

Question Q230

National Group: Sweden

Title: Infringement of trademarks by goods in transit

Contributors: Jennifer BERGER, Christina BERGRREN, Josefin ERIKSSON, David GRÜNBAUM, Aron LEDSTAM, Josefin LEIMAN, Mikael LUDWIGS, Sara MALMSTRÖM, Charlotte POEHLER, Sara SPARRING, Per SVANTESON

Reporter within Working Committee: Christina Berggren

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Questions

Questions

I. Analysis of current legislation and case law

The Groups are invited to answer the following questions under their national laws and if applicable their regional/community legislation:

In-transit term

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

As an initial general remark, it could be noted that Swedish trademarks are protected by the Swedish Trademark Act (2010:1877) ("STA"), which is based on the Directive 2008/95/EC (the "Trademark Directive"). Council Regulation (EC) No. 207/2009 ("CTMR") is directly applicable on Community trademarks in Sweden. Further, it could be noted that Council Regulation (EC) No. 1383/2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights (the "Customs Regulation") constitutes secondary Community law and is directly applicable in Sweden. Operative rules implementing the EC legislation concerning customs action on point are found in the Swedish Customs Act (2000:1281) ("SCA"), in the Swedish Customs Ordinance (2000:1306) ("SCO") and in the Provisions on custom matters, issued by the head office of the Swedish Customs Service (2000:20) (the "Customs Provisions").

The STA and CTMR do not provide for an “in transit” concept. In the preparatory work for the STA (prop. 2009/10:225) the legislator states that it would not be appropriate to include the term “in transit” as a specific example of infringing trademark use in the STA, since EU case law allows trademark proprietors to take action against goods in transit only under certain limited circumstances. The term “in transit” is however used in Swedish trademark case law (e.g. T-4156-10 *Panasonic*, Svea Court of Appeal 2011-06-14). Swedish case law refers to EU case law (e.g. C-405/03 *Class International* and C-281/05 *Montex Holdings*) as regards goods in transit.

- 2) If yes to question 1, what term is used in your country to describe this concept?

As mentioned under Question 1, there is no defined “in transit” concept in the STA or the CTMR. However, the term “in transit” (Sw. “*i transit*” or “*transitering*”) or “external transit” (Sw. “*extern transitering*”) has been used in case law and the preparatory work of the STA. In T-4156-10 *Panasonic*, the term “external transit” is described by the Stockholm District Court as “the passing of goods through several countries on their way to the final destination”.

- 3) If yes to question 1, does your country make any distinction between “customs transit”, “transshipment” and “in-transit”?

No.

- 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?

As mentioned under Question 1, there is no “in transit” concept in the STA or CTMR. The meaning of the term “in transit”, when used in trademark case law, has not been defined by the courts. It could be noted however that it has been stated in the preparatory work of the STA and in case law (T-4156-10 *Panasonic*) that bringing goods to Sweden for “external transit” or “storing in Customs warehouses” does not constitute trademark infringement. Further, in T-4156-10 *Panasonic*, the Stockholm District Court has described “external transit” in very broad terms, namely “the passing of goods through several countries on their way to the final destination”.

Goods in transit – infringement

In the following questions 5-12, “in-transit” refers to the term used in your country.

- 5) Are goods in transit considered to fall within the trademark owner’s exclusive right to prevent others from importing goods bearing the trademark?

The goods cannot, merely by the fact of being in transit, infringe trademark rights applicable in Sweden/EU (C-405/03 *Class International*). Only where the trademark owner can establish that the goods have been subject to an act which necessarily entails them to be put on the market in Sweden (in case of a Swedish trademark registration) or EU (in case of a Community Trademark registration), the trademark owner has an exclusive right to prevent others from importing goods bearing the trademark (C-495/09 *Nokia*, C-446/09 *Philips* and T 4156-10 *Panasonic*).

If the trademark that the goods are bearing is a registered Community Trademark and the country of final destination is a Member State (and the goods are intended for the EU

market), the goods are considered as infringing also when they are in transit in any other Member state.

6) Taking into account the following scenarios, 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).

The goods are not considered infringing in the country of transit unless it is established that the goods in transit are in fact intended to be put on the Swedish/EU market.

