



Summary Report

by Thierry CALAME, Reporter General,
Nicola DAGG and Sarah MATHESON, Deputy Reporters General,
John OSHA, Kazuhiko YOSHIDA and Sara ULFSDOTTER
Assistants to the Reporter General

Question Q230

Infringement of trademarks by goods in transit

INTRODUCTION

The aim of this working question is to conduct a comparative law study on how goods in transit – which if put onto the market in the transit country would be trademark infringement – are handled when being subject to transit procedures. The subject of the question is complex and broad. It is closely linked with customs law. However, this question is limited, to the extent possible, to an intellectual property law perspective.

A total of 39 reports were received by the Reporter General. National Groups in the following countries (in alphabetical order) have submitted reports; Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, China, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Hungary, Indonesia, Israel, Italy, Japan, Latvia, Malaysia, Mexico, Netherlands, Paraguay, Peru, Philippines, Poland, Portugal, Russia, Singapore, Spain, Sweden, Switzerland, Turkey, United Kingdom (“UK”) and United States of America (“USA”).

Reports received after 1 September 2012 are listed above but their content is not included in the summary

This report follows the structure of the Working Guidelines such that the summary of the responses provided under Part I. deals with current legislation and case law whereas the summary of the responses provided under Part II. deals with proposals for harmonisation. The last part, Part III is an attempt to draw some conclusions and provide guidance to the Working Committee.

I. ANALYSIS OF CURRENT LEGISLATION AND CASE LAW

1. In-transit term

The Working Guidelines recognised that the terms “transit” and “in transit” have different meanings in different contexts and also in different international

treatises on customs laws and other areas. In the responses from the Groups when invited to describe the use of the "in transit" term and other related expressions it has been made clear that the meanings and uses of these terms indeed vary to a great extent.

As a preliminary note, it could be understood from the answers that the "in transit" concept in the Working Guidelines caused some debate and confusion. Even though endeavours were made to use as "neutral" and open language as possible it is also clear that some words and expressions carry specific meanings in certain countries which complicate the picture given in the reports.

1.1 Does your country's law provide for an "in transit" concept (regardless of the exact terminology)?

It appears that almost all countries, with a few exceptions, have some kind of "in transit" concept in the broader sense although some Groups have noted that "in transit" is not a term that is used. Some Groups from countries that are members of the European Union ("EU countries") (e.g. Italy, Portugal and Spain) have stated that the concept of "in transit" does not exist in their respective national law but that EU law provides this concept.

It is further noted by the EU Groups that the laws relevant for this Working Question have been harmonised to a large extent within the EU. The primary statutory provisions are found in the EU Customs Code 2913/92 with amendments, the Modernised Customs Code 450/2008 and the Border Measures Regulation 1383/2003. There are also a number of precedent decisions by the Court of Justice of the European Union (the "CJEU"). In this context perhaps it should be noted that fifty percent of the reports submitted to the Reporter General came from EU-Groups.

In some countries the "in transit" concept is expressly provided for in the customs law. It generally appears that the "in transit" concept is not specifically set out in trademark laws. There are some exceptions though, for example the Group from Singapore reports that "in transit" is specifically mentioned in the trademark law and defined broadly so that it encompasses goods regardless of whether they are landed or transhipped within Singapore and regardless of whether the same conveyance would be used to carry the goods out of Singapore. In France "transit" is expressly referred to in trademark law but is only defined in customs law. The Swiss Group notes that the definition of the terms "transit" and "in transit" may differ in intellectual property context and in the context of customs law.

The Swedish Group notes that although the concept of "in transit" is not defined in law, in trademark case law the term has been used. Similarly, the Finnish Group reports that even though the law itself is worded differently, in practice the term "transit" is used to describe this phenomenon.

1.2 If yes to question 1.1, what term is used in your country to describe this concept?

It appears that there are a myriad of terms used in different countries. Most of the terms are defined in customs law or international customs agreements. It is not possible in this Summary Report to give an account of all the terms and their specific meanings. It is recommended to study the Group Reports in this regard.

1.3 If yes to question 1.1, does your country make any distinction between “customs transit”, “transshipment” and “in transit”?

A division can be seen between countries where a distinction is made between the different notions “customs transit”, “transshipment” and “in transit” and countries where there is no such distinction. But the countries also diverge in respect of the meanings given to these different terms.

