

OPINION OF ADVOCATE GENERAL

Jacobs

delivered on 26 May 2005¹

1. In the present reference from the *Gerrechtshof te 's-Gravenhage* (Regional Court of Appeal, The Hague) the Court is asked essentially for guidance on the meaning of 'using [a sign] in the course of trade' in Article 5 of the Trade Marks Directive.² More particularly, the referring court asks (i) whether bringing into the Community by the external transit procedure non-Community goods bearing a genuine trade mark, storing such goods in a Community customs warehouse or offering for sale or selling the goods so stored, in all cases without the consent of the trade mark proprietor, should be regarded as 'using [a sign] in the course of trade' within the meaning of Article 5 and (ii) with which of the parties the burden of proof lies as regards trade mark infringement proceedings arising out of such situations.

trade mark rights. That principle, originally developed by the Court in the context of Articles 30 and 36 of the EC Treaty (now Articles 28 and 30 EC), is now enshrined in Article 7 of the Trade Marks Directive. The essence of the principle is that a trade mark proprietor may not assert his rights in relation to goods which have been put on the market in the Community under that mark by him or with his consent.³

Relevant Community provisions

Trade mark legislation

2. The trade mark proprietor's consent to the transactions at issue is relevant because of the principle of Community exhaustion of

3. Article 5 of the Trade Marks Directive provides:

1 — Original language: English.

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

3 — In accordance with Article 65(2), in conjunction with Annex XVII, point 4, of the Agreement on the European Economic Area of 2 May 1992 (O) 1994 L 1, p. 3), Article 7(1) has been amended for the purposes of the Agreement so that the expression 'in the Community' has been replaced by 'in a Contracting Party'.

'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;

4. Articles 9(1)(a) and 9(2)(b) and (c) of the Community Trade Mark Regulation⁴ make identical provision with regard to Community trade marks as Articles 5(1)(a) and 5(3) (b) and (c) of the Trade Marks Directive.

...

Customs legislation

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

5. Article 24 EC provides:

- (a) ...

- (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;

'Products coming from a third country shall be considered to be in free circulation in a Member State if the import formalities have been complied with and any customs duties ... which are payable have been levied in that Member State, and if they have not benefited from a total or partial drawback of such duties or charges.'

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

⁴ — Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1).

6. Article 37(1) of Regulation No 2913/92⁵ establishing the Community Customs Code provides that goods brought into the customs territory of the Community shall, from the time of their entry, be subject to customs supervision. Article 38(1)(a) provides that they are to be conveyed by the person bringing them into the Community without delay to the customs office designated by the customs authorities. Article 48 requires non-Community goods presented to customs to be assigned a customs-approved treatment or use.

2. Community goods declared for [a] transit or customs warehousing procedure shall be subject to customs supervision from the time of acceptance of the customs declaration until such time as they leave the customs territory of the Community or are destroyed or the customs declaration is invalidated.'

7. Article 4(15) of Regulation No 2913/92 defines 'Customs-approved treatment or use' to include the placing of goods under a customs procedure. Article 4(16) defines 'Customs procedure' to include 'transit' and 'customs warehousing'.

The external transit procedure

9. The external transit procedure is generally concerned with goods which come from third countries and are not in free circulation in the Community. The Court of Justice has explained the legal fiction underlying the procedure as follows:

8. Article 59 provides:

'1. All goods intended to be placed under a customs procedure shall be covered by a declaration for that customs procedure.

'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 the 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.'⁶

5 — Council Regulation (EC) No 2913/92 of 12 October 1992 (OJ 1992 L 302, p. 1).

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

10. Article 91(1) of Regulation No 2913/92 provides that the 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'.

11. Article 92 provides that the external transit procedure is to 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 office of destination is the customs office where goods placed under the transit procedure must be produced to complete the transit operation.⁷

released for free circulation, at which point import duties will be payable. The Court has stated that the 'essential purpose of customs warehouses is to provide for the storage of goods' and not to permit the goods to pass from one stage of marketing to another.⁸

13. Since customs warehousing is among the customs procedures with economic impact,⁹ its use is conditional upon authorisation being issued by the customs authorities.¹⁰ Such authorisation is to be granted only to persons who offer every guarantee necessary for the proper conduct of the operations and only where the customs authorities can supervise and monitor the procedure without having to introduce administrative arrangements disproportionate to the economic needs involved.¹¹

Customs warehousing

12. Customs warehousing is a procedure enabling importers to store imported goods where it is not known at the time of importation how the goods will finally be disposed of. The goods may subsequently be re-exported, in which case there will have been no need to pay import duties, or

The main proceedings and the questions referred

14. SmithKline Beecham plc, a company incorporated in the United Kingdom, is the proprietor of two Benelux trade marks for goods in Class 3 (toothpastes or dentifrices).

