JUDGMENT OF THE COURT (First Chamber)

6 April 2000 *

In Case C-383/98,

REFERENCE to the Court under Article 177 of the EC Treaty (now Article 234 EC) by the Oberster Gerichtshof (Austria) for a preliminary ruling in the proceedings pending before that court between

The Polo/Lauren Company, L.P.

and

PT. Dwidua Langgeng Pratama International Freight Forwarders

on the interpretation 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 (OJ 1994 L 341, p. 8),

* Language of the case: German.

THE COURT (First Chamber),

composed of: L. Sevón, President of the Chamber, P. Jann and M. Wathelet (Rapporteur), Judges,

Advocate General: D. Ruiz-Jarabo Colomer,
Registrar: H.A. Rühl, Principal Administrator,

after considering the written observations submitted on behalf of:

— The Polo/Lauren Company, L.P., by F. Wohlfahrt, Rechtsanwalt, Vienna,

— the Austrian Government, by C. Stix-Hackl, Gesandte in the Federal Ministry of Foreign Affairs, acting as Agent,

— the German Government, by W.-D. Plessing, Ministerialrat in the Federal Ministry of Finance, and A. Dittrich, Ministerialrat in the Federal Ministry of Justice, acting as Agents,

— the French Government, by K. Rispal-Bellanger, Head of Subdirectorate in the Legal Affairs Directorate of the Ministry of Foreign Affairs, and A. de Bourgoing, Chargé de Mission in that directorate, acting as Agents,

— the Finnish Government, by H. Rotkirch, Ambassador, Head of the Legal Service in the Ministry of Foreign Affairs, and T. Pynnä, Legal Adviser in the Ministry of Foreign Affairs, acting as Agents,

— the Commission of the European Communities, by J.C. Schieferer and R. Tricot, of its Legal Service, acting as Agents,

having regard to the Report for the Hearing,

after hearing the oral observations of the French Government, represented by A. Maitrepierre, Chargé de Mission in the Legal Affairs Directorate of the Ministry of Foreign Affairs, acting as Agent; of the Finnish Government, represented by E. Bygglin, Legal Adviser in the Ministry of Foreign Affairs, acting as Agent; and of the Commission, represented by J.C. Schieferer, at the hearing on 16 December 1999,

after hearing the Opinion of the Advocate General at the sitting on 16 December 1999,

gives the following

Judgment

1 By order of 29 September 1998, received at the Court on 26 October 1998, the Oberster Gerichtshof (Supreme Court), Austria, referred for a preliminary ruling under Article 177 of the EC Treaty (now Article 234 EC) a question concerning the interpretation 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 (OJ 1994 L 341, p. 8) (hereinafter 'the Regulation').

2 That question has arisen in a dispute between The Polo/Lauren Company, L.P. (hereinafter 'Polo/Lauren'), a company incorporated under American State law, and PT. Dwidua Langgeng Pratama International Freight Forwarders (hereinafter 'Dwidua'), a company incorporated under Indonesian law, following the detention by the Austrian customs authorities of T-shirts suspected of being counterfeits of Polo/Lauren brands.

The Community-law framework

3 According to the second recital in its preamble, the Regulation, which is based in particular on Article 113 of the EC Treaty (now, after amendment, Article 133 EC), is intended to prevent, as far as possible, counterfeit and pirated goods from being placed on the market and to adopt measures to that end to deal

effectively with unlawful trade in such goods, an objective which is also being pursued through efforts being made along the same lines at international level.

4 According to the sixth recital in the preamble to the Regulation, the Community has taken into account the terms of the GATT (General Agreement on Tariffs and Trade) agreement on trade-related intellectual property issues, including trade in counterfeit goods, in particular the measures to be taken at the frontier.

5 Article 1(1) of the Regulation provides:

'This Regulation shall lay down:

(a) the conditions under which the customs authorities shall take action where goods suspected of being counterfeit or pirated are:

— entered for free circulation, export or re-export,

— found when checks are made on goods placed under a suspensive procedure within the meaning of Article 84(1)(a) of Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code, or re-exported subject to notification; 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 counterfeit or pirated.'

6 Article 84(1)(a) of Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code (OJ 1992 L 302, p. 1) (hereinafter 'the Community Customs Code') states that, where the term '[suspensive] procedure' is used, it is understood as applying:

'in the case of non-Community goods, to the following arrangements:

— external transit;

— customs warehousing;

— inward processing in the form of a system of suspension;

— processing under customs control;

— temporary importation'.

7 Under Article 3 of the Regulation, 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 which he suspects to be counterfeit or pirated goods. This application must include a description of the goods and proof that the applicant is the holder of the right. The application must also specify the length of the period during which the customs authorities are requested to take action.

