OPINION OF ADVOCATE GENERAL POIARES MADURO delivered on 4 July 2006 [1]

1. The present reference for a preliminary ruling, which has been made by the Bundesgerichtshof (Germany), essentially concerns the interpretation of Article 5(1) and (3) of First Directive 89/104/EEC. [2] Specifically, it concerns the question whether a proprietor of a trade mark registered in a Member State is entitled to prohibit the mere transit through that Member State of goods bearing a sign that is identical with that trade mark, where that trade mark is not protected in the destination Member State, and the goods can therefore be marketed freely there.

I — Facts of the case in the main proceedings, legal background and questions referred to the Court

2. Diesel SpA ('Diesel') is the proprietor of the DIESEL trade mark in respect of goods in Class 25 'Clothing, footwear, headgear', [3] which enjoys protection in, inter alia, Germany. Montex Holdings Ltd ('Montex') sells jeans under the name DIESEL in Ireland where the trade mark of which Diesel is proprietor does not enjoy any protection.

3. Montex manufactures jeans by exporting the individual pieces, including the distinctive signs, under the customs seal procedure to Poland, has them sewn together there and then brings the completed trousers back to Ireland.

4. On 31 December 2000 the Hauptzollamt (Principal Customs Office) Löbau — Zollamt (Customs Office) Zittau (Germany) held back a delivery intended for Montex of 5 076 pairs of women's trousers bearing the name DIESEL, which a Hungarian forwarding agency was to transport to it by lorry from the Polish factory through German territory. The trousers were to be trans-

1 — Original language: Portuguese.

2 — First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1; 'the Trade Mark Directive').

3 — In accordance with the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of 15 June 1957, as revised and amended.

ported in uninterrupted transit from the Polish customs office to the Dublin customs office, and were protected against any removal in the course of transit by a customs seal affixed on the means of transport by the Polish authorities.

5. Montex filed an objection against the order requiring the goods in question to be held back. It takes the view that the mere transit of the goods through German territory does not infringe any trade mark rights. Diesel takes the view, however, that the transit constitutes an infringement of its trade mark rights because of the danger of the goods being placed on the market in the country of transit. Diesel therefore applied for Montex to be prohibited from carrying its goods or causing its goods to be carried across German territory. In addition it asked that Montex be ordered to consent to the destruction of the goods seized or, if it so chose, to the removal and destruction of all labels and other distinctive signs bearing the name DIESEL, and that Montex be ordered to pay the costs of destruction.

6. After judgment was given against Montex at first instance and on appeal, Montex lodged an appeal on a point of law to the Bundesgerichtshof. The latter decided to stay proceedings and to refer the following questions to the Court of Justice for a preliminary ruling:

'(1) Does a registered trade mark grant its proprietor the right to prohibit the transit of goods with the sign?

(2) If the answer is in the affirmative: may a particular assessment be based on the fact that the sign enjoys no protection in the country of destination?

(3) If the answer to the first question is in the affirmative, and irrespective of the answer to the second question, is a distinction to be drawn according to whether the article whose destination is a Member State comes from a Member State, an associated State or a third country? Is it relevant in this regard whether the article has been produced in the country of origin lawfully or in infringement of a right to a sign existing there held by the trade-mark proprietor?'

7. Those questions require the Court to interpret, in particular, Article 5 of the Trade

Mark Directive, which governs the 'Rights conferred by a trade mark' and which provides:

'1. The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;

(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark.

...'

8. Article 5(3) states:

'The following, inter alia, may be prohibited under paragraphs 1 and 2:

(a) affixing the sign to the goods or to the packaging thereof;

(b) offering the goods, or putting them on the market or stocking them for these purposes under that sign, or offering or supplying services thereunder;

(c) importing or exporting the goods under the sign;

(d) using the sign on business papers and in advertising.'

