



CJEU Advocate General Opinion in Nokia referral may help IP owners combat and detain counterfeit goods in transit

The Court of Justice of the European Union (CJEU) Advocate General has delivered his opinion in the combined cases of Philips and Nokia. Philips was referred to CJEU from the Belgian courts while the Nokia case was referred from the UK.

The opinion, which is not binding and may not be followed by CJEU when it delivers its ruling, favours IP owners in relation to the Nokia case providing a chink of light in the customs process which has recently become an ever more difficult obstacle. The opinion in Philips is less beneficial to IP owners but perhaps was to be expected. While of relevance to all Intellectual Property rights, the Nokia case related to trade mark rights, while the Philips case was concerned with design right and copyright.

Background

The UK courts, prior to referring the Nokia case to CJEU, had ruled that Nokia and more importantly UK Customs were not able detain goods which were known to be counterfeit that had arrived in UK Customs in transit from one non-EC Member State on route to another non-EC Member State. In the Nokia case, a consignment of counterfeit goods had arrived in UK customs in transit from outside the EC and there was no evidence that the goods were to be put on the market in the EC. Judge Kitchin in the UK High Court had held that for products to be considered counterfeit within the meaning of Counterfeit Goods Regulation (1383/1003/EC) (new Customs Regulation), they must infringe someone's trade marks in the Member State in which the application is made by Customs. This is due to the definition of "Counterfeit goods" in the new Customs Regulations of "goods ... which infringes the trade mark-holder's rights under Community law ... or the law of the member state in which the application ... is made". Under EC and UK law a trade mark owner can only prevent another from using its mark "in the course of trade". As the counterfeit goods were in transit and had not been put on the market in the UK they did not fall under the definition of "Counterfeit goods" and could not be detained by UK Customs. The Court of Appeal referred to CJEU the question of whether goods subject to customs supervision in transit from a non-member state to another non-member state were capable of constituting "counterfeit goods" if there is no evidence to suggest the goods will be put on the market in the EC.

In Philips, the wording of Article 6(2)(b) of the old Customs Regulations (Counterfeit Goods Regulation (3295/94/EC)) was at issue "the criteria to be used [by the Customs authority in detaining goods] shall be the same as those used to determine whether goods **produced** in the Member State concerned infringe the rights of the holder". Philips argued that in determining whether goods in transit from one non-Member State to another non-Member State should be detained, Customs should apply a "production fiction" that the goods were produced in that Member State. This would mean that they would not need show that the goods had been put on the market in the Member State and avoid similar issues preventing Nokia from detaining the goods. This question of interpretation of the old Customs Regulation was therefore referred to CJEU.

Advocate General Opinion

The Advocate General in Philips found that the wording of the old Customs Regulation was not intended to allow Customs authorities to apply a "production fiction", the wording simply meant that the law of the relevant Member State applied. Previous case law did not support the "production fiction" argument, and Philips could not use this interpretation of the old Customs Regulations to detain goods which otherwise had not been put on the market in the EC. In addition this wording was not replicated in the new Customs Regulation.

In the Nokia case, the Advocate General considered that it was not necessary for extensive evidence to be provided by the applicant that the goods were to be put on the market in the EC. It was enough that there were sufficient grounds for suspecting that they are counterfeit and are to be put on the market in the EC. It was not for Customs authorities to decide definitively whether any intellectual property rights were infringed, and therefore Customs should not require the same level of proof as would be required by the courts for an infringement action. Customs authorities simply detained goods until such time as either (1) they are

LIVERPOOL

Horton House, Exchange Flags, Liverpool L2 3YL
0151 600 3000

MANCHESTER

55 King Street, Manchester M2 4LQ
0161 836 8800

PRESTON

7-8 Chapel Street, Preston PR1 8AN
01772 823921



relinquished by the owner/importer or (2) they are released by customs or granted release by the rights-holder or (3) a competent authority has made a direction in substantive proceedings. The Customs preventative measures were therefore temporary and provisional in nature and, as such, it was natural for such measures to be adopted on the basis of provisional information and suspicions. The Advocate General indicated that "sufficient grounds for suspecting" should equate to the "beginnings of proof". In particular, account should be taken of the danger of fraudulent entry of the goods into the EU. Circumstances such as excessive duration of transit, the nature and number of the means of transport used, and the difficulty in identifying the ultimate recipient, destination or other information might lend substance to a well founded suspicion. Ultimately the courts might find that the suspicion was unfounded and order the release of the goods, but the Advocate General considered that Customs authorities should be able to detain the goods until such determination has been made, which was entirely consistent with the intended purpose of Customs authorities' ability to detain. In practice, once goods have been detained by Customs, the owner of the goods often does not fight any court proceedings where the intended use of the goods would infringe intellectual property rights and therefore it is a powerful tool for rights-holders. If there is legitimate use of the goods or they will not ultimately infringe any third party intellectual property rights, the owners of the goods can fight any court proceedings and if successful can obtain the costs and compensation for the detention of their goods.

Comment

Although the opinion in Philips does not assist IP owners, it is an unsurprising conclusion. The opinion in Nokia should be welcomed by IP owners, as it assists their ability to prevent counterfeits in transit use Customs authorities effectively. The Advocate General opinion is not binding, and it remains to be seen if CJEU will ultimately follow the Advocate General opinion when it delivers its ruling. However, if CJEU does follow the opinion it will be a welcome decision to IP owners whose ability to detain goods in Customs had become more difficult, protracted and costly under the relatively new Custom's procedures set out by the EC and adopted in the UK in 2009.

The Advocate General's opinion can be found here: <http://bit.ly/hQD5c1>

For further information or advice please contact:



Colin Bell
Associate
0151 600 3281
colin.bell@brabnerscs.com



Jason Smith
Partner
0161 836 8813
jason.smith@brabnerscs.com

If you no longer wish to receive these bulletins please let us know by e-mail to kimberley.malcolm@brabnerscs.com

This bulletin is for general guidance purposes only and should not be used for any other purpose.
February 2011



LIVERPOOL

Horton House, Exchange Flags, Liverpool L2 3YL
0151 600 3000

MANCHESTER

55 King Street, Manchester M2 4LQ
0161 836 8800

PRESTON

7-8 Chapel Street, Preston PR1 8AN
01772 823921