8 Article 3 of the Regulation provides that the holder of the right must also provide all other pertinent information available to him to enable the competent customs service to take a decision in full knowledge of the facts, that information not, however, being a condition of admissibility of the application. The application must then be dealt with by the competent customs service, which must forthwith notify the applicant in writing of its decision.

9 Under Article 4 of the Regulation, the customs authority may also detain goods on its own initiative where, in the course of checks made under one of the customs procedures referred to in Article 1(1)(a) of the Regulation and before an application by the holder of the right has been lodged or approved, it appears evident to the customs office that goods are counterfeit or pirated. In accordance with the rules in force in the Member State concerned, the customs authority may

notify the holder of the right, where known, of a possible infringement thereof. The customs authority is in that case authorised to suspend release of the goods or to detain them for a period of three working days to enable the holder of the right to lodge an application for action in accordance with Article 3 of the Regulation.

10 Article 5 of the Regulation provides that the decision granting the application by the holder of the right must 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.

11 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 pursuant to Article 5 is satisfied, after consulting the applicant where necessary, that specified goods correspond to the description of the counterfeit or pirated goods contained in that decision, it must suspend release of the goods or detain them.

12 Under the second subparagraph of Article 6(1) of the Regulation, the customs office or the service which dealt with the application in accordance with Article 3 must immediately inform the declarant and the person who applied for action to be taken. While complying with national provisions on the protection of personal data, commercial and industrial secrecy and professional and administrative confidentiality, the customs office or the service which dealt with the application must notify the holder of the right, at his request, of the name and address of the declarant and, if known, of those of the consignee so as to enable the holder of the right to ask the competent authorities to take a substantive decision.

13 Suspension of release or detention of goods is to be temporary. Article 7(1) of the Regulation provides that if, within ten working days of notification of suspension of release or of detention, the customs office which suspended release or detained the goods has not been informed that the matter has been referred to the authority competent to take a substantive decision on the case or that the duly empowered authority has adopted interim measures, the goods must be released, provided that all customs formalities have been complied with and the detention order has been revoked. This period may, in appropriate cases, be extended by a maximum of ten working days.

14 Subsequent to the facts in the main proceedings, the Regulation was amended by Council Regulation (EC) No 241/1999 of 25 January 1999 (OJ 1999 L 27, p. 1). Article 1(1)(a) of the Regulation now reads as follows:

'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;

— 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'.

The dispute in the main proceedings and the Austrian legislation

15 Polo/Lauren, which has its registered office in New York (United States of America), is the holder of several verbal and pictorial trade marks that are registered in Austria and are known throughout the world.

16 Relying on Article 3(1) of the Regulation, Polo/Lauren obtained from the Austrian customs authorities a decision requiring the customs offices to suspend release or to detain Polo T-shirts featuring its verbal and pictorial trade marks in so far as the goods in question were counterfeit or pirated.

17 Pursuant to that decision, 633 Polo T-shirts were temporarily detained in a customs warehouse in Linz. The consignor of the goods was Dwidua, which has

its registered office in Indonesia, and the consignee of the goods was Olympic — SC, a company with its registered office in Poland.

18 Polo/Lauren applied to the Landesgericht (Regional Court) Linz for an order prohibiting Dwidua from marketing those goods bearing its protected pictorial or verbal trade marks and authorising Polo/Lauren to destroy, at Dwidua's expense, the T-shirts detained by the customs authorities. Polo/Lauren applied to that court because the goods in question were temporarily detained in a customs warehouse situated within the area of that court's jurisdiction.

19 However, when the Landesgericht Linz ruled that it lacked jurisdiction *ratione loci* and the Oberlandesgericht (Higher Regional Court) Linz, to which the matter was appealed, upheld that ruling, Polo/Lauren appealed on a point of law ('Revision') to the Oberster Gerichtshof.

20 The Oberster Gerichtshof is unsure whether the Regulation applies where goods imported from a non-member country are temporarily detained by a customs office while they are in transit to another non-member country and where the holder of the right has its registered office in a non-member country. It takes the view that there are good grounds for arguing that the Regulation covers only those situations in which goods may come on to the common market or are, at least, capable of having an effect on that market.

21 The Oberster Gerichtshof also points out that a specific measure will be subject to Community law only if, on the basis of a full assessment of all the circumstances, it is liable to jeopardise free trade between Member States. It accordingly takes the view that, if it is accepted that the facts of the case before it have no effect on

the internal market, the legislative competence of the Community institutions would then be uncertain.

22 It was in those circumstances that the Oberster Gerichtshof decided to stay the proceedings and to refer the following question to the Court for a preliminary ruling:

'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 in the Regulation 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?'