The mere situation that goods bearing the trademark are brought into the customs territory of Sweden/EU, without being released for circulation there, does not constitute a trademark infringement. The trademark owner's exclusive right may however be infringed where, during the transit procedure in the EU Customs territory, or even before the arrival in that territory, the goods have been subject to an act which necessarily entails them to be put on the market in Sweden/EU (C-446/09 *Philips* and T 4156-10 *Panasonic*).

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

The goods cannot be considered infringing in the country of transit if the trademark does not enjoy protection (in Sweden; a valid registration or a trademark established by use) in the country of transit.

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

The goods cannot be considered infringing in the country of transit if the trademark does not enjoy protection (in Sweden; a valid registration or a trademark established by use) in the country of transit.

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).

The goods are not considered infringing in the country of transit unless it is established that the goods in transit are in fact intended to be put on the Swedish/EU market and the trademark enjoys protection in that jurisdiction. The “manufacturing fiction” doctrine, that some Member States have applied to goods where the final destination is unknown, was rejected by the ECJ in C-446/09 *Philips* and does thus not apply in Sweden.

7) 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?

Yes, if it is established that the goods in transit are in fact intended to be put on the market in the country of transit, the goods are considered to infringe a registered trademark right in the transit country.

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 has been damaged in the transit country (C-281/05 *Montex Holdings*).

- 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?

The trademark owner has the burden of proof (C-446/09 *Philips*, and T 4156-10 *Panasonic*).

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

Evidence that may enable an infringement to be proved include, in particular, the existence of a sale of goods to a customer in the EU, of an offer for sale or advertising addressed to consumers in the EU, or of documents or correspondence concerning the goods in question showing that diversion of those goods to EU consumers is envisaged (C-446/09 *Philips*).

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

It shall be duly proven that the goods are intended to be put on sale in Sweden/EU (the trademark owner shall present clear and convincing evidence). The goods cannot be considered infringing on the basis of reasonable suspicion or probable cause.

The assessment must be based on an examination of whether there is proof of an infringement of the trademark right relied upon, and it may not be based on a fiction such as the “manufacturing fiction” (C-446/09 *Philips*).

Categories of goods and trademarks

- 8) 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?

Swedish trademark law makes no difference between goods in transit being counterfeit, parallel traded (from a non-member country) or bearing confusingly similar trademarks.

- 9) Is there any extended or special protection for well-known and famous trademarks in respect of goods in transit?

Well-known and famous trademarks are in Sweden protected under the STA Chapter 1 Section 10 paragraph 1 (3). The STA, which uses the term “known”, stipulates that a proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the sign which is known within a substantial part of the group it targets, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark. Such known trademarks enjoy extended protection comprising not only goods or services which are identical or similar, but also other goods and services than those covered by the trademark. In Sweden such extended protection for well-known

trademarks is possible to obtain both through registration and establishment on the market.

The exclusive rights of such a well-known trademark must be assessed in relation to the rights conferred by a trademark on a trademark holder (i.e. which use such trademark holder may prohibit). According to the STA Chapter 1 Section 10 paragraph 2 (assessed in light of the Trademark Directive and relevant case law) well-known trademarks do not hold a more favourable position in respect of the definition of "use". Accordingly, there is no extended or special protection for well-known trademarks in respect of goods in transit.

There is no case law regarding the definition of "use" in relation to well-known trademarks.

In respect of counterfeit goods and pirated goods, actions may be taken by customs according to the Customs Regulation. The Customs Regulation provides no extended or special protection in respect of well-known trademarks. Further, the aforementioned regulation is only applicable to registered trademarks.

- 10) Does the extended or special protection under question 9 above, exist even where no registration has been obtained in the country of transit?

As stipulated under question 9, there is no extended protection for known trademarks in relation to goods in transit.

Further, the Customs Regulation is only applicable to registered trademarks, which means that actions under the Customs Regulation may not be taken in respect of known trademarks which are not registered.

Border measures and Remedies

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

Yes. As mentioned initially the Customs Regulation concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights constitutes secondary Community law and is directly applicable in all member states of the European Union.

According to Article 1.1 of the Customs Regulation the customs authorities may take border measures when goods are suspected of infringing an intellectual property right either when they are entered for release for free circulation, export or re-export or when they are found during checks on goods entering or leaving the community customs territory. Intra-community trade is therefore excluded. Also, it should be noted that the Swedish Customs Authorities do not take action relating to parallel imported goods.

