

# Comments on transit controls of goods suspected of infringing IPRs

## JANUARY 2014

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## Comments from AIM, the European Brands Association, on transit controls of goods suspected of infringing IPRs

AIM, the European Brands Association, has noted some current misunderstandings about transit controls by Europe's customs officers of goods they suspect of infringing intellectual property rights. We hope that the below will be of use in explaining the need for transit controls to be included in the Trade Mark Package.

### A. Needed

1. Controls in transit. Note that this Package only relates to trade marks so concerns regarding other IPRs are irrelevant.
2. Even the judiciary recognises these controls are needed. To quote Kitchin J (*Nokia v. HMRC*, [2009] EWHC 1903 (Ch), Case No: HC 09CO1457): "I recognise that this result is not satisfactory. I can only hope it provokes a review of the adequacy of the measures available to combat the international trade in fake goods by preventing their transshipment through Member States".
3. A Recital noting the importance of trade marks for the global economy should be added; this reaches beyond their effect in the Internal Market.
4. Clarification that transit should also be considered a trade mark infringement in the EU if the goods bear a (registered or unregistered) well-known trade mark in the sense of Art. 6bis of the Paris Convention. Virtually all countries in the world are bound by this provision to afford protection to such well-known marks, even if they have not been registered.

### B. Are transit controls already covered by the Customs Regulation?

1. The Customs Regulation allows customs to act based on a reasonable suspicion where they identify goods suspected of infringing an IPR, as defined in Art. 2(7) to be "goods with regard to which there are reasonable indications that, in the Member State where those goods are found, they are prima facie: (a) goods which are the subject of an act infringing an intellectual property right in that Member State..." BUT transit is not an infringement under EU substantive law.
2. During the debates on the Customs Regulation we were told - repeatedly - that as this is only a procedural Regulation, it could not amend the substantive law, so transit controls would have to be dealt with by the latter.
3. **There is thus no specific wording in that Regulation re transit.** In practice, following Philips/Nokia, goods in transit do not per se infringe IPR thus customs generally do not have the right to control them under EU law.
4. The Commission guidelines lay down certain cases (following Philips/Nokia) where customs may control goods in transit, including a suspicion that goods are going to be diverted onto the EU market. But the right holder has to prove that.
5. This also only goes to goods in "fake" transit - e.g. claiming the destination is North Africa when the packaging and labelling is in German. It does not cover "real" transit - the movement of counterfeit goods via the EU - at all.
6. This is what the Commission's proposal aims to solve.
7. Since Philips/Nokia, the situation is unclear and most Member States' customs have stopped controls in transit except where they are permitted in national law. **The 2012 detention statistics from EU customs show an unprecedented - and extremely worrying - fall by 65% on the year before.** These two facts cannot be unconnected.
8. **The EU must not become a hub for counterfeit trade.**

### C. Legitimate trade

1. All customs controls affect trade. Most trade - apart from smuggling of course - is legitimate trade. Some illegitimate goods - arms, drugs, CITES products - are smuggled in legitimate trade channels.

2. There is not really a differentiation between controls in import/export or in transit – all, de facto, are declared as legitimate. Customs have to control goods, e.g. rules on ICS (import control system) and ECS (export control system), to make sure no goods are being imported or exported to/from Europe which could pose a risk to safety and security.
3. **TRIPs does not preclude controls on goods in transit**, it simply says in footnote 13 to Article 51 that “it is understood that there shall be no obligation to apply such procedures to ... goods in transit” but clearly says in Article 1(1) that “Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement”. So it is left up to the Members.
4. Similarly the Paris Convention says at Article 9(4) that “the authorities shall not be bound to effect seizure of goods in transit”: it does not preclude such controls.
5. Customs’ goal is always to minimise disruption to legitimate trade. They actually control, at a maximum, only some 2% of trade and that is based on risk analysis, targeted intelligence and experience. They do not – and never would - control everything, but only consignments for which they have a reasonable suspicion. Allowing customs a power to control does not render such controls mandatory but rather allows them to correctly carry out their role – when they have the requisite suspicion.

## D. Controls within the EU

Given the uncertainty following Nokia/Philips and the new Regulation, several Member States have their own legislation permitting transit controls, proving that there is no disconnect between transit controls and TRIPs (etc.). These include:

### Finland

The Trade Marks Act, as last amended by Law No. 680 of 21<sup>st</sup> July, 2006, reads at Section 4:

The effect of the rights in a trade symbol provided for in Section 1 to 3 of this Act is that no one other than the proprietor of the trade symbol may use in his business any symbol liable to be confused with it for his goods, whether on the goods themselves or on their packaging, in advertising or commercial documents, or in any other way, including oral use. This provision shall apply regardless of whether the goods are offered or intended to be offered for sale in Finland or abroad, or are imported into the Finnish territory to be used, kept or stored for business purposes or to be forwarded to a third country.

The Helsinki Court of Appeal has rendered several judgments which conclude that **transit is an act within the scope of the trade mark owner’s exclusive rights** under this Section.

