Comments of Marques [Amicus Curiae Committee]
to the United Kingdom Intellectual Property Office ("UKIPO")

The Court of Justice of the European Communities ("CJEC") Case No. C-495/09
***Nokia Corporation v Her Majesty's Commissioners of Revenue & Customs* ("HMRC")**
on referral from the English Court of Appeal

1. MARQUES

1.1 MARQUES was founded in 1987 and is incorporated in the United Kingdom as a not for profit company limited by guarantee. It has no shareholders, issues no dividends and its directors are expressly prohibited from being paid for their services. MARQUES represents the interests of European trade mark owners in the protection and utilization of trade marks as essential elements of commerce. Its current membership of trade mark owners and legal practitioners representing trade mark owners is in excess of 600 members in 84 countries. Membership crosses all industry lines. MARQUES notes that Nokia Corporation is not a member of its Association.

1.2 An important objective of MARQUES is to safeguard the interests of the public by ensuring the proper protection of trade marks and to safeguard the interests of trade mark proprietors with regard to the regime of trade mark protection. MARQUES attempts to achieve this objective by advancing the cause of trade mark laws which protect the public from deception and confusion. MARQUES is an accredited association before OHIM and an official non-governmental observer to the World Intellectual Property Organisation (WIPO). MARQUES is managed by an elected Council and external relations teams are appointed to monitor trade mark issues affecting European brand owners, identifying issues and problems and proposing responsive action.

1.3 These teams include an *Amicus Curiae* team. It has a brief to intervene in or comment upon legal proceedings where deemed appropriate and where permissible on behalf of the organization in cases considered to involve important trade mark issues likely to have a significant impact on trade mark owners and the public. In doing so, MARQUES adopts a position of neutrality with respect to the case and the parties. It wishes only to address general principles and certain specific points of law as regards the interpretation of Council Regulation 40/94/EEC in the context of goods in transit. It does so on behalf of the constituency of trade mark owners it represents. The Amicus Curiae team has prepared these comments which have been approved by the Chairman of the MARQUES council.

2. The questions and issues

2.1 UKIPO has asked, "*Whether customs authorities should detain goods bearing a Community trade mark that are in transit through the EU from a non-Member State to another non-Member State, in the absence of evidence that they will be diverted onto the market in Member States?*"

2.2 This is a more concise posing of the question referred by the Court of Appeal to the CJEC: "*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 1383/2003/EC 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?"

2.3 MARQUES considers that the answers to the two questions should be, respectively, "They should" and "Yes." This assumes that the goods are suspected of being and subsequently prove to be counterfeit (in the usual non-legal sense or, in the terminology of Kitchen J in the Nokia first instance decision, they are "fake").

2.4 MARQUES is aware, and its members fully supportive, of the UKIPO's important and active role in implementing the UK government's national strategy to tackle IP crime. The UKIPO, therefore, needs no introduction to the major adverse impact that the trade in fakes has on UK jobs, taxation revenue and consumer safety, or how it enriches primarily serious organised criminals. The recently updated OECD figures for cross-border counterfeiting and piracy[1] alone are enough to weigh heavily in the CJEC's balance of relevant factors.

2.5 In particular, MARQUES is concerned that a negative answer to the referred question will undermine the fight against the global trade in fakes. The perception could be that the EU is irresponsibly exposing non-EU consumers to the dangers of fake goods that it would not expose its own citizens to. Where this affects consumers in poorer countries, whose customs institutions are less well resourced to police their borders, this creates an additional moral dilemma.

3. The legal arguments

3.1 The Court of Appeal has clarified that the central matter to determine is the meaning to be given to the term "*goods infringing an intellectual property right*" of which the key subset is "*counterfeit goods*" as defined in Article 2(1)(a) Council Regulation 1383/2003 (the "Counterfeit Goods Regulation" or "CGR").

3.2 The definition of "*counterfeit goods*" reads naturally in two parts:

(a) What we refer to as the **Identity Element**: "*goods, including packaging, 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,*"

(b) What we refer to as the **Infringement Element**: *"and which thereby infringes the trademark-holder's rights …."* [being those under the relevant Community and national trade mark law.]

3.3 HMRC and Kitchen J take the view that the two elements are strictly conjunctive and the Infringement Element is just as definitive of "*counterfeit goods*" as the Identity Element. Nokia's view is that it is solely the Identity Element that is determinative and that the Infringement Element is not limiting but merely illustrative. That interpretation requires "*thereby*" to be preceded by or read as "*implicitly*" or "*by inference*".

3.4 MARQUES' view is that the Nokia interpretation is preferable and should have been the correct interpretation all along. On that basis, the strict requirement that there must be a realistic threat of the goods intercepted being traded into the UK should not be imposed here. This leaves the position, as one might expect, that goods which are clearly "fake" qualify as "counterfeit goods" for the purposes of the CGR.