Just to illustrate, the Australian Group reports that under national law ‘transshipment’ and “in transit” have very specific meanings. “In transit” goods are not imported into Australia and do not remain under Customs control. These are goods that remain undisturbed on the ship or aircraft that they arrived in. Transhipped goods are not technically imported into Australia but they remain under Customs control whilst being transhipped through Australia.

Another illustration of the distinction in terminology is China where “transit goods” are goods passing through the territory by land. By “transshipment goods” are meant goods which do not pass the territory by land but are carried by different means of transport under customs control and finally another expression is introduced “through goods”, which are goods carried into and out of the territory on the same vessel or aircraft.

In France there is a distinction between transit and transshipment and between customs transit and transshipment. The latter is mentioned in the law dealing with trademarks which penalizes transshipment in the same way as the acts of importing, exporting and re-exporting. However, it appears that there is no exact definition in the law itself. On the other hand there is no distinction between customs transit and transit.

Some EU-Groups, such as the Belgian and Dutch Groups, explain that although a distinction is made in, e.g., customs law it has no consequences in the context of trademark infringement or for the issues related to this Working question.

1.4 Does your country’s “in transit” concept include for example customs warehouses, free warehouses, free zones and other customs procedures under which the goods are not released for free circulation and are kept under customs control?

The laws are also diverse when it comes to the issue of whether the “in transit” concept includes customs warehouses, free warehouses, free zones and other customs procedures under which the goods are not released for free circulation

and are kept under customs control. It is difficult to find any common denominators or principal lines among the answers provided.

2. Goods in transit – infringement

2.1 Are goods in transit considered to fall within the trademark holder's exclusive right to prevent others from importing goods bearing the trademark?

About two thirds of the Groups, including the Groups from Australia, China, Singapore, US and many EU-countries, have responded that the main principle is that goods in transit do not fall within the trademark holder's right to prevent others from importing goods bearing the trademark. It is pointed out by many Groups that, technically, goods in transit are not "imported" into the country of transit.

The US Group, for example, reports that since transit goods are not in commerce, the trademark laws do not confer any right on the trademark holder against such goods.

Most of the EU-Groups cite and refer to established case law from the CJEU. It appears that for some EU-countries, the CJEU case law has overruled or will overrule the national legal position. The Austrian Group reports that there are a couple of older (2001 and 2002) national Supreme Court decisions that are contrary to the later CJEU case law. Similarly, the Estonian Group notes that prior to the recent CJEU decision (Nokia/Phillips C-446/09 and C-495/09), the customs authorities considered trademark holders' exclusive rights extended to prevent goods in transit.

The Finnish Group reports that under statutory provision of the trademark law the exclusive right of a trademark holder applies *"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"*. Based on this provision it has been established by case law that the act of transit of goods is an act within the scope of the trademark holder's exclusive rights. It is noted that this approach may be altered due to the recent CJEU case law.

Greece stands out from the other EU-countries. The Greek Group reports of the recently (2012) adopted trademark legislation where it is expressly provided for a trademark holder to prevent transit of counterfeit goods destined for a third country through Greek territory or the import of such goods with the intent to re-export. These acts could also result in criminal liability.

The Italian Group notes that the predominant view is that the mere transit of goods through the Italian territory does not constitute trademark infringement, but an analogous application of a patent provision (stating that the scope of protection conferred to a rights holder include all acts that lead to any kind of return) implies that an assignment in Italy of the goods [in transit] would fall

within trademark holders' rights to prevent others from importing goods bearing the trademark.

Some Groups (including the Groups from Argentina, Brazil, Peru, Russia, Switzerland and Turkey) report that in their respective countries, goods in transit can be stopped as they fall within the trademark holder's exclusive right.

For example, the Swiss Group reports that since a partial revision of the Trademark Protection Act (in 2008) goods in transit are expressly mentioned as being encompassed by a trademark holder's exclusive rights. Therefore, transit of infringing goods may be prevented by the trademark holder. It is further reported that the introduction of such rights was justified in order to prevent Switzerland from becoming a transit country for pirated goods, although it was acknowledged that the inclusion of transit in the trademark holder's exclusive rights may give the holder certain excessive legal powers, in particular, in cases where the goods are not protected in the country to which they are sent.

To further investigate aspects of goods in transit in different countries the Working Guidelines invited the Groups to contemplate different scenarios involving goods in transit.