[http://www.wipo.int/wipolex/en/text.jsp?file\\_id=193941](http://www.wipo.int/wipolex/en/text.jsp?file_id=193941)

### Greece

The Trade Marks Law No. 4072/2012, at Art. 125(4) expressly provides that “a trade mark owner has the right to prohibit to third parties: **(a) the simple transit of forged or counterfeit goods through the Greek territory destined to another country or the importation for re-exportation...**”. It is further provided that such acts are also criminal offences at Art. 156.

[http://gge.gov.gr/wp-content/uploads/2012/10/simata\\_n4072\\_12.pdf](http://gge.gov.gr/wp-content/uploads/2012/10/simata_n4072_12.pdf)

### Malta

Article 4 of the Intellectual Property Rights (Cross-Border Measures) Act of 2000 reads:

The entry into Malta, export or re-export, release for free circulation, temporary importation, placing in a free zone or free warehouse of goods found to be goods infringing an intellectual property right shall be prohibited.

[http://www.wipo.int/wipolex/en/text.jsp?file\\_id=128773](http://www.wipo.int/wipolex/en/text.jsp?file_id=128773)

This has been confirmed by the First Hall of the Civil Court to mean that **counterfeit goods detained by customs in transit can be seized** under national law. (*Pfizer Products Inc vs. Tasharokiat Azzahra*, 24<sup>th</sup> February 2011).

## E. International

That such controls are not limited to the EU is evidenced by other countries' laws, which provides more firm evidence that there is absolutely no contradiction between international trade rules and transit controls for infringing products. **It would be unfortunate for Europe to adopt lesser standards.** For example (please note: this is not a definitive list):

### Argentina

*Raul Oviedo S.R.L. case 11915, Criminal Cassation Court, Section III, 9th June, 2010:*

A lorry in transit via Argentina transporting toys from Uruguay to Paraguay was inspected by customs and detained on suspicion of carrying counterfeit toys. When the brand owner confirmed this, the case was brought to the Federal Criminal Courts. The Criminal Cassation Court, accepting an appeal by the Prosecutor General and thus overturning two lower judgments, defined import as the bringing of goods into any territory under Argentine sovereignty in which a uniform customs duties system and economic prohibitions on imports and exports were applied, **so this case was an import regardless of the fact that the goods were in transit to another country.** It also agreed with the Prosecutor General that an in-transit suspensive operation constitutes an import, as the latter did not only include imports to be placed on the national market. Further, the case fell within the absolute prohibition Art. 46 of Law No. 25,986 (as amended by Law 26,458) which expressly prohibits imports or exports which, after a simple check, are found to comprise fake goods bearing a third party's trade mark(s), pirated copies of products protected by IP rights or goods that otherwise infringe IPRs.

### ASEAN Framework Agreement on the Facilitation of Goods in Transit

- Article 5.4: Goods carried in sealed road vehicles, combination of vehicles or container shall not be subjected to examination at customs offices en route. However, to prevent abuses such as smuggling and fraud, customs authorities of either Contracting Party may in exceptional cases, and particularly when irregularity is suspected, carry out an examination of the goods at such offices or other areas designated by customs authorities.
- Article 21: Transit transport of goods prohibited and/or restricted in the transit territory of a Contracting Party... shall not be permitted under this Agreement.

<http://www.asean.org/news/item/asean-framework-agreement-on-the-facilitation-of-goods-in-transit>

### Brazil

The Brazilian Industrial Property Law (Law No. 9.279 of May 14, 1996) states at Art. 198:

Products bearing counterfeited, altered or imitated marks, or that show a false indication of source may be seized by customs authorities, ex officio or at the request of the interested party, during verification procedures.

[http://www.wipo.int/wipolex/en/text.jsp?file\\_id=125397](http://www.wipo.int/wipolex/en/text.jsp?file_id=125397)

### India

- Section 53 Customs Act: ...any goods imported in any conveyance will be allowed to remain on the conveyance and to be transited without payment of customs duty, to any place out of India or any customs station. However, all these goods must be mentioned in import manifest or import report submitted by person in charge of conveyance. Such goods should not be 'prohibited goods' under section 11 of Customs Act.
- Section 11.2.(n): the protection of patents, trademarks and copyrights.

[http://www.wipo.int/wipolex/en/text.jsp?file\\_id=201640](http://www.wipo.int/wipolex/en/text.jsp?file_id=201640)

Together with:

- Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007:  
Art 2. (a) "goods infringing intellectual property rights" means any goods which are made, reproduced, put into circulation or otherwise used in breach of the intellectual property laws in India or outside India and without the consent of the right holder or a person duly authorized to do so by the right holder.

