JUDGMENT OF THE COURT (Second Chamber)

9 November 2006 *

In Case C-281/05,

REFERENCE for a preliminary ruling under Article 234 EC, by the Bundesgerichtshof (Germany), made by decision of 2 June 2005, received at the Court on 13 July 2005, in the proceedings

Montex Holdings Ltd

v

Diesel SpA,

THE COURT (Second Chamber),

composed of C.W.A. Timmermans, President of the Chamber, R. Schintgen, P. Kūris (Rapporteur), J. Makarczyk and G. Arestis, Judges,

* Language of the case: German.

Advocate General: M. Poiares Maduro,
Registrar: B. Fülöp, Administrator,

having regard to the written procedure and further to the hearing on 4 May 2006,

after considering the observations submitted on behalf of:

— Montex Holdings Ltd, by T. Raab, Rechtsanwalt,

— Diesel SpA, by N. Gross, Rechtsanwalt,

— the German Government, by M. Lumma and A. Dittrich, acting as Agents,

— the Commission of the European Communities, by G. Braun and W. Wils, acting as Agents,

after hearing the Opinion of the Advocate General at the sitting on 4 July 2006,

gives the following

Judgment

1 This request for a preliminary ruling concerns the interpretation of 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 (OJ 1989 L 40, p. 1) and of Articles 28 EC and 30 EC.

2 The request was submitted in the context of a dispute between Diesel SpA (hereinafter 'Diesel') and Montex Holdings Ltd (hereinafter 'Montex'), concerning an application for an order prohibiting the transit through German territory of goods belonging to Montex bearing a sign identical to the registered trade mark of which Diesel is the proprietor in Germany.

Legal context

3 Article 5(1) and (3) of Directive 89/104, headed 'Rights conferred by a trade mark', reads as follows:

'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.

...

3. 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.'

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, hereinafter 'Regulation No 3295/94'), which was in force at the time material to the facts in the main proceedings, states in its second and third recitals:

'... 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'.

5 Article 1(1) of Regulation No 3295/94 states:

'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 [OJ 1992 L 302, p. 1, hereinafter "the Customs Code"]

— found in the course of checks on goods under customs supervision within the meaning of Article 37 of [the Customs Code], placed under a suspensive procedure within the meaning of Article 84(1)(a) of that [Code], 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).'

6 Article 1(2) of Regulation No 3295/94 provides:

'For 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,

...'

7 Article 84(1)(a) of the Customs Code states:

'[W]here the term "procedure" is used, it is understood as applying, in the case of non-Community goods, to the following arrangements:

— external transit;

...'

8 Article 91(1) of the Customs Code provides:

'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;

...'

9 Under Article 92 of the Customs Code:

'The 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 main proceedings and the questions referred for a preliminary ruling

10 Montex manufactures jeans by exporting the different pieces to Poland, including distinctive signs, under the customs seal procedure, having the pieces sewn together on Polish territory and bringing the completed trousers back to Ireland. Diesel has no protection for the sign in the territory of Ireland.

11 On 31 December 2000, the Hauptzollamt Löbau — Zollamt Zittau (Löbau Principal Customs Office — Zittau Customs Office) held back a delivery, intended for Montex, of 5 076 pairs of women's trousers bearing the name 'DIESEL', which a Hungarian company was to transport to them by lorry from the Polish factory through German territory. The trousers were to be transported in uninterrupted transit from the Polish customs office to the customs office in Dublin, 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.

12 Montex filed an objection against the ordering of the detention of the goods in question. It takes the view that the mere transit of goods through German territory does not infringe any of the rights conferred by the trade mark.

13 Diesel considers, for its part, that this transit constitutes an infringement of its trade mark rights because of the danger that the goods could be marketed in the Member State of transit. It thus applied for an order prohibiting Montex from carrying its goods across the territory of Germany, or from allowing such transit. It further asked that Montex be ordered to consent to the destruction of the trousers seized or, if it so chose, to remove all labels and other distinctive signs bearing the name 'DIESEL' and consent to their destruction, and that Montex be ordered to pay the costs of destruction.

14 After judgment was given against Montex at first instance and on appeal, Montex lodged an appeal on a point of law with the Bundesgerichtshof. The latter decided to stay proceedings and 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 (1) is in the affirmative and irrespective of the answer to (2), 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?'

The questions

The first and second questions

15 By its two first questions, which will be considered together, the national court asks in substance whether Article 5(1) and (3) of Directive 89/104 must be interpreted as meaning that a trade mark confers on its proprietor the right to prohibit the transit of goods manufactured in a third country, and bearing a sign that is identical with its 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.