The scope of the trademark rights and the question of whether infringement in a trademark right is at hand are determined by national legislation for national trademark rights and by EC legislation for community trademark rights.

As mentioned initially, operative rules implementing the EC legislation concerning customs action on point are found in i.e. SCA (chapter 7), in the SCO (section 67-70) and also in the Customs Proclamation (TFS 2000:20) chapter 22.

According to the SCA chapter 6 section 1, border measures shall only be taken if the reasons for the action compensate the intrusion or detriment caused by the action. This means that the action cannot be more extensive or last longer than is needed with regard to the purpose of the action.

Sweden has chosen not to incorporate article 11 of the Customs Regulation, regarding the simplified procedure which enables customs authorities to have goods abandoned for destruction under Customs control, without there being any need to determine whether an intellectual property right has been infringed under national law.

- 12) 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.

Swedish case law dealing with border measures regarding goods in transit is poor. There is the aforementioned Panasonic-case which concerned goods in transit in Sweden where Finland was the destination. However, in this case trademark infringement was not at hand, i.e. since the goods were not regarded as being used in the course of trade in Sweden, destruction of the goods was denied. The referred case did not reach the Swedish Supreme Court.

- 13) 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?

Since goods in transit are not considered infringing per se the remedies for trademark infringement is consequently not different from a regular trademark infringement. As mentioned above, when goods in-transit are transported with the purpose to be put on the EU market it is considered to be a trademark infringement. The following sanctions are available.

- Penalty in form of imprisonment for a maximum of two years or fines. Attempt or preparations for the crime are also sanctioned under the Swedish Penal Code ("SPC").
- The infringing goods can be declared forfeited by the court.
- A court can also order the infringer to recall all infringing goods from the market or to destruct the goods.
- A court can prohibit further infringing action against the penalty of a fine.
- In Swedish case law (NJA 2007 s 431, *Nokia*) the Swedish Supreme Court found that even when there is only a limited risk for that the infringer continues its criminal actions the court can prohibit further infringements against the penalty of a fine.
- Lastly, the infringer may be liable to pay damages.

- 14) If the answer to question 13 includes monetary damages, how are the damages computed?

There are no specific regulations regarding how to calculate monetary damages for a trademark infringement in an in-transit situation. According to STA Chapter 8 Section 4 anyone who intentionally or with negligence infringes a trademark shall be liable to pay compensation for the use of the trademark and for the additional damages that the infringement has caused. In the preparatory work it is stated that the right holder shall have the right to full compensation for the damage of the infringement but not more (Prop 1993/94:122 s.52).

When calculating the damages for the use of the trademark the preparatory work (prop. 1993/93:122 page 50-51) states that a license fee that the trademark owner uses to license its rights or a fictional license fee that is industry custom shall be used when calculating the damages. When calculating this part of the damages the court does not take into consideration the actual damage made by the infringement.

When calculating the additional damages that the infringement has caused, the court determines this to the actual damage that the infringement has caused. Examples of what can be taken into account when calculating the actual damages are costs for production material that could not be used, less purchase orders, goodwill damage and the right owner's interest that infringement does not take place. According to the Code of Judicial Procedure ("CJD") Chapter 35 Section 5, the court can estimate the damage to what it finds reasonable.

15) If the answer to question 13 includes destruction of the infringing goods, who is responsible for ensuring the destruction of the infringing goods?

The responsibility for destruction of infringing goods is dependent on which party that requests destruction. The following three possibilities are at hand.

When goods that are infringing a trademark right are discovered by the national customs, the subject of whether the goods are infringing or not has to be tried by the court, SCA Chapter 7 Section 6. In accordance with the STA Chapter 8 Section 7, the court can issue an order of destruction of the infringing goods after a claim of the plaintiff. As a starting point the right holder is responsible for bearing the costs for warehousing and storage when customs has seized a shipping of goods. The plaintiff has the possibility to demand the defendant to bear the costs for the destruction of goods in court. The Swedish Customs are responsible for the whole process from contacting the right holder, if they suspect that the cargo might contain counterfeited goods, to ensuring that the goods are destroyed in accordance with the SCA Chapter 7 Section 6 paragraph 3.

If an infringement is reported to the police, the prosecutor has the responsibility to request destruction in accordance with STA Chapter 8 Section 2. The court may in accordance with SPC Chapter 36 Section 3 declare infringing goods forfeited.