2.2 Are goods in transit considered to be infringing in the country of transit if:

i. goods bearing a trademark are sent from country A (where it is not registered) to country C (where it is not registered) via transit country B (where it is registered)?

About two thirds of the Groups have responded that goods in transit are not considered to be infringing in the country of transit when goods bearing a trademark are sent from country A (where it is not registered) to country C (where it is not registered) via transit country B (where it is registered). It appears that these two thirds mirror, to a large extent, the countries that have responded "no" to the previous more generally held question in question 2.1.

Similarly, the one third of the Groups that gave an affirmative response to the previous question has, in most cases, done the same in respect of this scenario.

ii. the trademark holder has a valid trademark registration only in the country of destination (country C)?

iii. the trademark holder has a valid trademark registration only in the country of origin (country A)?

All but very few Groups report that it is not sufficient for someone to only have a registered trademark either in the country of destination or origin to be able to object to goods in transit which, if placed on the market in the transit country, would infringe the trademark, even in countries where goods in transit as such may under certain circumstances be considered to fall within the rights conferred to a trademark holder.

The Swiss Group reports that unauthorised goods in transit would be regarded as infringing if trademarks are protected under Swiss law as well-known or famous trademarks, even if they are not registered in Switzerland.

iv. the final destination of the goods is not known at the time of entrance of the goods in the transit country (consider both scenarios – where it is registered in country B and where it is not registered in country B)?

In most countries it appears that it does not have any separate implications in respect of whether unauthorised goods in transit would constitute trademark infringement if the final destination of the goods in transit is not known at time of entrance in the transit country.

However, some EU-Groups (including the Groups from Denmark, Germany and Spain) explain that if the destination is not known – provided that the trademark is registered in the transit country – this could lead to an assumption (together with e.g. further irregularities in the customs documents or other indications) that there is risk of the goods being put on the market in the transit country. In light of the CJEU case law the trademark holder may prevent goods in transit bearing the trademark if despite the use of a customs procedure there is a risk of diversion onto a market within the EU and thus in fact an import of the goods.

Further, the Philippine Group reports that for goods to be covered by the customs procedure “transit cargo” there must be a clear intent to export the article as shown in the bill of lading, invoice or cargo manifest. If the final destination of the goods is not known, they would not be considered as transit cargo but rather as goods for importation.

2.3 In those scenarios where in transit goods are considered to infringe a registered trademark right in the transit country:

i. Would that be the case if it is shown that goods will be or that there is a risk for the goods being illicitly diverted into the market in the transit country?

It appears that the Group Reports roughly fall into three categories as to whether there is any consequence if it is shown that goods will be or that there is a risk for the goods being illicitly diverted into the market in the transit country. These categories are: (1) countries where actual or risk for diversion has some significance, (2) countries where unauthorised use of trademarks on goods in transit generally are perceived as infringing trademark rights and consequently any actual or risk for diversion does not add anything and (3) countries where unauthorised use of trademarks on goods in transit is not perceived as trademark infringement and any actual or risk for diversion has no relevance.

With reference to the CJEU case law, most EU-Groups have replied that if it is shown that the goods will be or that there is a risk for the goods being illicitly diverted into the market in the transit country, it will be assumed that a trademark infringement is at hand and border measures could be used to seize and/or detain the goods. However, the mere risk that the goods might not reach

the country of destination, and that the goods in theory might be illicitly diverted into the market in the transit country, is not enough for establishing that the functions of the trademark have been damaged in the transit country (C-281/05 Montex Holdings). China appears to take a similar view.

Similarly, the Australian Group reports that if there are reasonable grounds to suspect that the goods may be diverted into the domestic market of the transit country and the relevant documents have been filed with the customs, then the customs may seize transhipped goods (while this does not apply to “in transit” goods as defined in Australian customs law).

The Japanese Group notes that illegal diversion of goods in transit would be considered equivalent to import and the trademark holder would be able to enforce its rights if there is a risk that the goods would be diverted into Japan. Yet another country with a similar practice is Paraguay.

The Mexican Group notes that there has been a recent policy change at the customs authorities so that customs seizure could take place if it is shown that the goods will be or are at risk of being illicitly diverted into the market in the transit country. It is however pointed out that there are no reported cases yet.

A number of countries fall into the second category (including Argentina, Brazil, Greece, Peru, Switzerland and Turkey). The Groups from these countries state that it is irrelevant if such a risk exists when assessing whether the trademark has been infringed.