9. Regulation (EC) No 3295/94, [4] which was in force at the material time, is also relevant to the analysis of the case. The second and third recitals in the preamble to that regulation are worded as follows:

'... the marketing of counterfeit goods and pirated goods causes considerable injury to law-abiding manufacturers and traders and to holders of the copyright or neighbouring rights and misleads consumers; ... such goods should as far as possible be prevented from being placed on the market and measures should be adopted to that end to deal effectively with this unlawful activity without impeding [...] freedom of legitimate trade; ... this objective is also being pursued through efforts being made along the same lines at international level;

..., in so far as counterfeit or pirated goods and similar products are imported from third countries, it is important to prohibit their release for free circulation in the Community or their entry for a suspensive procedure and to set up an appropriate procedure enabling the customs authorities to act to ensure that such a prohibition can be properly enforced'.

10. Article 1(1) of that regulation provides:

'1. This Regulation lays down:

(a) the conditions under which the customs authorities shall take action where goods suspected of being goods referred to in paragraph 2(a) are:

— entered for free circulation, export or re-export, in accordance with Article 61 of Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code,[5]

4 — Council Regulation (EC) No 3295/94 of 22 December 1994 laying down measures concerning the entry into the Community and the export and re-export from the Community of goods infringing certain intellectual property rights (OJ 1994 L 341, p. 8), as amended by Council Regulation (EC) No 241/1999 of 25 January 1999 (OJ 1999 L 27, p. 1). Regulation No 3295/94 was replaced with effect from 1 July 2004 by Council Regulation (EC) No 1383/2003 of 22 July 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 (OJ 2003 L 196, p. 7).

5 — OJ 1992 L 302, p. 1 ('the Customs Code').

— found in the course of checks on goods under customs supervision within the meaning of Article 37 of Council Regulation (EEC) No 2913/92, placed under a suspensive procedure within the meaning of Article 84(1)(a) of that Regulation, re-exported subject to notification or placed in a free zone or free warehouse within the meaning of Article 166 thereof;

and

(b) the measures which shall be taken by the competent authorities with regard to those goods where it has been established that they are indeed goods referred to in paragraph 2(a).'

11. Article 1(2) provides: '[f]or the purposes of this Regulation:

(a) "goods infringing an intellectual property right" means

— "counterfeit goods", namely:

— goods, including the packaging thereof, bearing without authorisation a trade mark which is identical to the trade mark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such trade mark, and which thereby infringes the rights of the holder of the trade mark in question under Community law or the law of the Member State where the application for action by the customs authorities is made,

...'

II — Analysis

12. The questions put by the referring court can be summed up, in essence, as a single question to which a comprehensive answer must be given: does a trade mark confer on its proprietor the right to prohibit the transit of goods manufactured in a third country and bearing a sign that is identical with the trade mark through the territory of a Member State in which that mark enjoys protection, where the final destination of the goods is a Member State in which they can be marketed freely because the mark is not protected there? In order to answer that

question it is necessary, first of all, to establish clearly the customs procedure to which the goods were subject when they were kept back in Germany.

13. Under Article 91(1)(a) of the Customs Code, '[t]he external transit procedure shall allow 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'. Therefore the procedure concerned relates generally to goods coming from third countries which are not in free circulation in the Community.

14. It is common ground in the present case that, as the German Government and the Commission of the European Communities in particular noted in their observations, the goods in question were subject to a suspensive external transit customs procedure [6] when they were kept back at the Löbau Customs Office on 31 December 2000. According to the referring court, the goods in question are women's trousers which came from Poland before that country's accession to the European Union, and which were not in free circulation in the Community.

15. Article 92 of the Customs Code provides that '[t]he external transit procedure shall end when the goods and the corresponding documents are produced at the customs office of destination in accordance with the provisions of the procedure in question'. The customs clearance procedure and the removal of the customs seal to which the goods were subject while in transit should have been carried out at the Irish office of destination. It is in Ireland, therefore, that the goods were to have been put into free circulation for the first time within the territory of the Community.

