

ECJ's goods in transit blow to brand owners

In *Nokia and Philips* (Joined Cases C-446/09 and C-495/09), the Court of Justice of the European Union (ECJ) has specified the conditions under which goods in transit can be seized by European customs authorities. Although the decision expanded on the circumstances in which temporary detention is permissible, it still places a heavy burden on brand owners.

The joined cases, referred by a Belgian court and the UK Court of Appeal, centred on the interpretation of the EU regulations governing action by customs authorities against possible IP infringement where goods are in the 'external transit' procedure. The ECJ confirmed that "goods coming from a non-member state which are imitations of goods protected in the European Union... 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".

The ECJ provided clarification on the situations in which the seizure of goods in transit is permissible. It stated that 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 by an IP right in the European Union can legitimately act when there are indications 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 EU consumers, are about to do so or are disguising their commercial intentions.

Lucy Nichols, director of brand protection at Nokia, said that Nokia was "very pleased" with the decision. "The ECJ has recognised the secretive nature of traffickers in fake goods, who often exploit Customs procedures. The ECJ found that fake goods in transit should,

under certain circumstances, be intercepted by Customs, and has provided valuable guidance on such circumstances."

In contrast, Baker & McKenzie's Peter O'Byrne notes that there is still a heavy burden of evidence placed on brand owners: "This is disappointing for IP owners, who wanted a clear mandate for EU Customs to stop and destroy obvious fakes, whatever procedure they are stopped under. Meanwhile, Customs wanted clear direction, but are left with a discretion. Even if Customs concludes there is sufficient suspicion of diversion, IP owners will need to prove marketing to EU consumers to a legal standard. This will usually be difficult, so many will see taking action as risky. The decision is also the death knell for the 'manufacturing fiction', which many member states have applied to date."

According to O'Byrne, the ECJ sought to balance the need for strong borders against the

interests of international trade, with the World Trade Organisation complaints against the European Union from India and Brazil "forming the backdrop to the decision." He concludes: "The new draft EU Customs Regulation does not provide a solution for stopping fakes in transit either. All attention will now turn to whether it can be altered to provide the protection that the current regime does not."

For Dafydd Bevan of Marks & Clerk Solicitors, "this ruling is a blow to brand owners in the fight against counterfeiters. Customs officials have effectively been given the go-ahead to turn a blind eye to obviously fake goods passing under their noses if they are destined for non-EU states".

Nevertheless, Nokia is upbeat about the outcome of its case. Nichols says that Nokia believes that the UK Court of Appeal will agree that the circumstances of the consignment of counterfeit phones justified its continued detention by Customs.