The USA belongs to the third category. The US Group notes that a prerequisite for trademark infringement is use in commerce and the risk of diversion does not in itself constitute use in commerce; until goods actually enter into commerce there is no trademark infringement.

ii. Who has the burden of proof to show that goods will be or that there is a risk for the goods being illicitly diverted into the market of the transit country?

It appears that among the countries where it is significant to show that the goods in transit will be or are at risk of being illicitly diverted into the market of the transit country, in the vast majority it is the rights holder who has the burden of proof.

The Philippine Group notes that although it is the rights holder who has the burden of proof that the goods will be or are at risk at being illicitly diverted into the market, it is the shipper or owner of goods that has the burden of proof that the goods are transit cargo and not for importation, which follows from a judgment by the Philippine Supreme Court.

iii. What is the nature of evidence that may have to be submitted in this regard?

It seems that among the countries where it is significant to show that the goods in transit will be or are at risk of being illicitly diverted into the market of the transit country, in the vast majority there are no specific requirements as to the

nature of evidence, but the evidence required will vary depending on the particular facts of the case. It appears that ultimately, the rights holders, may, subject to the provisions of procedural and civil laws, submit anything that will assist them to prove the actual or risk of diversion to the court.

Many EU-Groups (including the Groups from Denmark, France, the Netherlands, Poland, Spain and Sweden), refer to the Nokia/Phillips cases (case C-446/09 and C-495/09) where it was held that evidence may include proof of a sale of goods to a customer in the EU, an offer for sale or advertising addressed to consumers in the EU or documents or correspondence concerning the goods in question, showing that diversion of those goods to EU consumers is envisaged.

iv. What is the standard of proof in such cases?

It appears that there are no particular provisions on standard of proof in these cases; rather one has to look at the current national rules on standard of proof. For example the UK Group notes that the general rules are different in civil cases and criminal cases.

3. Categories of goods and trademarks

3.1 Are there any differences as to whether goods in transit are considered to be infringing in the country of transit if the goods are (i) counterfeit, (ii) parallel traded or (iii) bear confusingly similar trademarks?

It appears that in countries where goods in transit may be considered to infringe under certain conditions, diverse categories of goods are treated differently in some aspects.

In less than five countries (including Argentina, Brazil and Greece) it appears that only counterfeited goods in transit would be considered to infringe.

The majority of the Groups have responded that counterfeited goods and goods bearing confusingly similar trademarks are treated equally when “in transit”. In contrast, parallel traded goods are treated differently, since trade with such goods is never considered to infringe on trademarks under the principle of international exhaustion of trademark rights or due to other reasons.

In the EU this question has many aspects to it, as reported by the vast majority of EU Groups. It is noted that as to the assessment whether goods “in transit” infringe on trademarks there are no differences in respect of counterfeited goods and goods bearing similar trademarks. As regards parallel traded goods there is a distinction between goods put on the market outside of the EU and goods put on the market inside the EU, and only the former would be considered to infringe. Further, it is reported that the Border Measures Regulation primarily applies to counterfeit goods but could also be applied to similar goods if the unauthorised trademark cannot be distinguished from the registered trademark with its essential characteristics. Under the Border Measures Regulation, parallel traded goods cannot be seized/detained at all.

3.2 Is there any extended or special protection for well-known and famous trademarks in respect of goods in transit? Does the extended or special protection under question 9 above, exist even where no registration has been obtained in the country of transit?

The wording of this question appears to have created some confusion, which has prompted some of the National Groups to discuss protection for well-known and famous trademarks more broadly and not specifically confined to the goods in transit issue. But it appears that in most countries there is no extended or special protection in respect of goods “in transit” in the context of well-known or famous trademarks that goes beyond how “regular” trademarks are protected. Many of the EU-Groups further note that customs authorities have no powers to act against “in transit” goods on the bases of protection of unregistered well-known and/or famous trademarks under the EU Customs regulation.

A few Groups, such as the Groups from Chile and Turkey, note that in practice, famous and well-known trademarks may be easily recognised by customs authorities and thus, goods “in transit” bearing such trademarks may attract more attention by the authorities than goods bearing other “regular” trademarks.

4. Border measures and Remedies

4.1 Are border measures available for goods in transit under your statutory law? If yes, please quote the corresponding article(s) or paragraph(s).