16. As the Court established in *Polo* v *Lauren*, [7] the external transit of non-Community goods is based on a legal fiction. While in external transit, the goods are subject neither to the corresponding import duties nor to the other measures of commercial policy. Everything happens as if, before the goods entered into free circulation (which was to happen in Ireland), they had not entered Community territory.

6 — See Article 84(1)(a) of the Customs Code.

7 — Case C-383/98 *Polo* v *Lauren* [2000] ECR I-2519, paragraph 34.

17. The Republic of Poland was not yet a Member State of the European Union when the goods in question, which came from that State, were seized in Germany while in transit to Ireland. Consequently it is not necessary to consider, in the context of the answer to be given to the referring court, the hypothetical situation of the goods originating in Poland after that State became a new member of the Union. The only relevant question in that regard is whether the analysis of the case could be affected by the fact that, when the goods were seized in Germany, the Republic of Poland was not merely a third country but an associated State. [8] I think that the answer to that question must be that it could not.

18. The Association Agreement was designed simply to create an appropriate framework for the Republic of Poland's gradual integration into the Community, with a view to its eventual accession, whereas the purpose of the EC Treaty is to create an internal market. [9] Although, in that context, the Association Agreement provided for the gradual creation of a free trade zone between the Community and Poland, [10] that did not mean that the goods in question had ceased to be subject to an external transit customs procedure when they were kept back in Germany on 31 December 2000. The goods at issue in the present case originated in Poland, and Poland did not become an integral part of the customs territory of the Community until 1 May 2004.

19. After that digression I return, therefore, to the key question in this case: whether the proprietor of the trade mark in Germany is entitled to prohibit the external transit of goods in that territory on account of the fact that the transit would involve an infringement of its trade mark rights in Germany.

20. Article 5(1) of the Trade Mark Directive provides that the proprietor is entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical or which can give rise to confusion with the registered trade mark. Article 5(3) sets out a non-exhaustive list of uses in the course of trade which may be prohibited by the proprietor of the mark. Those uses include importing and exporting, but not external transit, which is precisely the situation at issue in the present case.

8 — According to the Europe Agreement establishing an association between the European Communities and their Member States, on the one part, and the Republic of Poland, on the other part, concluded and approved on behalf of the Community by Decision 93/743/EC, ECSC, Euratom of the Council and the Commission of 13 December 1993 (OJ 1993 L 348, p. 1; 'the Association Agreement').

9 — Case C-63/99 *Gloszczuk* [2001] ECR I-6369, paragraph 50.

10 — See Article 7 of the Association Agreement and Article 2 of the First Protocol to the Association Agreement relating to textile and clothing products.

21. In *Class International*[11] the Court expressly pointed out that where non-Community goods are brought into the Community under the external transit or customs warehousing procedure, they are not in free circulation in the Community. In such circumstances, the mere physical introduction of such goods into the territory of the Community on the basis of an external transit or a customs warehousing procedure is not 'importing' within the meaning of Article 5(3)(c) of the Trade Mark Directive and does not entail 'using [the mark] in the course of trade' within the meaning of Article 5(1).[12]

22. The Court thus concluded in that case that Article 5(1) and Article 5(3)(c) of the Trade Mark Directive must be interpreted as meaning that the proprietor of a trade mark cannot oppose the mere entry into the Community, under the external transit procedure, of goods bearing that mark which have not already been put on the market in the Community previously by that proprietor or with his consent.[13]

23. It follows in essence that, according to the case-law of the Court, in order to determine whether bringing goods into a Member State, for example by way of external transit, is a use in the course of trade and therefore a trade mark infringement in that Member State, account must be taken of the trade mark's function.[14] Proprietors will be able to invoke the right to prevent the use of a trade mark by a third party only where the functions of the trade mark are affected, in particular its essential function of guaranteeing to consumers the origin of the goods.[15]

24. It is necessary therefore to establish whether transit, such as the transit at issue in this case, is likely to damage the particular interests of Diesel as proprietor of the trade mark in Germany, having regard to the essential functions of that mark.