16 It is apparent from the order for reference, first, that when they were detained by the Hauptzollamt Löbau — Zollamt Zittau, on 31 December 2000, the goods in issue were subject to a suspensive external transit customs procedure under Article 84(1)(a) of the Customs Code; second, that those goods came from the Republic of Poland, an associated State of the European Union under the Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Poland, of the other part, concluded and approved by Decision 93/743/Euratom, ECSC, EC of the Council and the Commission of 13 December 1993 (OJ 1993 L 348, p. 1), and, third, that those goods were not, at the time of their detention, in free circulation in the Community, because the removal of the customs seal was to take place in Ireland, the Member State where the goods were to be put into free circulation.

17 The Court has held, on the one hand, that the external transit of non-Community goods is 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 (Case C-383/98 *Polo* v *Lauren* [2000] ECR I-2519, paragraph 34).

18 It follows that, as the Advocate General stated at point 16 of his Opinion, everything happens as if, before the goods entered into free circulation, which was to happen in Ireland, they had not entered Community territory.

19 On the other hand, the Court has also held that transit, which consists in transporting goods lawfully manufactured in a Member State to a non-member country by passing through one or more Member States, 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 (see, regarding the transit through France of goods originating in Spain and destined for Poland, Case C-115/02 *Rioglass and Transremar* [2003] ECR I-12705, paragraph 27).

20 The Court has further made clear that a trade mark proprietor cannot oppose the mere entry into the Community, under the external transit procedure or the customs warehousing procedure, of original goods bearing that mark which have not already been put on the market in the Community previously by that proprietor or with his consent (Case C-405/03 *Class International* [2005] ECR I-8735, paragraph 50).

21 In the field of trade marks, placing non-Community goods bearing a mark under a suspensive customs procedure such as that of external transit is not, per se, interference with the right of the proprietor of the mark to control the initial marketing in the Community (*Class International*, paragraph 47).

22 The Court has, however, held that the trade mark proprietor can oppose the offering for sale or sale of original goods bearing a trade mark and having the customs status of non-Community goods, when the offering is done and/or the sale is effected while the goods are placed under the external transit procedure or the customs warehousing procedure and this necessarily entails their being put on the market in the Community (see, to that effect *Class International*, paragraph 61).

23 It follows that a trade mark proprietor can prohibit the transit through a Member State in which that mark is protected (the Federal Republic of Germany in the present case) of goods bearing the trade mark and placed under the external transit procedure having another Member State as their destination where the mark is not so protected (Ireland in the present case), only if those goods are subject to the act of a third party while they are placed under the external transit procedure which necessarily entails their being put on the market in the Member State of transit.

24 In that regard, the argument put forward by Diesel that the mere risk that the goods could fail to reach their destination, namely Ireland, a Member State in which the mark is not protected, and that they could theoretically be marketed fraudulently in Germany is sufficient to allow the conclusion that the transit infringes the essential functions of the trade mark in Germany cannot be accepted.

25 As the Advocate General also stated at point 29 of his Opinion, according to that argument every external transit of goods bearing the sign would have to be regarded as use of the mark in the course of trade within the meaning of Article 5(1) of Directive 89/104. However, as was stated in paragraphs 17 to 22 above, under the Court's case-law, by contrast, such external transit does not constitute use of the mark liable to infringe the right of the mark's proprietor to control the putting of the goods in question on the Community market, because it does not imply any marketing of those goods.

26 As regards the burden of proof, it follows from paragraphs 74 and 75 of the judgment in *Class International* that, in a situation such as that in issue in the main proceedings, it is for the trade mark proprietor to prove the facts which would give grounds for exercising the right of prohibition provided for in Article 5(1) and (3) of Directive 89/104, by establishing either the existence of a release for free circulation of the non-Community goods bearing his mark in a Member State in which the mark is protected, or of another act necessarily entailing their being put on the market in such a Member State.

27 In the light of the foregoing, the answer to the first and second questions must be that Article 5(1) and (3) of Directive 89/104 is to be interpreted as meaning that the proprietor of a trade mark can prohibit the transit through a Member State in which that mark is protected (the Federal Republic of Germany in the present case) of goods bearing the trade mark and placed under the external transit procedure, whose destination is another Member State where the mark is not so protected (Ireland in the present case), only if those goods are subject to the act of a third party while they are placed under the external transit procedure which necessarily entails their being put on the market in that Member State of transit.

The third question

28 By the first part of its third question, the referring court asks whether it is relevant, for the purpose of answering the first question, that at the time material to the facts in the main proceedings the goods originated in an associated State, namely the Republic of Poland before its accession to the Union, and were not goods that originated in a third country, or Community goods.