More than three quarters of the Groups have responded that there are border measures available for goods “in transit” in national statutory law (or in respect of the EU-countries under EU-law), provided certain conditions are met. However, it is clear from the answers that in some cases the conditions to be met include the question as to whether goods “in transit” can fall within the scope of “import” or another act within the rights exclusively belonging to the trademark holders. The responses to this question largely reflect answers to questions 2.1, 2.2 and 2.3.

Some EU-Groups have noted that the Border Measures Regulation applies to goods “in transit” but according to the “Nokia/Philips” decision (case C-446/09 and C-495/09) the Customs regulation is only applicable as far as an infringement under substantive law exists.

The Turkish Group reports that border measures for goods “in transit” have been included in the Turkish legislation after an amendment regarding the protection of trademarks in 2009, whereby all customs transactions of goods under a sign identical or similar to a registered trademark are prohibited.

The Australian Group notes that border measures are only available to transhipped goods (as defined in Australian customs laws) and allows customs to seize and deal with goods that are imported into Australia if the importation infringes or appears to infringe a registered trademark.

The Italian Group reports on a bill under review at the Italian Parliament whereby it is proposed that unauthorised use of trademarks on goods “in

transit” will be considered as an administrative offence with the result that the customs authorities may seize and destroy the goods even when the act does not amount to a criminal offence.

4.2 Does your case law / jurisprudence deal with border measures regarding goods in transit? If yes, please comment if possible trends can be observed from court precedents, and in which direction.

Some EU-Groups (including the Groups from Belgium, France, the Netherlands and the UK) have mentioned that what was called the manufacturing fiction has now been rejected by the CJEU, which in turn has influenced national courts not to apply this principle. In accordance with the manufacturing fiction it was assumed by way of fiction that the goods concerned were manufactured in the country of transit when assessing whether these goods infringed intellectual property rights under national and EU laws. Further, the UK Group remarks that the recent CJEU case law leaves the significant question of whether goods “in transit” ever are considered to infringe a trademark, unanswered, and consequently, is not helpful in stopping illicit trade.

4.3 What kinds of remedies are available if goods in transit are considered to be infringing in the transit country? Are, for example, injunctions, monetary damages, or destruction of such goods possible?

The vast majority of the Groups have reported that so long as unauthorised goods “in transit” would be held to infringe on a trademark – with references to their responses to the previous questions – all the “usual” remedies would be available. Many Groups have also described the nature of these remedies in more detail.

4.4 If the answer to question 4.3 includes monetary damages, how are the damages computed?

Most of the Groups have given detailed information about how damages are computed in trademark cases, more generally.

Some Groups (including those from Argentina, Australia, Germany and the UK) have further elaborated on that as damages typically are computed on the basis of number of sold products, either in the form of infringer’s profits or rights holder’s loss of profit, and stated that it is very difficult/not possible to compute damages in the case of goods “in transit” particularly if the goods were successfully seized/detained by the customs authorities.

4.5 If the answer to question 4.3 includes destruction of the infringing goods; who is responsible for ensuring the destruction of the infringing goods?

In the vast majority of countries, destruction appears to be an option. However, the precise destruction procedure, including who is responsible for ensuring the destruction, seems to vary fairly among the countries. It is difficult to summarize any clear characteristic features of the different procedures described in the Group Reports. Only a couple of general remarks will be made.

Many EU-Groups report that the question depends on the procedure in question. In cases of customs seizures in accordance with the Customs Regulation (EC 1383/2003) the trademark holder is responsible for ensuring the destruction including bearing the costs for such destruction. In practice, though it appears common that the goods are destroyed by the customs.

Although, not all Groups have discussed the issue in detail, it seems that in many countries the destruction procedures, including who is responsible for ensuring the destruction, are different in customs seizures/border measures cases, civil cases and criminal cases respectively.

II. PROPOSALS FOR HARMONISATION

5. Goods in transit - infringement

5.1 Should goods in transit be considered to infringe a registered trademark in the transit country? If yes, why? If no, why not?

It appears that the division between those in favour of considering unauthorised goods “in transit” to infringe on a trademark and those against is about 50/50. The Groups have presented a number of justifiable arguments as to why they have come to their respective conclusion.

