OPINION OF ADVOCATE GENERAL RUIZ-JARABO COLOMER

delivered on 16 December 1999 *

Introduction

1. Through the question on which the Oberster Gerichtshof (Supreme Court) of the Republic of Austria, the ordinary court of last instance, seeks a preliminary ruling from the Court, it is asking whether the Community regulations against counterfeiting are applicable to situations in which neither the consignor nor the consignee of the goods, nor yet the owner of the trade mark who claims that his rights have been infringed, has his registered office in a Member State.

2. This procedural point has been raised in the context of an appeal on a point of law whose ultimate purpose is to determine the judicial authority competent to hear and determine the case on its merits. As it stands, Community law does not contain any provision that might affect the territorial jurisdiction of the national court called upon to hear cases of this kind. Accordingly, I shall make no further reference to this particular issue.

Facts

3. As follows from the order for reference, the appellant in the main proceedings, a company with its registered office in New York, is the holder of various verbal and figurative trade marks that are known throughout the world [1] and are registered in Austria and elsewhere. On the basis of these rights, it obtained from the competent customs authorities a decision temporarily to detain a consignment of 633 Polo T-shirts for which placement under a suspensive procedure had been requested. The goods were being shipped from a non-member country to a company with its registered office in Poland.

The Community-law framework

4. The consignment of T-shirts was detained under Council Regulation (EC) No 3295/94 of 22 December 1994 laying

* Original language: Spanish.

1 — In a mythical modern American novel, the character Bateman, on returning to his apartment, finds in his mail a *Polo Ralph Lauren* catalogue (p. 71) and later buys two pairs of *Ralph Lauren* pyjamas (p. 291); at another point, sat in Harry's in New York, he notices that Todd Hamlin is wearing a belt from *Ralph Lauren* (p. 87); Craig McDermott lunches at the Yale Club wearing a lambswool and cashmere blazer and worsted wool flannel trousers by *Ralph Lauren* (p. 156); the screams of the unfortunate Bethany are drowned out with a camel-hair overcoat from *Ralph Lauren* (p. 245); and, finally, Bateman and Evelyn choose huge *Polo Ralph Lauren* towels for drying themselves after late-night skinny-dipping in the Hamptons (p. 280) (Ellis, B.E., *American Psycho*, Picador, 2000).

down measures to prohibit the release for free circulation, export, re-export or entry for a suspensive procedure of counterfeit and pirated goods (hereinafter 'the Regulation'). [2]

5. The Regulation is intended to prevent counterfeit and pirated goods from being placed on the market through the adoption of measures to deal effectively with unlawful trade in such goods (second recital in the preamble).

It therefore lays down the conditions under which the customs authorities must take action where goods suspected of being counterfeit or pirated are entered for free circulation, export or re-export or are found when checks are made on goods *placed under a suspensive procedure* [Article 1(1)(a)] and, moreover, the measures which must be taken by the competent authorities with regard to those goods where it has been established that they are indeed counterfeit or pirated [Article 1(1)(b)].

6. Under Article 3, the holder of a production or trade mark, copyright or neighbouring rights, or a design right (hereinafter 'the holder of the right') may lodge an application in writing with the competent service of the customs authority for action by the customs authorities in relation to goods suspected of being counterfeit or pirated. This application must include a sufficiently detailed description of the goods and proof that the applicant is the holder of the right. The competent customs service must then deal with the application and forthwith notify the applicant in writing of its decision.

7. Article 5 of the Regulation requires the decision granting the application by the holder of the right to be forwarded immediately to the customs offices of the Member State which are liable to be concerned with the goods alleged in the application to be counterfeit or pirated.

8. The first subparagraph of Article 6(1) of the Regulation provides that where a customs office to which the decision granting an application by the holder of a right has been forwarded is satisfied, after consulting the applicant where necessary, that specified goods correspond to the description of the counterfeit or pirated goods

2 — OJ 1994 L 341, p. 8.

contained in that decision, it must suspend release of the goods or detain them.

9. Article 84(1) of Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code (hereinafter 'the Customs Code') [3] states that, where the term '[suspensive] procedure' is used, it is understood as applying, in the context of non-Community goods, *inter alia*, to external transit.

10. According to Article 91(1) of the Customs Code: 'The external transit procedure shall allow the movement from one point to another within the customs territory of the Community of:

(a) non-Community goods, without such goods being subject to import duties and other charges or to commercial policy measures;

(b) Community goods which are subject to a Community measure involving their export to third countries and in respect of which the corresponding customs formalities for export have been carried out.'

