40, and points 38 to 45 of the Opinion of Advocate General Poiares Maduro of 4 July 2006 in that case, in which the problem is set out in greater detail and, if possible, greater clarity. There is no specific mention of the matter in Class International, probably because the customs regulation (Article 1(4) of Regulation No 3295/94, and Article 3 of Regulation No 1383/2003) simply was not applicable, for the case dealt with parallel imports of original goods. None the less, the Opinion of Advocate General Jacobs in that case does in fact refer to *Polo v Lauren*, making it clear that the latter judgment was delivered in a different context (point 34).

34 – Paragraph 34 of *Polo/Lauren*.

35 – As I shall explain in my analysis of Nokia, it seems to me plain that it cannot be the same threshold, and that preventive action by the customs authorities can be based on the mere beginnings of evidence, more or less well founded, but it is not necessary to demonstrate that the goods are to be marketed in the European Union, for that would already assume an almost definitive finding of infringement, which is required only in cases such as the instant case (Philips).

36 – ‘Por tanto’, in the Spanish version; ‘de ce fait’, in the French; ‘og som derved’, in the Danish; ‘und damit’, in the German; ‘e che pertanto’, in the Italian; ‘die zodoende’, in the Dutch; ‘por ese motivo’, in the Portuguese; ‘ja joka siten’, in the Finnish; ‘och som därigenom’, in the Swedish.

37 – ‘Sufficient grounds for suspecting’, in Article 4; ‘where a customs office ... is satisfied ... that goods ... are suspected’, in Article 9.

38 – However, in order to attain the objectives of the Regulation of 2003, it is unnecessary to have recourse, as suggested by the International Trademark Association, to ‘the production fiction’, which earlier I had occasion to analyse with regard to Case C-446/09 and which seems to me to be indefensible in this context too. In point of fact, the only provision of Regulation No 1383/2003 that could serve as a basis for that fiction is Article 10, a rule of conflict of laws which, moreover, as may be deduced from the title of Chapter III, is applicable to the decision on the substance and not to the conditions governing action by the customs authorities that are at issue in the instant case.

39 – To this effect, Vrins and Schneider stress that the object of Article 1(1) of the Regulation of 2003 is not to be confused with that of Article 16 of the same regulation: ‘whilst the former sets out the conditions for action by the customs authorities where goods are suspected of infringing an intellectual property right, the latter provides that, once goods have been found to infringe such a right, subsequent to a customs intervention according to Article 9 and at the end of the proceedings referred to in Article 13, they may not be cleared by customs, or placed onto the market or simply into circulation’ (Vrins, O. and Schneider, M., *Enforcement of intellectual property rights through border measures. Law and practice in the EU*, Oxford University Press, 2006, p. 73).

40 – Emphasis added.

41 – Just as at this stage irrefutable evidence of the destination of the goods may not be demanded, so the customs authorities need not, it seems, in this regard, determine whether other conditions have been satisfied, conditions laid down by the substantive legislation in order for protection of the right to be set in action, which call at times for factual and legal analysis of some complexity. We may think, for example, of the assessment of ‘the likelihood of confusion’, which appears in the substantive laws on trade marks, but not in Article 2 of Regulation No 1383/2003, probably in order to relieve the customs authorities of the burden of work that would be involved in making that assessment at that stage. With regard to how the definition of counterfeit goods in the customs legislation differs from that in the substantive law on trade marks, see Hezewijk, J. K., *op. cit.* p. 785 et seq.; and Vrins, O. and Schneider, M., *op. cit.*, p. 97.

42 – In this connection, see Lois Bastida, F., ‘El Reglamento (CE) nº 1383/2003, de lucha contra la piratería en materia de propiedad intelectual’, *Actas de*

derecho industrial y derecho de autor, T. XXIV (2003), p. 1228.

43 – On occasion the customs legislation itself adds precision to that reference to suspicion: for example, Article 4 of the Regulation of 2003 refers to ‘sufficient grounds for suspecting’, and Article 4 of the Regulation of 1994 refers to a situation in which ‘it appears evident to the customs office that goods are counterfeit or pirated’. Both provisions relate to the first action by customs authorities, before the application of the right-holder.

44 – Paragraph 34. For that reason, Advocate General Ruiz-Jarabo Colomer said that ‘there is no need to extend this fiction any further than necessary’ (Opinion in *Polo v Lauren*, point 21). To my mind, however, that fact cannot lead to substituting for the fiction a total assimilation of goods in transit to goods released for free circulation or produced in the European Union.