25. The marketing of the goods is decisive in that regard. Placing the goods on the market in the State of transit, in which the mark is protected, is likely to affect the essential functions of the trade mark in that State. That is why, in *Class International*, the Court took the view that in order for the proprietor

11 — Case C-405/03 *Class International* [2005] ECR I-8735, paragraphs 36 and 37.

12 — Ibid., paragraph 44.

13 — Ibid., paragraph 50.

14 — As noted by Advocate General Jacobs in point 28 of his Opinion in *Class International*, cited above.

15 — Case C-206/01 *Arsenal Football Club* [2002] ECR I-10273, paragraph 51. As the Court has frequently stated, the essential function of a trade mark is to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the goods or services from others which have another origin. See Case 102/77 *Hoffmann-La Roche* [1978] ECR 1139, paragraph 7, Case C-299/99 *Philips* [2002] ECR I-5475, paragraph 30, and *Arsenal*, paragraph 48.

of a trade mark to be able to prevent goods from being brought into a Member State, those goods must have been brought into the territory of the Community where the mark enjoys protection for the purposes of being placed on the market in that territory. [16]

26. The acknowledged key role of the marketing of goods in establishing that the trade-mark proprietor's rights have been infringed in the State of transit is apparent also from the judgment in *Commission* v *France* [17] and later in *Rioglass and Transremar*. [18] Although those two cases concerned the free movement of Community goods, they show that, in the context of industrial property law, it is only acts of marketing the goods that are likely to infringe the proprietor's rights in the State of transit. It follows that, in the absence of such acts, it cannot be established that there has been an infringement of the rights of the trade-mark proprietor in the State of transit.

27. In *Commission* v *France*, the Court emphasised that 'transit does not therefore form part of the specific subject-matter of the right of industrial ... property'. [19] Where the product in question is in fact intended to be '*marketed* not in French territory, through which it only *passes in transit*, but in another Member State' [20] where it is not protected and may therefore be lawfully sold, it cannot be claimed that there has been an infringement of industrial property rights in the State of transit. In the second case, *Rioglass and Transremar*, the Court again focussed on the marketing of the goods in the State of transit and concluded that '[t]ransit ... does not involve any marketing of the goods in question and is therefore not liable to infringe the specific subject-matter of the trade mark. [21]

28. In relation to transit such as in the present case, an infringement of the rights of the trade-mark proprietor in the State of transit can be established only where there is a well-founded suspicion that the goods will be marketed in that State. The question which arises is, therefore, what evidence is relevant to justify such a suspicion. In the absence of such evidence, mere external transit is unlikely to affect the essential functions of the trade mark held by Diesel in Germany.

16 — *Class International*, paragraph 34. See also paragraphs 58 and 59 of the same judgment.

17 — Case C-23/99 [2000] ECR I-7653.

18 — Case C-115/02 [2003] ECR I-12705.

19 — Paragraph 43.

20 — *Commission* v *France*, paragraph 44 (my emphasis).

21 — *Rioglass and Transremar*, paragraph 27.

29. Contrary to the argument which Diesel put forward in its written observations and at the hearing, the mere risk that the goods could fail to reach their intended destination in Ireland and that they could theoretically be marketed fraudulently in Germany does not by itself justify the argument that the transit infringes the essential functions of the trade mark in Germany. If that argument were to be accepted, it would result in every external transit of goods bearing the sign having to be regarded as a use of the mark in the course of trade within the meaning of Article 5(1) of the Trade Mark Directive. Such a conclusion would contradict the abovementioned case-law of the Court.

30. In principle, it is reasonable to assume that, in the circumstances of the present case, Montex will market its goods in Ireland, where it can do so legally. It is true that Montex could derive immediate benefits from marketing its products illegally in Member States in which Diesel has duly registered its trade mark. Such a strategy would, however, be likely to result in major losses for Montex, even in the short term. Undertaking such illegal marketing would make it increasingly difficult to ensure that its products reached Ireland under the external transit procedure through the territory of other Member States in which the mark is protected, with a greater risk of seizure of the goods by the authorities of the States of transit.