The question referred for a preliminary ruling

11. On 29 September 1998, the Oberster Gerichtshof decided to stay proceedings and to apply to the Court, under Article 177 of the EC Treaty (now Article 234 EC), for a preliminary ruling on the following question:

'On a proper construction of Article 1 thereof, is Council Regulation (EC) No 3295/94 of 22 December 1994 laying down measures to prohibit the release for free circulation, export, re-export or entry for a suspensive procedure of counterfeit and pirated goods (*Official Journal of the European Communities* L 341 of 30 December 1994) also applicable to situations in which goods of the type specified therein are, in the course of transit between two countries not belonging to the European Community, temporarily detained by the customs authorities in a Member State on the basis of that regulation, at the request of a holder of rights who claims that his rights have been infringed and whose undertaking has its registered office in a non-member country?'

3 — OJ 1992 L 302, p. 1.

Observations

12. Among the participants in these proceedings, only the German Government has questioned the applicability of the Regulation to goods in external transit which might infringe a mark owned by a non-Community company.

According to that Government, the Regulation — which seeks to protect the internal market — does not authorise the national customs authorities to intervene where the goods are merely in transit. This interpretation, it claims, is confirmed by the adoption, on 25 January 1999, of a new anti-piracy regulation [4] which, *inter alia*, extends the obligation to intervene to goods placed in a free zone or free warehouse.

13. The appellant in the main proceedings, the Austrian, French and Finnish Governments and the Commission all maintain that in the present case, if the Regulation is read in conjunction with the relevant provisions of the Customs Code, there can be no doubt as to its applicability. Moreover, these parties argue, in essence, that the application of intervention measures to goods placed under a suspensive procedure is an act in protection of trade justified by the need to remove effectively from circulation all goods suspected of infringing intellectual property rights, regardless of the nationality of the holder of those rights.

14. The Finnish Government and the Commission also point out that the Regulation contributes, at Community level, to the implementation of the provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of the World Trade Organisation. According to the Finnish Government, there is a distinct risk that, if the narrow interpretation suggested by the national court were accepted, counterfeit goods in transit through Community territory would end up on the internal market.

Consideration of the question referred for a preliminary ruling

15. It is clear from the wording of the Regulation that it covers circumstances such as those in point in this case. The title, the third recital and Article 1(1)(a) of the Regulation proclaim the intention to regulate the intervention of the customs authorities when goods suspected of being counterfeit or pirated are entered for free circulation, export or re-export or found when checks are made on goods *placed under a suspensive procedure*. According to

4 — Council Regulation (EC) No 241/1999 of 25 January 1999 amending Regulation No 3295/94 (OJ 1999 L 27, p. 1).

Article 84(1) of the Customs Code, '[suspensive] procedure' is a technical term used as a generic designation for the customs procedures of 'customs warehousing', 'inward processing in the form of a system of suspension', 'processing under customs control', 'temporary importation' and *'external transit'*. The same Code defines the 'external transit' procedure in terms of what it means in practice. Thus, external transit is that which allows the movement from one point to another within the customs territory of the Community of non-Community goods, without such goods being subject to import duties and other charges or to commercial policy measures [Article 91(1)(a) of the Customs Code]. The Regulation is therefore expressly designed to apply to goods passing through Community territory on the way from one non-member country to another.

16. Moreover, according to the Regulation, 'counterfeit goods' means *all* goods which, in various ways — for our present purposes there is no need to list them — result in the infringement of 'the rights of the holder of the trade mark in question under Community law or the law of the Member State in which the application for action by the customs authorities is made' [Article 1(2)(a)]. The location of the registered office of the holder of the rights and the nationality of the latter are of absolutely no consequence in this respect.

17. Thus, from a literal interpretation of the Regulation it follows, without any room for reasonable doubt, that its provisions are to be applied when goods suspected of infringing a trade mark whose holder is a company with its registered office outside Community territory are in Community external transit from one non-member country to another.

18. Far from being weakened, this literal interpretation is corroborated by the adoption of Regulation No 241/1999, [5] which, for our present purposes, may be viewed as an extension of Regulations (EC) No 3842/86 [6] and No 3295/94, in so far as it enables national authorities to intervene in a wider range of customs procedures.

19. A different consideration is whether, given the objectives of the Treaty, the Regulation *must* be applied to situations that do not affect trade between Member States. The question is whether preference should not be given to another, teleological rather than literal, interpretation of the Regulation, according to which the applicability of Community regulations is subject to the (implicit) condition that a specific measure is capable — in the words of the national court — of 'jeopardising free trade

5 — Cited in footnote 4.

