

EIP

Counterfeits in Transit: The Advocate General's Opinion

It is not uncommon for counterfeit goods to pass through the EU in transit to their final destination. This raises the question of whether such goods fall within the jurisdiction of the EU, and can therefore be seized. The Advocate General (AG) has issued an Opinion on two cases which address this point, C-446/09 (Koninklijke Philips Electronics NV v. Lucheng Meijing Industrial Company Ltd et al) and C-495/09 (Nokia Corporation v Her Majesty's Commissioners of Revenue and Customs).

The AG's Opinion was sought on two questions referred to the European Court of Justice (ECJ) concerning the passage of non-Community goods in "external transit", a fiction which permits the movement of such goods in the European Community "without such goods being subject to import duties and other charges or to commercial policy measures".

The first question, referred from Philips, considered whether Community law required national courts to continue using the so-called "manufacturing fiction" that goods seized in "external transit" have been manufactured in the EU Member State of seizure, when considering the question of intellectual property infringement. The "manufacturing fiction" is significant - it provides basis for establishing infringement in cases where there is no clear indication that the counterfeit goods will be traded in the EU. Without this fiction, under national law, the goods may otherwise be found not to infringe.

The second question, referred from Nokia, considered whether goods seized in “external transit” are capable of constituting “counterfeit goods” if there is no evidence to suggest that those goods will be put on the market in an EU Member State, either in conformity with a customs procedure or by means of an illicit diversion.

In relation to Philips, the AG found that the judicial authority of the relevant Member State should take account of the temporary transit status of the goods in question; therefore, the authority should not apply the “manufacturing fiction” for the purposes of establishing infringement.

In relation to Nokia, the AG found that non-Community goods in “external transit” and bearing a Community trademark may be seized by a customs authority provided that there are sufficient grounds for suspecting: (i) that they are counterfeit goods, and (ii) that they are to be put on the market in the EU.

If the Opinion of the AG is upheld by the ECJ it will impose a further burden of proof on the holders of IPRs who wish to stop counterfeit goods which are passing through the EU. In particular, the AG’s finding that the “manufacturing fiction” does not apply means that the rights holder would need to prove actual infringement to succeed, rather than relying on a fiction. Further, for customs officials to seize such goods in the first place, they need “sufficient grounds”, for example from the rights holder, for suspecting that the goods are counterfeit and destined for the EU market. It is not clear though what constitutes “sufficient grounds”, and whether a consistent approach will be adopted by all Member States. We await the decision of the ECJ with interest.