31. In my view the external transit, by a sealed means of transport, of Montex' goods bearing the DIESEL sign does not, prima facie, constitute an infringement of Diesel's trade mark rights in Germany. Such transit does not bring the goods into contact with marketing facilities in that State which could give rise to an infringement of the essential functions of the mark. It will of course be for the national court to carry out checks to that effect in the circumstances of the case in the main proceedings. In any event, in doing so, account must be taken of the fact that the potential risk of abuse during transit is clearly not enough to warrant treating mere external transit as use of the sign in the course of trade within the meaning of Article 5(1) and (3) of the Trade Mark Directive.

32. An infringement of trade mark rights in the State of transit can be established only where there is evidence to support a reasonable presumption that the goods bearing the DIESEL sign will not be marketed exclusively in Ireland, but also in other States in which the mark enjoys protection, including the State of transit. However, what evidence must there be in order to justify a suspicion that Montex will market its goods in Germany?

33. The referring court is uncertain as to the significance to be attached to the lawful or unlawful character of the manufacture of the goods in the country of origin in analysing this case. I shall consider that question now in order to establish the potential relevance of that aspect to determining whether there has been an infringement of the trade-mark proprietor's rights in the State of transit. I shall conclude by examining Regulation No 3295/94 and the case-law of the Court relating to the interpretation of that regulation in order to establish the latter's relevance to the answer to be given to the questions raised in the present case.

A — *Lawfulness or unlawfulness of the manufacture of the goods in the third country of origin.*

34. Contrary to the stance taken by the German Government and by the Commission, I do not think that the issue of whether the manufacture of the goods in Poland is lawful or unlawful according to Polish trade-mark law determines the answer to the question as to whether the rights of Diesel (as proprietor of the trade mark in Germany) have been infringed in that Member State.

35. First, checking whether the essential functions of the trade mark have been affected in the territory of the Member State in which the goods are in external transit cannot be dependent on establishing the lawfulness or unlawfulness of the goods' manufacture in the third country of origin. That would require the authorities of the State of transit to have knowledge of the trade mark law of the third country in which the goods were manufactured, whichever country that may be.

36. Second, I take the view that the only evidence that is relevant for establishing whether Diesel's trade mark rights in Germany have been infringed is evidence that supports the suspicion that the goods in transit will be marketed by Montex in the State of transit rather than in Ireland. If it emerges that Montex is engaged in, or has in the past been engaged in, *marketing* its products bearing the DIESEL sign either in the State of transit or in another — even third — country in which Diesel enjoys protection in respect of the mark, that would constitute conclusive evidence to support such a suspicion.

37. In any event, it will be for the national court to check whether the information which has been brought to its attention shows that Montex has engaged in putting its products bearing the DIESEL sign onto the market in Germany or in other countries in which Diesel's trade mark is protected.

B — *Regulation No 3295/94*

38. The interpretation of Article 5 of the Trade Mark Directive, which is relevant in this case, cannot be affected by the account taken of Regulation No 3295/94 and of the case-law of the Court concerning the measures to be adopted with regard to the introduction into the Community of counterfeit or pirated goods and similar products.

39. It must be recalled that the Court confirmed in *Rolex*, [22] in relation to the interpretation of Regulation No 3295/94, that that regulation prohibits the mere transit of counterfeit or pirated goods through the territory of a Member State to a third country, and that such transit should be penalised. The Court confirmed in that case that Article 1 of Regulation No 3295/94 is to be interpreted as being applicable where goods imported from a non-member country are, in the course of their transit to another non-member country, seized at the request of the proprietor of the rights claimed to have been infringed. [23] It follows, as the Court has also confirmed, that if the relevant provisions of national law do not prohibit and thus do not penalise the mere transit of counterfeit goods through the Member State concerned, contrary none the less to the requirements under Articles 2 and 11 of Regulation No 3295/94, it would be proper to conclude that those articles preclude the national provisions in question. [24]