Arguments in favour include, for example:

- Practice shows that goods “in transit” do not always reach their final destination and subsequently do not leave the transit country but instead are illegally distributed there.
- Even assuming that in transit goods will not ever be commercialised in the transit country, the mere existence of the counterfeit goods will produce direct and indirect damage to trade mark holders and affect innovation and the economy in general.
- It is important for trademark holders to have an opportunity to intervene in distribution of goods which violate their trademark rights regardless of the stage of distribution of the infringing goods.
- It is not in the interest of trademark holders to exempt goods in transit from infringement, nor in the interest of the general public, as for example counterfeit goods may pose severe health risks to the general public.
- The constant increase in counterfeit goods is a globally recognized problem which should not be allowed to shelter under “in transit” immunity.
- Using a transit procedure per se constitutes a commercial activity.

- Counterfeiting has been proven to be related to organized crime, although erroneously not perceived as a harmful activity by consumers and the general population.
- As a matter of wider public policy there is a need to stop criminal activity, covering counterfeiting and piracy, and as such, the availability of a remedy under trademark law whilst such goods are “in transit” is desirable.

Arguments in support of the opposite view include:

- There is no loss to the rights holder in the transit country.
- The risk for confusion of the general public and the risk of damage to the trademark holder’s business are extremely low.
- It would reduce the efficiency and freedom of international trade, without having a relationship to rights in the transit country.
- There is no reason why tax payers in the transit country should provide scarce resources such as courts and customs officials, when the matter is fundamentally one for the country of origin, and the country of destination.
- There are a host of practical issues. In many cases, trademarks are owned by different entities in different countries. Should an Australian entity that happens to own a trade mark only in Australia which is infringed by otherwise legitimate goods in transit be able to stop their re-export? In essence, this would amount to holding the international rights holder to ransom.

Interestingly, the Group from Switzerland where today transit of goods is deemed to be a domestic act of use that is reserved exclusively for the trademark holder, suggests that harmonisation should not extend so far but proposes that a concept similar to that of Swiss patent law, whereby transit of patent-infringing goods can only be prohibited when the patent holder also can prohibit the importation in country of destination, also be applied to trademarks.

The Singaporean Group proposes that countries should tackle the issue of transit/transport of infringing goods by way of international cooperation, rather than by trying to create exceptions within the local law in order to fit goods in transit into the scope of the law on infringement.

5.2 Should it matter whether the goods have been lawfully manufactured in and/or exported from the country of origin?

5.3 Should it matter whether the goods could be lawfully put on the market in the country of destination?

Generally speaking, the Groups that do not advocate that goods “in transit” should be considered infringing on trademarks naturally do not believe that it should matter whether the goods have been lawfully manufactured in and/or

exported from the country of origin or whether the goods could be lawfully put on the market in the country of destination.

The other Groups are divided on this subject. Many Groups point out that under no circumstance should parallel traded goods “in transit” be considered to infringe on trademarks in the transit country.

Some Groups (such as those from Argentina, Brazil, Bulgaria, Czech Rep., Latvia, Mexico, Portugal) believe that it should not matter whether the goods were lawfully manufactured in and/or exported from the country of origin or whether goods could be lawfully put on the market in the country of destination; provided that the trademark is protected in the transit country, this should suffice.

The Swiss Group notes that the fact that a product has been lawfully manufactured on its own should not suffice to preclude a trademark infringement of goods in transit. If there is to be no infringement of trademark rights, a product must be lawfully manufactured and – cumulatively – it must also be possible to lawfully place the product on the market in the country of destination. If the proprietor of a mark in a transit country also has trademark rights in the country of destination, transit should be deemed illegitimate due to an infringement of trademark rights.

5.4 If in transit goods are not considered to infringe a registered trade mark in the transit country, should there be an exception if it is shown that the goods will be or that there is a risk for the goods being illicitly diverted onto the market in the transit country?

The vast majority of the Groups seem to agree that if it is shown that the goods will be illicitly diverted onto the market in the transit country, this behaviour should be considered as infringement. Further it appears that there is strong support for considering a trademark infringement to be at hand when there is a clear risk of the goods being illicitly diverted into the market in the transit country. Some Groups including those from Egypt and Singapore state that mere risk should not suffice; rather there must be clear evidence that the goods will be diverted into the transit country.

5.5 What kind of evidence should be presented for this exception to take effect?

The Groups have mentioned a number of examples of what kind of evidence should be presented in order to show that goods will be or that there is a risk for the goods being illicitly diverted onto the market in the transit country. Many Groups have stated that, in principle, all evidence allowable under national law could be presented to show a diversion or a risk of diversion. The US Group states that the evidence should be “reliably persuasive if not conclusive”. The Australian and Chinese Groups suggest that there should be “clear evidence”.