In civil law the trademark owner can, according to STA Chapter 8 Section 7, request destruction of the infringing goods. The destruction as such can be done through the Enforcement Authority or by the infringer (prop. 2008/09:67 page 210).

II. Proposals for harmonisation

The Groups are invited to put forward proposals for the adoption of harmonised rules as to the infringement of trademarks by goods in transit. More specifically, the Groups are invited to answer the following questions.

Please note that in-transit in the following refers to the term in a broader sense and is not limited to a specific customs procedure.

Goods in transit – infringement

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

Provided that it is not established that the goods in transit are in fact intended to be put on the market in the transit country, the goods should not be considered to infringe a registered trademark in the transit country. Under such conditions, the trademark shall not be considered to be used since the risk of exposure to the relevant public is basically non-existing. Thus, the risk for confusion to the general public and the risk of damage to the business of the holder of the trademark are extremely low. Goods in transit should therefore not be considered to infringe a registered trademark in the transit country under such conditions.

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

No. The issue of whether the goods have been lawfully manufactured in and/or exported from the country of origin should not affect the infringement assessment made in the country of transit. The handling of illegal goods transferred through Sweden, but not used as a trademark in Sweden, should be dealt with by other legislation than trademark law.

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

No. The issue of whether the goods could be lawfully put on the market in the country of destination should not affect the infringement assessment made in the country of transit. A separate assessment should be made in the country of transit taking only the relevant local trademark rights into consideration.

19) 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?

Yes, provided that the trademark enjoys protection in the transit country, the in-transit goods should be considered infringing 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.

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

Evidence to be presented could be inter alia documentation or correspondence where it is apparent that the goods have been sold, offered for sale or advertised to customers on the market, or where it in any other way is apparent that diversion of the goods onto the market is envisaged.

Categories of goods and trademarks

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

Considering the fact that parallel imported goods from outside the EU and confusingly similar marks normally are considered infringing as well as the risks associated with the possibility for infringers to change shipping routes or place goods in transit without declaring its destination, parallel traded goods and goods bearing confusingly similar marks should also be considered infringing when in transit.

22) 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?

In respect of goods in transit, there should be no extended protection for famous and well-known trademarks in terms of determining the extent of the “use” which a trademark proprietor may prohibit (i.e. proprietors of famous and well-known trademarks should in this respect not hold a more favourable position than proprietors of trademarks which are not famous and well-known).

As extended protection for famous and well-known trademarks is possible to obtain both through registration and establishment on the market, it is however suggested that the Customs Regulation should be applicable also in respect of well-known trademarks which are not registered. National customs authorities will here face practical challenges when assessing whether goods might infringe trademark rights or not. Perhaps somewhat standardized routines to indicate well-known- status of trademarks will evolve over time. Anyhow, the challenges for the National customs authorities are necessarily outweighed by the broader interest of protecting well-known trademarks, whether registered or not. It should further be noted that customs authorities already have this challenge when it comes to copyright and unregistered designs.

Border measures and Remedies

23) Should border measures be available for goods in transit?

Yes, in order to avoid that goods in transit becomes a loophole that leads to goods being illicitly diverted into the market. This should at least be so when it is established that the goods in transit are in fact intended to be put on the market in the country of transit.

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

Yes.

25) 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?

Yes, since it is treated as a regular trademark infringement the same defences shall be available.

Summary

The Swedish Trademark Act does not provide for an “in transit” concept, however the term in transit or external transit has been used in the preparatory work and in case law. In case law external transit has been described as “the passing of goods through several countries on their way to the final destination”.

The goods are not considered infringing in the country of transit unless it is established that the goods in transit are in fact intended to be put on the Swedish/EU market and the trademark enjoys protection in that jurisdiction. The “manufacturing fiction” doctrine does not apply in Sweden. The trademark owner has the burden of proof of that the goods are at risk of unlawfully being diverted into the EU market. The same rules apply to goods in transit being counterfeit, parallel traded (from a non-member country) or bearing confusingly similar trademarks. There is no extended or special protection for well-known trademarks in respect of goods in transit.

Border measures are available for goods in transit. However, Customs do not stop parallel traded goods. Further the same remedies that are available in ordinary trademark infringement cases are available for goods in transit; imprisonment or fines, forfeiture of the

infringing goods, order to recall or destruct goods, prohibition of further infringing action against the penalty of a fine and damages.