[http://www.wipo.int/wipolex/en/text.jsp?file\\_id=201652](http://www.wipo.int/wipolex/en/text.jsp?file_id=201652)

- Confirmation from the Supreme Court of India (*Gramophone Company of India Ltd., Vs. Birendra Bahadur Pandey and Ors. [AIR1984SC667]*), re copyright:

“36. It was submitted by the learned Counsel for the respondents that where goods are brought into the country not for commerce, but for onward transmission to another country, there can, in law, be no importation. ... If goods are brought in only to go out; there is no import, it was said. It is difficult to agree with this submission ... In the first place, the language of Section 53 does not justify reading the words 'imported for commerce' for the words 'imported'. Nor is there any reason to assume that such was the object of the legislature. We have already mentioned the importance attached by International opinion, as manifested by the various International Conventions and Treaties, to the protection of copyright and the gravity with which traffic in industrial literary or artistic property is viewed, treating such traffic on par with traffic in narcotics, dangerous drugs and arms. In interpreting the word 'import' in the Copyright Act, we must take note that while the positive requirement of the Copyright Conventions is to protect copyright, negatively also, the Transit Trade Convention and the bilateral Treaty make exceptions enabling the Transit State to take measure to protect Copyright. If this much is borne in mind, it becomes clear that the word 'import' in Section 53 of the Copyright Act cannot bear the narrow interpretation sought to be placed upon it to limit it to import for commerce. It must be interpreted in a sense which will fit the Copyright Act into the setting of the International Conventions.

39. We have, therefore, no hesitation in coming to the conclusion that the word 'import' in Sections 51 and 53 of the Copyright Act means 'bringing into India from outside India', that it is not limited to importation for commerce only **but includes importation for transit across the country.**

40.... The offending copies are deemed to be goods whose import has been prohibited or restricted under Section 11 of the Customs Act. Thereupon the relevant provisions of the Customs Act are to apply.”

## Panama:

Law No. 35 of May 10, 1996 on Industrial Property reads:

- Article 172. The judge may order the appropriate precautionary measures to insure the execution of the sentence, which may be rendered in the respective procedure. The following, among others, may be ordered...

6. Holding as deposit or retaining, by the corresponding customs authorities, the merchandise or objects subject to the act of infringement, which are going through customs **or that are in transit** in any part of the nation.

- Article 176. The Directorate General of Customs acting due to Law or on instructions from the proper authority or when by any other means it has the knowledge that goods that are in customs or in any part of the national territory, may be breaking the provisions of this Law or of the Law of Copyright and Related Rights could inspect or retain such goods. The authorities of the Colon Free Zone and other duty - free zone or export manufacturing zones administered by the State, will have the same faculties described previously when dealing with **goods in transit** in its territory

[http://www.wipo.int/wipolex/en/text.jsp?file\\_id=129259](http://www.wipo.int/wipolex/en/text.jsp?file_id=129259)

US-Panama Trade Promotion Agreement, Article 15.11: Enforcement of Intellectual Property Rights

23. Each Party shall provide that its competent authorities may initiate border measures ex officio, with respect to imported, exported, **or in-transit merchandise** suspected of infringing an intellectual property right, without the need for a formal complaint from a private party or right holder”.

[http://www.ustr.gov/sites/default/files/uploads/agreements/fta/panama/asset\\_upload\\_file131\\_10350.pdf](http://www.ustr.gov/sites/default/files/uploads/agreements/fta/panama/asset_upload_file131_10350.pdf)

## Switzerland

The Law on the Protection of Trade Marks 2011, Article 13(2)(d) is very clear:

(2) Le titulaire peut interdire à des tiers l'usage des signes dont la protection est exclue en vertu de l'art. 3, al. 1. Il peut en particulier interdire à des tiers:  
(d.) de l'utiliser pour importer, exporter **ou faire transiter** des produits;

Further, under Articles 61 and 62, this is subject to criminal penalties:

Art. 61 Violation du droit à la marque

1 Sur plainte du lésé, est puni d'une peine privative de liberté d'un an au plus ou d'une peine pécuniaire celui qui, intentionnellement, viole le droit à la marque d'autrui:

...

b. en utilisant la marque usurpée, contrefaite ou imitée pour offrir ou mettre en circulation des produits, fournir des services, importer, exporter **ou faire transiter** des produits ou des services, ou faire de la publicité.

Art. 62 Usage frauduleux

3 Celui qui importe, exporte, **fait transiter** ou entrepose des produits, dont il sait qu'ils sont destinés à être illicitement offerts ou mis en circulation dans un but de tromperie est, sur plainte du lésé, puni d'une amende de 40 000 francs au plus.

Chapter 3 of the Law goes on to lay down the customs' powers of intervention, "lorsqu'il y a lieu de soupçonner que l'importation, l'exportation **ou le transit** de produits sur lesquels la marque ou l'indication de provenance a été illicitement apposée sont imminents."

<http://www.wipo.int/wipolex/en/details.jsp?id=11903>

## Uruguay

Although goods in transit are subject to special regulations concerning tax benefits, as concerns trade mark issues in question (distinguishing between legitimate and illegitimate goods) they are governed by the Uruguayan Law No. 17.011 on Trade Marks.

[http://www.wipo.int/wipolex/en/text.jsp?file\\_id=130087](http://www.wipo.int/wipolex/en/text.jsp?file_id=130087)

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*AIM, January 2014*