6. Categories of goods and trademarks

6.1 Should infringement by goods in transit be limited to counterfeit goods or should also parallel traded goods and goods bearing confusingly similar trademarks be considered to infringe when in transit?

Provided that goods “in transit” on the whole may be considered to infringe on trademarks, either as the “main rule” or when there is diversion or risk of diversion into the market of the transit country, about four fifths of the Groups have responded that this should apply to counterfeit goods. About three fifths have responded that this equally should apply to goods bearing confusingly similar trademarks. A lesser number of the Groups, about two fifths, have suggested that the same be applied to parallel traded goods. However, the picture is more complex with regards to parallel traded goods as several further qualifications are mentioned by the Groups; e.g. only if parallel traded goods could infringe under national law generally, should consideration be given to international or regional exhaustion.

6.2 Should famous and well-known trademarks enjoy extended protection in respect of goods in transit? If so, should this be the case even when no registration has been obtained in the country of transit?

About two thirds of the Groups are of the opinion that famous and well-known trademarks should enjoy extended protection in respect of goods “in transit”. However, it is difficult to get a clear indication as to what the extended protection, if any, would look like in the particular context of “in transit” goods.

Out of these Groups, ten or so suggest that the extended protection would apply when no registration has been obtained in the country of transit.

The Dutch Group proposes that goods “in transit” should be considered to infringe only for a new limited category “world famous trademarks”, i.e., trademarks which enjoy protection under article 6bis of the Paris Convention. The trademark holder should be able to act against counterfeit goods (goods with a similar or almost identical sign) when such goods are in transit. These goods should already, by their “in transit status”, be considered to infringe. The rationale behind this exception is that such signs will infringe everywhere in the world.

The Japanese Group notes that famous trademarks should be protected in the transit country, even when not registered, taking into consideration the fact that famous trademarks have a high risk of being infringed around the world. It is suggested that it is not appropriate to leave them unprotected just because there is no intention to import relevant goods to the transit country.

The UK Group notes that famous/well-known marks not registered in the UK are accorded protection as if a registered trademark, which is suggested to be the appropriate position.

Consequently about one third of the Groups have responded that no particular extended protection should be awarded. They include both Groups which are

against the idea that goods in transit as such could infringe on trademarks in the transit country and Groups which believe the opposite, but hold the opinion that famous and well-known trademarks should be treated equally with "regular" trademarks in "in transit" situations, one example being Finland.

7. Border measures and Remedies

Some Groups note that since they do not believe that "in transit" goods should be considered to infringe on trademarks in the country of transit, naturally the issues of border measures, remedies and defences are not applicable.

7.1 Should border measures be available for goods in transit?

The majority of the Groups have responded that border measures should be available for goods "in transit". It is, however, clear that the responses to this question mirror that of whether goods "in transit" at all would be considered to infringe and if not, whether there should be an exception if there is in fact a diversion and/or if there is a risk of diversion.

7.2 Should the same remedies (such as injunctions, monetary damages and destruction) be available for infringement by goods in transit as for other trademark infringements?

The majority of Groups have responded that the same remedies should be available for infringement by goods "in transit" as for other trademark infringements. It is however clear that the responses to this question mirror that of whether goods in transit should be considered to infringe on trademarks at all and if not; whether there would be an exception if there is in fact a diversion and/or if there is a risk of diversion. Thus it appears that the majority in principle replies affirmatively, but first one would have to come to the conclusion that the goods indeed infringe on a trademark in the country of transit.

The Swiss Group has further elaborated that the mere fact that it is difficult to calculate (potential) damages suffered by trademark holders in transit situations should not be grounds for depriving them of the opportunity to claim compensation.

The German Group suggests that one way to compute damages in cases where it has been established that the goods in transit constitute infringement is to use a fictional reasonable license fee based on the quantity of infringing goods.

The UK Group emphasises that the remedies should include measures to obtain proceeds of crime, and criminal infringers should face jail and/or fines.

7.3 Should the same defences be available for the importers of goods in transit as for goods under direct importation from the country of origin or other?

The majority of the Groups have responded that the same defences should be available also for goods in transit but have not elaborated further on why or what kinds of defences are proposed.