[1] http://www.oecd.org/document/50/0,3343,en_2649_34173_39542514_1_1_1_1,00.html

3.5 The reasons to support the Nokia interpretation are as follows:

(a) There is no need for the full test for trade mark infringement to apply within the definition of "*counterfeit goods*" since that would lead to duplication of criteria. In particular, adding the strict criteria that there must be "*use in the course of trade*" per Article 9(1) Council Regulation 40/94/EEC ("CTMR") would seem unduly restrictive when something equivalent necessarily applies. The "*counterfeit goods*" definition is only applied to goods found in circumstances of the various customs procedures of Article 1(1) CGR. These only arise in relation to goods that are being shipped internationally, i.e. goods that are essentially the subject of trade. Whilst it may not be a trade directed into the country of interception, the goods are almost certainly being traded somewhere. As such, the brands on those goods are, in practice, being "*used in the course of trade*". To avoid the inadvertent coverage of personal importations within such trade definition, Article 3(2) CGR expressly carves them out. However, that carve out would not have been necessary if the strict trade mark infringement test applied. That suggests the Infringement Element is, therefore, not definitive of "*counterfeit goods*".

(b) There is also no need for the "*counterfeit goods"* definition to incorporate all the exclusions from the Infringement Element, e.g. arising under Articles 12 and 13 CTMR (own name, honest descriptive use, needed to show purpose or exhaustion of rights). This is consistent with having separate exclusions of Article 3(1) CGR to ensure parallel imports and overruns are not included within the definition. Had the Infringement Element been fully incorporated within the test, such a separate exclusion would not have been needed. It would already have been dealt with within Article 13(1) CTMR. Note that the narrow wording of the Identity Element necessarily means that the definition is only capturing the products that truly imitate the original. As such there would have been no need to incorporate into the test the broader exclusions/defences derived from the Infringement Element. That suggests they are not incorporated and, again, that the Infringement Element is not definitive of "*counterfeit goods*".

(c) It is consistent with the Recital (3) CGR which provides:

> *"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, <u>including their transhipment</u>**,** release for free circulation in the Community, <u>placing under a suspensive procedure</u> 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."*

The words emphasised explicitly seem to anticipate the facts arising in the Nokia case, save what seems immaterial in that the goods in that case both originated in <u>and</u> came from a third country (as opposed to the "or" requirement in line 3 above).

(d) It is consistent with Recital (8) CGR which provides:

> *"Proceedings initiated to determine whether an intellectual property right has been infringed under national law will be conducted <u>with reference to the criteria used to establish whether goods produced in that Member State</u> infringe intellectual property rights…" (emphasis added)*

This is the basis on which the implication or inference mentioned in paragraph 3.3 derives. It seems quite clearly to invite reference to criteria that do not necessarily correspond to the precise facts, namely the "manufacturing fiction" that the goods had been produced in the country of interception. In the Nokia case, that means pretending that the fake Nokia goods had been made in the UK, whereas in fact they were probably made in Hong Kong (or China). This approach is winning some favour in the Dutch courts[2] and, MARQUES suggests, is not an unreasonable one for the CJEC to adopt.

(e) There has been no direct ruling to the contrary on these provisions of the CGR and it is consistent with policy coming out of the ECJ ruling in *Polo/Lauren*[3]. The latter is the case interpreting the closest equivalent legislation, namely the old customs regulation of Council Regulation 3295/94. In particular, the ECJ's decisions in *Montex v Diesel*[4] and *Class International*[5], which HMRC's interpretation relies upon, relate to different legislation and to different fact scenarios.

(f) It follows a purposive interpretation of the CGR, bearing in mind the recitals already mentioned and the public interest and policy intentions of reducing the trade in fakes and protecting consumers.

(g) Other factors that the CJEC must take into account when considering how to interpret the CGR include the need for proportionality and respect for fundamental human rights, as follows:

(i) MARQUES considers it would be proportionate to allow for the interception of goods in transit that are (A) unquestionably fake and (B) in relation to which there is no known or identifiable owner.

(ii) Likewise, protecting the legitimate human rights of the brand owner to enjoy peaceful ownership of their IP rights should be favoured over the same human right of an owner that has deliberately set out to conceal their identity (by implication, in the knowledge that a crime is being committed).

4. Request

4.1 MARQUES requests that the UK government file observations to the CJEC in support of an affirmative answer to the question referred for the reasons set out above or otherwise.

MARQUES Amicus Curia Committee

Guido Baumgartner, Chairman of MARQUES Council

2 February 2010

[2] *Sosecal Industria e Comercio LTDA v Societa Italiana Lo Sviluppo Dell' Elettronica* ((Court of the Hague, Case No.311378), 18 July 2008, and *Koninklijke Philips Electronics N.V. v Lucheng Meijing Industrial Company Ltd and others* (Antwerp Court of First Instance and now CJEC reference C-446/09*), 14 October 2009*, the latter's CJEC reference may be conjoined with the Nokia reference.

[3] Case C-383/98 *The Polo/Lauren Company L.P. v PT. Dwidua Langgeng Pratama International Freight Forwarders* [2000] ECR I-02519

[4] Case C-281/05 *Montex Holdings Ltd v Diesel SpA* [2006] ECR I-10881

[5] Case C-405/03 *Class International BV v Colgate-Palmolive Co and Others* [2005] ECR I-08735