The Swedish group proposes the following changes in the existing rules. The Customs Regulation should be applicable also in respect of well-known trademarks which are not registered. Custom authorities should stop also goods which infringe the trademark owner's rights by being illegally parallel imported.

Zusammenfassung

Das Schwedische Markengesetz enthält keinen "Durchfuhr" Begriff. Jedoch ist der Begriff Durchfuhr oder externe Durchfuhr in gesetzlichen Vorarbeiten und im Fallrecht gebraucht worden. Im Fallrecht ist externe Durchfuhr als "die Durchfuhr von Waren durch mehrere Länder auf ihrem Weg zu der endgültigen Destination" beschrieben worden.

Die Waren sind nicht als Verletzung in dem Durchfuhrland verletzend anzusehen, soweit nicht festgestellt wird, dass die Transitwaren für den Schwedischen/EU Markt bestimmt sind und die Marke in dieser Jurisdiktion geschützt ist. Die Doktrin der "Herstellungsfiktion" ist nicht in Schweden verwendbar. Der Markeninhaber hat zu beweisen, dass ein Risiko vorliegt, dass die Waren unerlaubt in den gemeinschaftlichen Markt geleitet werden. Die gleichen Regeln gelten, wenn die Transitwaren Fälschungen sind, parallel gehandelt sind (von einem nicht Mitgliedsstaat) oder verwechslungsbare Marken tragen. Es gibt keinen weiteren oder besonderen Schutz für bekannte Marken mit Bezug auf Transitwaren.

Zollverfahren sind verfügbar für Transitwaren. Jedoch stoppt die Zollbehörde nicht parallel gehandelte Waren. Die gleichen Sanktionen, die in gewöhnlichen Markenverletzungsfällen zutreffend sind, sowie Gefängnis oder Geldstrafe, Warenverwirkung, Anmahnung der Warenwiederrufung oder Zerstörung, ferner Verbot von weiteren Verletzungen bei einer Strafe und Schadenersatz sind auch für Transitwaren verfügbar.

Die Schwedische Gruppe schlägt folgende Veränderungen in den existierenden Regeln vor. Die Zollverordnung soll auch zu benutzen sein für nicht registrierte bekannte Marken. Die Zollbehörde soll auch Waren stoppen, die die Rechte des Markeninhabers verletzen durch illegalen, parallelen Import.

Résumé

La législation suédoise sur les marques ne prévoit pas la notion « en transit », cependant le terme transit ou transit externe est utilisé dans les travaux préparatoires et en jurisprudence. En jurisprudence le transit externe est décrit comme « le passage de marchandises par différents pays en cours d'acheminement jusqu'à la destination finale ».

Les marchandises ne sont pas considérées comme contrefaisantes dans le pays de transit sauf s'il est établi que les marchandises en transit sont de fait susceptibles d'être introduites sur le marché suédois ou de l'UE et que la marque y est protégée. La doctrine « du lieu fictif de fabrication » ne s'applique pas en Suède. Le propriétaire de la marque a la charge de prouver que les marchandises sont susceptibles d'être écoulées de façon illicite sur le marché de l'UE. Les mêmes règles s'appliquent aux marchandises en transit qui sont contrefaisantes, aux importations parallèles (originaires d'un pays non-membre) ou portant des marques similaires susceptibles d'être confondues. Il n'y a pas de protection étendue ou spéciale pour des marques notoires dans l'hypothèse de marchandises placées sous un régime de transit.

Des mesures douanières existent pour les marchandises en transit. Cependant, les Douanes ne retiennent pas les marchandises faisant l'objet d'importations parallèles. De plus, les solutions qui sont envisageables pour les cas ordinaires de contrefaçon de marque le sont pareillement pour les marchandises en transit; l'emprisonnement ou les amendes, la confiscation des marchandises contrefaisantes, l'injonction de rappeler ou de détruire les

marchandises, l'interdiction de commettre d'autres actes contrefaisants sous peine d'amende et de dommages-intérêts.

Le groupe suédois propose les modifications suivantes dans les règles existantes. La réglementation douanière devrait être appliquée également au profit des marques notoires non-enregistrées. Les autorités douanières devraient aussi retenir les marchandises qui portent atteinte aux droits du propriétaire de la marque dans le cadre d'importations parallèles.