The Belgian Group notes that an additional defence should be available for the alleged infringer to assert that there is no risk for diversion of the goods into the market of the transit country, which is already the position under EU-law. The Egyptian Group seems to hold a similar view. The Groups from China and the Philippines note that in transit cases the alleged infringer could also rely on the defence that the goods are not intended for the transit country.

8. Other comments

A number of the EU-Groups report that in the EU a draft Customs Regulation, which will replace the current Regulation 1383/2003 is currently being prepared.

The Greek Group suggests that the new regulation should provide enhanced protection for rights holders and satisfactory solutions to the problem of counterfeit goods in transit. Further the Greek Group proposes that the European Commission make the burden of proof for the rights holders easier to meet. It is reported that current drafts do not appear to be drawn up along these lines. Also the Finnish Group suggests that the alleged infringer should bear the burden of proof to prove that the goods in question are not diverted back into the EU. The Groups from Germany and France seem to have a similar view.

It appears that the question of goods in transit are looked into also in Mexico where the Mexican Attorney General's Office and the Mexican Customs after consultations with IP associations are working on a MOU to clarify the situations in which in transit shipments can and must be detained.

III. CONCLUSIONS

Based on the Group reports it is clear by the numerous examples provided that it is very difficult and perhaps not even feasible to find a common term that will cover the definition of "in transit", as described in this Working Question, without interfering with, among other things, national and international customs laws. The Working Committee might want to further illustrate the situations which the draft resolution is intended to cover, so as to clarify the basis for the further discussions.

The Working Committee will have a substantial task in finding common ground in respect of the fundamental question whether unauthorised use of trademarks on goods in transit should constitute trademark infringement at all, as the Groups are very much divided on the subject.

In contrast it appears that, barring a few exceptions, there is broad support for saying that goods "in transit" would infringe on trademarks protected in the transit country, if it is shown that such goods will be diverted into the market of the transit country.

There is less support in respect of whether the *risk of diversion* itself will suffice for trademark infringement. The Working Committee might, in this regard, consider discussing the "risk level" necessary for infringement to be proved.

Would, for example, the fact that the destination country is not known at the time of transit have any significance?

It seems that it is reasonably uncontroversial that in principle all evidence allowable under national law could be relied upon to show a diversion of the goods in transit or a risk of diversion. The Working Committee may also explore whether there is any room for consensus around the standard of proof in this regard. Perhaps the Committee may find a starting point in the suggestions referred to in question 5.5.

It has also been suggested by some Groups that the burden of proof should be reversed so that the alleged infringer would have to prove that the goods in transit will not be diverted into the market of the transit country (please refer to question 8). This might also be worth further exploring by the Working Committee.

The Groups are divided on whether and to what extent the assessment of infringement by goods “in transit” should depend on if the goods have been lawfully manufactured in and/or exported from the country of origin as well as if the goods could be lawfully put on the market in the country of destination. The Working Committee may further debate these issues to see if it is possible to find some common ground.

It appears – provided goods in transit on the whole may be considered to infringe on trademarks, either as the “main rule” or under the exception of diversion and/or risk of diversion into the market of the transit country – that most of the Groups would accept that at least counterfeit trademarks should be considered to infringe. The Working Committee may want to explore whether – and if so, under what circumstances – also goods in transit bearing confusingly similar trademarks would infringe on protected trademarks in the transit country. However, it appears that there is less support for treating parallel traded goods as the types of goods which may be considered to infringe when in transit.

The Groups are also divided on whether famous and well-known trademarks should enjoy extended protection in relation to “regular” trademarks. Perhaps the proposal by the Dutch Group might be a starting point for further discussion in the Working Committee (please see question 6.2).

It appears that – provided goods in transit on the whole may be considered to infringe on trademarks, either as the “main rule” or under the exception of diversion and/or risk of diversion into the market of the transit country – that there is broad support for availability of border measures in order to seize/detain such goods.

It is expected that almost all the Groups would accept that the same remedies should be available for infringement by goods “in transit” as for other trademark infringements. The Working Committee may also explore whether it is possible to find support for the proposed method for computation of damages, namely that where it has been established that goods in transit do constitute

infringement, a fictional reasonable license fee based on the quantity of infringing goods could be used (please also see question 7.2).

In respect of defences there was general consensus that the usual defences for the alleged infringer should be available. There may also be room for consensus that the alleged infringer should in addition be able to depend on evidence showing that the goods will not be diverted into the transit country.