23 It should be noted at the outset that, in view of the national court's considerations set out in paragraphs 20 and 21 above, the reference for a preliminary ruling raises two distinct questions. The national court is asking, first, whether the Regulation applies in a situation where 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 by the customs authorities in a Member State on the basis of that regulation, at the request of a company holding rights which claims that its rights have been infringed and which has its registered office in a non-member country. If the answer is affirmative, the national court asks whether that regulation has an adequate basis in the EC Treaty.

The interpretation of the Regulation

24 According to the German Government, the wording of Article 1(1)(a) of the Regulation — which seeks solely to protect the internal market — means that the intention to enter goods for free circulation or to place them under a suspensive procedure is insufficient to allow intervention by the customs authorities. That provision does not apply to goods which are merely in transit. That interpretation, the German Government submits, is confirmed by the adoption of Regulation No 241/1999, which extends, *inter alia*, the obligation to intervene to goods placed in a free zone or free warehouse.

25 That interpretation cannot be accepted.

26 According to Article 1(1)(a) of the Regulation, the latter applies where counterfeit or pirated goods are found when checks are made on goods placed under a suspensive procedure within the meaning of Article 84(1)(a) of the Community Customs Code. Under this latter provision, the term '[suspensive] procedure' designates, *inter alia*, external transit, that is to say, a customs procedure allowing the movement of non-Community goods from one point to another within the customs territory of the Community without those goods being subject to import duties or other charges under the Community Customs Code.

27 The Regulation is thus expressly designed to apply to goods passing through Community territory from a non-member country destined for another non-member country. It does not matter in this regard whether the holder of the right or those entitled under him have their registered office in a Member State or outside the Community.

28 Far from invalidating this interpretation, the adoption of Regulation No 241/1999 in fact corroborates it. Regulation No 241/1999 is in keeping with the logic of the Regulation in making it possible for national authorities to intervene in a greater number of customs procedures.

29 In view of the foregoing considerations, the answer to the national court's question must be that Article 1 of the Regulation is to be interpreted as being applicable where goods of the type specified in the Regulation, imported from a non-member country, are, in the course of their transit to another non-member country, temporarily detained in a Member State by the customs authorities of that State on the basis of the Regulation and at the request of the company which holds rights in respect of those goods which it claims have been infringed and whose registered office is in a non-member country.

30 In view of the fact that the Regulation applies to situations which do not appear to have any direct connection with the internal market, it is necessary to examine whether it has an adequate legal basis in the EC Treaty.

The validity of the Regulation

31 It must first be borne in mind that the Regulation is based on Article 113 of the Treaty, which concerns the common commercial policy.

32 In this regard, certain provisions on intellectual property affecting cross-border trade constitute an essential element in international trade legislation. When

requested to rule on the question whether or not the Community had exclusive jurisdiction to conclude the Agreement concerning 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, the Court held, in Opinion 1/94 of 15 November 1994, [1994] ECR I-5267, paragraph 55, that measures at border crossing points intended to enforce intellectual property rights could be adopted autonomously by the Community institutions on the basis of Article 113 of the Treaty.

33 So, the Community was empowered, under Article 113 of the Treaty, to introduce common rules for stopping counterfeit goods under a suspensive customs procedure such as the external transit procedure.

34 After all, the external transit of non-Community goods is not completely devoid of effect on the internal market. It is, in fact, based on a legal fiction. Goods placed under this procedure are subject neither to the corresponding import duties nor to the other measures of commercial policy; it is as if they had not entered Community territory. In reality, they are imported from a non-member country and pass through one or more Member States before being exported to another non-member country. This operation is all the more liable to have a direct effect on the internal market as there is a risk that counterfeit goods placed under the external transit procedure may be fraudulently brought on to the Community market, as several Governments pointed out in their written observations and at the hearing.

35 In view of the foregoing considerations, it must be held that consideration of the questions raised has revealed no factor of such a kind as to affect the validity of the Regulation.

Costs

36 The costs incurred by the Austrian, German, French and Finnish Governments and by the Commission, which have submitted observations to the Court, are not recoverable. Since these proceedings are, for the parties to the main proceedings, a step in the proceedings pending before the national court, the decision on costs is a matter for that court.

On those grounds,

THE COURT (First Chamber),

in answer to the questions referred to it by the Oberster Gerichtshof by order of 29 September 1998, hereby rules:

1. **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 where goods of the type specified in Regulation No 3295/94, imported from a non-member country, are, in the course of their transit to another non-member country, temporarily detained in a Member State by the customs authorities of that State on the basis of that regulation and at the request of the company which holds rights in respect of those goods which it claims have been infringed and whose registered office is in a non-member country.

2. Consideration of the questions raised has revealed no factor of such a kind as to affect the validity of Regulation No 3295/94.

Sevón Jann Wathelet

Delivered in open court in Luxembourg on 6 April 2000.

R. Grass

Registrar

L. Sevón

President of the First Chamber