40. I do not think that it can be inferred from that regulation and from the above-cited case-law of the Court that mere transit must be regarded as giving rise to an infringement of the trade-mark proprietor's rights in the State of transit. In that respect I take the same view as the Commission that Regulation No 3295/94 governs, first, the conditions under which the customs authorities take action in relation to goods suspected of being counterfeit [25] and, second, the measures to be taken by the competent authorities with regard to those goods. [26] It does not, however, concern any assessment, under trade mark law, of whether trade mark rights have been infringed or of when there is use of a sign that is liable to be prohibited for infringing trade mark law.

41. As I have just emphasised, in the absence of a well-founded suspicion that the goods

22 — Case C-60/02 *X* (known as *Rolex*) [2004] ECR I-651.

23 — Ibid., paragraph 54. See also *Polo* v *Lauren*, paragraph 29.

24 — *Rolex*, paragraph 58.

25 — See Article 1(1)(a) of Regulation No 3295/94.

26 — See Article 1(1)(b) of Regulation No 3295/94.

bearing a sign that is identical with the trade mark will be marketed in the Member State of transit in breach of the trade-mark proprietor's rights in that State, mere transit cannot by itself affect the essential functions of the mark. In those circumstances, the rights of the proprietor of the trade mark in the State of transit will not be infringed.

42. On the other hand, where such a suspicion of unlawful marketing proves to be justified, there will be an infringement of trade mark rights. In any event, such an infringement will not be based on the transit alone, but on circumstances which disclose a real and genuine risk of the goods being marketed unlawfully in the Member State of transit or in another State in which the mark is protected.

43. In *Polo* v *Lauren* and *Rolex*, it was precisely because the goods at issue were highly likely to be marketed unlawfully in the Community that the Court considered that the intervention measures laid down in Regulation No 3295/94 should be taken, even though the goods at issue were under an external transit procedure. The crucial importance of the unlawful marketing of the goods at issue is apparent from the second and third recitals in the preamble to Regulation No 3295/94.[27] The Court itself expressly declared in *Polo* v *Lauren*, that the goods at issue placed under the external transit procedure might be fraudulently brought on to the Community market.[28] Unlike in the present case, the goods at issue in *Polo* v *Lauren* were not on their way, under the external transit procedure, to a Member State in which they could be marketed freely.

44. That last point having been verified in the present case and, of course, the fact that there is no evidence to substantiate the suspicion that the goods will be marketed in the State of transit, are of decisive importance when drawing the conclusion that Regulation No 3295/94 is not relevant to establishing whether the sign is being used in a way that is liable to be prohibited for infringing the trade-mark proprietor's rights in the State of transit.

27 — See point 9 of this Opinion.
28 — Paragraph 34.

45. Having regard to the foregoing considerations, the Court should, in my view, answer the questions posed by the referring court to the effect that Article 5(1) and (3) of the Trade Mark Directive must be interpreted as meaning that a registered trade mark does not confer on its proprietor the right to prohibit the mere transit of goods bearing a sign that is identical with the said trade mark in the absence of evidence that the proprietor of the goods is, or was, engaged in acts aimed at putting its goods on the market in States in which the mark enjoys protection. It is for the national court to determine whether that evidence exists in the case in the main proceedings.

III — Conclusion

46. In the light of the foregoing, I submit that the Court should answer the questions which have been referred by the Bundesgerichtshof for a preliminary ruling as follows:

Article 5(1) and (3) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks, must be interpreted as meaning that a registered trade mark does not confer on its proprietor the right to prohibit the mere transit of goods bearing a sign that is identical with the said trade mark in the absence of evidence that the proprietor of the goods is, or was, engaged in acts aimed at putting its goods on the market in States in which the mark enjoys protection. It is for the national court to determine whether that evidence exists in the case in the main proceedings.