6 — Council Regulation of 1 December 1986 laying down measures to prohibit the release for free circulation of counterfeit goods (OJ 1986 L 357, p. 1).

between the Member States in a manner which may be detrimental to the attainment of the objectives of a single inter-State market'. In this connection, the national court cites the example of Community competition law.

Finally, if the text of the Regulation were to exclude this latter interpretation, it would still be possible to argue that, inasmuch as it appears to wish to regulate situations with an extra-territorial aspect, the Court should assess its compatibility with the higher-ranking provisions of the Community legal system and, if necessary, declare it void under subparagraph (b) of Article 177, first paragraph, of the EC Treaty.

20. First of all, I consider that, in any event, from the legal standpoint it is of no consequence that the holder of the trade mark, or those entitled under him, has his registered office outside the Community. What is important is that the right he invokes should be worthy of protection at Community level, whether under Community law or the law of the Member State in which application for action by the customs authorities is made [first indent of Article 1(2)(a) of the Regulation]. [7]

7 — It has been thus since the Paris Convention of 1883, according to which 'all goods unlawfully bearing a trade mark or trade name shall be seized on importation into those countries of the Union where such mark is entitled to legal protection' (Article 9).

21. Secondly, I do not believe that it is possible to assert categorically that the external transit of non-Community goods is an activity completely devoid of effect on the internal market. Like other suspensive customs procedures, external transit is based on a sort of legal fiction. Goods placed under this procedure are subject neither to the corresponding import duties nor to other measures of commercial policy; it is *as if* they had not entered Community territory. There is no need to extend this fiction any further than necessary. In reality, the goods are imported from a non-member country and pass through one or more Member States before being exported to another non-member country. Thus, in actual fact, like importation, the placing of goods under an external transit procedure constitutes a Community activity. This conclusion is further reinforced by the risk — noted by several of the parties — of counterfeit goods placed under a transit procedure evading controls and ending up on the European market.

22. Moreover, I can find no reason for rejecting a textual interpretation of the Regulation nor, *a fortiori*, for questioning its validity in circumstances such as those in point in the case in question. On the contrary, I consider that the legal basis of the Regulation is broad enough for it to be applicable to situations that do not directly affect trade between Member States as strictly understood.

23. The principles applicable to the Community competition regime cannot be extrapolated to the present case, as suggested by the national court. Regulation No 3295/94 was adopted on the basis of Article 113 of the EC Treaty (now, after amendment, Article 133 EC) which indicates, by way of example, the instruments which the common commercial policy may employ. According to paragraph 1 of this article, 'The common commercial policy shall be based on uniform principles, particularly in regard to changes in tariff rates, the conclusion of tariff and trade agreements, the achievement of uniformity in measures of liberalisation, export policy and measures to protect trade such as those to be taken in the event of dumping or subsidies'.

24. At a very early stage, the Court decided that the proper functioning of the customs union — a *sine qua non* of a Community commercial policy — justified a wide interpretation of Article 113 of the Treaty, in particular, and of the powers which various provisions confer on the institutions to allow them to control external trade by measures taken both independently and by agreement. [8] Moreover, again according to the Community judicature, the implementation of this common commercial policy also requires that the concept not be interpreted restrictively, in order to avoid causing disturbances in intra-Community trade by reason of the disparities which would then exist in certain sectors of economic relations with non-member countries. [9]

25. The Court also rejected an interpretation of Article 113, the effect of which would have been 'to restrict the common commercial policy to the use of instruments intended to have an effect only on the traditional aspects of external trade' and, on the contrary, considered that 'the question of external trade must be governed from a wide point of view', as confirmed by 'the fact that the enumeration in Article 113 of the subjects covered by commercial policy is conceived as a non-exhaustive enumeration'. [10]

26. On the basis of this wide view, it can be stated that, subject to the exceptions for which the Treaty provides, [11] Article 113 requires the establishment of uniform principles applicable to any measure, whether taken unilaterally or by agreement, intended to control trade with non-member countries, whatever its content or objectives. [12] Among the latter, the Community should endeavour to maintain a reasonable balance between the interests of world trade upheld by Article 110 of the EC Treaty (now Article 131 EC) and the goals of other Community policies. [13]

27. Certain provisions on intellectual property affecting cross-border trade constitute an essential element of international trade

8 — Judgment in Case 8/73 *Massey-Ferguson* [1973] ECR 897, paragraph 4.