29 In that regard, the case-law cited in paragraph 19 above concerned goods of Community origin which were in transit to a third country through one or more Member States, that transit not involving their being marketed in the Community, so that the specific subject-matter of the trade mark was not liable to be affected.

30 However, the Republic of Poland's status as an associated State at the time material to the facts in the main proceedings did not in any way mean that goods originating in that country were to be regarded as goods coming from a Member State. Therefore, there was no question of Community goods being involved in the case in the main proceedings and that hypothesis need not be examined.

31 As non-Community goods, the goods originating in Poland could be placed under the external transit procedure, and it was thus irrelevant that the goods came from an associated State, such as was the Republic of Poland prior to its accession to the Union, rather than from another non-associated third country.

32 It follows that it is irrelevant for the purposes of answering the first question that, at the time material to the facts in the main proceedings, the goods in question originated in an associated State, namely the Republic of Poland prior to its accession to the Union, rather than a non-associated third country.

33 As regards the second part of the third question, which relates to the relevance, for the purposes of answering the first question, of the lawful or unlawful nature of the manufacture in Poland of the goods in issue, Diesel, the German Government and the Commission of the European Communities submit that the manufacture of goods in a third country in infringement of the rights which a trade mark confers on its proprietor in that State allows the latter to oppose any form of transit, including external transit.

34 Such an argument cannot be upheld. As has already been held in paragraph 27 above, the proprietor of a trade mark can prohibit the transit through a Member State in which that mark is protected (the Federal Republic of Germany in the present case) of goods bearing the trade mark and placed under the external transit procedure with another Member State as their destination where the mark is not so protected (Ireland in the present case), only if those goods are subject to the act of a third party while they are placed under the external transit procedure which necessarily entails their being put on the market in that transit Member State. Whether the manufacture of the goods in issue was lawful or unlawful is in that respect irrelevant.

35 Contrary to Diesel's assertions, such an interpretation of Article 5 of Directive 89/104 is not affected by the judgment in Case C-60/02 *X* [2004] ECR I-651, regarding, in particular, the interpretation of Articles 2 and 11 of Regulation No 3295/94.

36 In that judgment, the Court pointed out, in paragraph 54, that Article 1 of Regulation No 3295/94 is to be interpreted as being applicable where goods imported from a non-Member State, are, in the course of their transit to another non-Member State, temporarily detained in a Member State by the customs authorities of this latter State on the basis of that regulation and at the request of the company which holds the rights claimed to have been infringed (see also *Polo* v *Lauren*, paragraphs 26 and 27).

37 In that regard, the Court notes that Article 1 of Regulation No 3295/94 lays down, first, the conditions under which the customs authorities are to take action where goods suspected of being counterfeit goods are, in particular, found in the course of checks on goods under customs supervision within the meaning of Article 37 of the Customs Code, placed under a suspensive procedure within the meaning of Article 84(1)(a) of that Code, re-exported subject to notification or placed in a free zone or free warehouse under Article 166 thereof.

38 Second, Article 1 of Regulation No 3295/94 lays down the measures which can be taken by the competent customs authorities with regard to those goods.

39 Third, the second and third recitals of that regulation, reproduced in paragraph 4 above, refer expressly to the marketing of counterfeit goods or the placing of such goods on the market, and to the need to prohibit the release of such goods for free circulation in the Community.

40 It follows that none of the provisions of Regulation No 3295/94 introduces a new criterion for the purposes of ascertaining the existence of an infringement of trade

mark law or to determine whether there is a use of the mark liable to be prohibited because it infringes that law.

41 Having regard to the foregoing, the reply to the third question must be that, for the purposes of answering the first two questions, it is in principle irrelevant whether goods whose destination is a Member State come from an associated State or a third country, or whether those goods have been manufactured in the country of origin lawfully or in infringement of the existing trade mark rights of the proprietor in that country.

Costs

42 Since these proceedings are, for the parties to the main proceedings, a step in the action pending before the national court, the decision on costs is a matter for that court. Costs incurred in submitting observations to the Court, other than the costs of those parties, are not recoverable.

On those grounds, the Court (Second Chamber) hereby rules:

1. **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 is to be interpreted as meaning that the proprietor of a trade mark can prohibit the transit through a Member State in which that mark is protected (the Federal Republic of Germany in the present case) of goods bearing the trade mark and placed under the external transit procedure, whose destination is another Member State where the mark is not so protected (Ireland in the present case), only if those goods are subject to**

the act of a third party while they are placed under the external transit procedure which necessarily entails their being put on the market in that Member State of transit.

2. **It is in that regard, in principle, irrelevant whether goods whose destination is a Member State come from an associated State or a third country, or whether those goods have been manufactured in the country of origin lawfully or in infringement of the existing trade mark rights of the proprietor in that country.**

[Signatures]