9 — Opinion 1/78 of 4 October 1979 [1979] ECR 2871, paragraph 45.

10 — Loc. cit.

11 — For example, in connection with the free movement of persons, agriculture, transport and services.

12 — See Ehlermann, C.D., 'The scope of Article 113 of the EEC Treaty', Études de droit des Communautés européennes, *Mélanges offerts à Pierre-Henri Teitgen*, Paris, 1984, p. 145, in particular, p. 152.

13 — With regard to the common agricultural policy, see the judgment in Case 112/80 *Dürbek* [1981] ECR 1095, paragraph 43.

legislation, as dynamically interpreted by the Court. In its Opinion 1/94, [14] the Court had to rule on the question whether or not the Community had exclusive competence to conclude, *inter alia*, the Agreement on the Trade-Related Aspects of Intellectual Property Rights, including trade in counterfeit goods (known as the TRIPS Agreement), annexed to the Agreement establishing the World Trade Organisation. Section 4 of Part III of the Agreement, which concerns the means of enforcement of intellectual property rights, has its counterpart in the provisions of the first regulation adopted by the Council to suppress trade in counterfeit goods. [15]

The Court has acknowledged that, inasmuch as that regulation concerns the prohibition of the release for free circulation of counterfeit goods, it was rightly based on Article 113 of the Treaty. '[I]t relates to measures to be taken by the customs authorities at the external frontiers of the Community. Since measures of that type can be adopted autonomously by the Community institutions on the basis of Article 113 of the EC Treaty, it is for the Community alone to conclude international agreements on such matters'. [16]

14 — Opinion of 15 November 1994 [1994] ECR I-5267.

15 — Regulation No 3842/86, previously cited in footnote 6.

16 — Opinion 1/94, paragraph 55.

28. The same general considerations should prevail with respect to Regulation No 3295/94, the relevant provisions of which extend the detention of goods suspected of being counterfeit to other customs procedures, such as transit. [17] As I have already pointed out, this procedure also involves the importation and, at best, the subsequent re-exportation of the goods in question.

29. In this connection, it is appropriate to cite the judgment of 2 February 1989, *Commission* v *Council*, [18] declaring void Regulation (EEC) No 2096/87, [19] which also concerned a suspensive customs procedure, namely, temporary importation, on the grounds that it was not based exclusively on Article 113 of the EC Treaty. [20]

30. In short, there can be no doubt that the Community is empowered, under Article 113 of the Treaty, to introduce common rules for monitoring counterfeit goods under a suspensive customs procedure such as the external transit procedure. In other

17 — It is significant that, as distinct from the previous regulation — Regulation No 3842/86 — which was based jointly on Articles 113 and 235 of the EC Treaty (now Article 308 EC), Regulation No 3295/94 is based exclusively on Article 113.

18 — Case 275/87 [1989] ECR 259 (summary).

19 — Council Regulation of 13 July 1987 on the temporary importation of containers (OJ 1987 L 196, p. 4).

20 — In actual fact, the judgment refers without distinction to Articles 28 (now, after amendment, Article 26 EC) and 113 of the EC Treaty, adding that the delimitation of the respective fields of application of these provisions cannot affect the validity of the act, inasmuch as the respective procedures for establishing the intention of the Council are identical (paragraph 4).

words, under Article 113, the Community has jurisdiction to lay down uniform principles applicable to the movement from one point to another within the customs territory of the Community of non-Community goods and goods intended for export, in respect of which the corresponding formalities for export have been carried out, and, in the course of such movement, to have the customs authorities detain goods suspected of being counterfeit or pirated.

31. It follows that Article 1 of Regulation No 3295/94 is to be interpreted as being applicable to situations in which goods of the type specified in the Regulation are, in the course of transit between two countries not belonging to the European Community, temporarily detained in a Member State by the customs authorities of that State at the request of a holder of a trade mark or similar right having his registered office in a non-member country.

Conclusion

32. In the light of the foregoing considerations, I propose that the Court should reply to the question referred for a preliminary ruling by the Oberster Gerichtshof as follows:

Article 1 of Council Regulation (EC) No 3295/94 of 22 December 1994 laying down measures to prohibit the release for free circulation, export, re-export or entry for a suspensive procedure of counterfeit and pirated goods is to be interpreted as being applicable to situations in which goods of the type specified in the Regulation are, in the course of transit between two countries not belonging to the European Community, temporarily detained in a Member State by the customs authorities of that State at the request of a holder of a trade mark or neighbouring right having his registered office in a non-member country.