7 — Article 340b(3) of Commission Regulation (EEC) No 2454/93 of 2 July 1993 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code (OJ 1993 L 253, p. 1), as amended in particular by Commission Regulation (EC) No 2787/2000 of 15 December 2000 (OJ 2000 L 330, p. 1).

8 — Case 49/82 *Commission v Netherlands* [1983] ECR 1195, paragraph 10.

9 — Article 84(1)(b) of Regulation No 2913/92.

10 — Article 85 of Regulation No 2913/92.

11 — Article 86 of Regulation No 2913/92.

Beecham Group plc, a company incorporated in the United Kingdom, is the proprietor of a Benelux trademark and Community trade marks, all for goods in Class 3. The trade marks are figurative Aquafresh trade marks consisting of a red, white and blue striped stylised length of toothpaste. I shall refer to SmithKline Beecham plc and Beecham Group plc jointly as 'the defendants'.¹²

prohibiting the entry of counterfeit and pirated goods for, inter alia, the customs warehousing and external transit procedures,¹³ under which a customs office may detain goods which it is satisfied are counterfeit or pirated where the holder of the trade mark allegedly infringed has obtained a decision to that effect from the relevant customs authorities. It subsequently became clear that the goods in question were not counterfeit or pirated goods within the meaning of that legislation.

15. Class International BV ('the applicant'), a company incorporated in the Netherlands, purchased in 2001/2002 some containers of goods from a South African undertaking. The present proceedings concern a container load of toothpaste products bearing the trade marks concerned. The goods were shipped to Rotterdam from outside the European Economic Area ('EEA') in February 2002 at the request of the applicant and placed in a customs warehouse there. The products are genuine trade-marked goods but the defendants had not, and still have not, consented to their entry into the EEA.

16. On 5 March 2002 the container in question was detained by the customs authorities on the application of the defendants. It appears from the applicant's written observations that that detention was effected in accordance with Community legislation

17. The applicant's claim for the release of the goods and damages from the defendants was dismissed by the president of the Rechtbank, Rotterdam. The applicant appealed to the Gerechtshof te 's-Gravenhage; the defendants cross-appealed. The appeal and cross-appeal concern the question whether the temporary storage in a customs warehouse of original trademarked goods with customs transit status and/or the transit of those goods to countries outside the EEA should be regarded as use of a trade mark within the meaning of Article 5 of the Trade Marks Directive.

12 — It is unclear from the order for reference how the other named defendants (Colgate-Palmolive Company and Unilever NV) are involved in the national proceedings. The applicant states that the national proceedings have been discontinued vis-à-vis those defendants.

13 — 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).

18. The *Gerechtshof te 's-Gravenhage* finds that it has not been shown that there was already a purchaser for the toothpaste products when they entered Netherlands territory or when the goods were detained. In particular the *Gerechtshof* considers that it has not been satisfactorily shown that, as the applicant claims, the toothpaste products have been sold to and are destined for a customer in the Ukraine. Nor has it been shown that the toothpaste products have been sold and will be delivered to a customer established within the EEA. However, the *Gerechtshof* does not rule out the possibility that the first purchaser of the toothpaste products may turn out to be established in the EEA.

with Article 5(3)(b) and (c) of the directive and the opening words of Article 9(1) in conjunction with Article 9(2)(b) and (c) of Regulation No 40/94 cover the storing, in a customs office or warehouse within the territory of a Member State, of original branded goods (bearing a trade mark within the meaning of the aforementioned directive, the [Eenvormige Beneluxwet op de merken (Benelux uniform trade mark law, "UBL")] and/or Regulation No 40/94) which have not been introduced into the EEA by the proprietor of the trade mark or with his consent, which come from outside the EEA and which have the customs status of non-Community goods (for example, T1 or AAD)?

19. The *Gerechtshof te 's-Gravenhage* has stayed the proceedings and referred the following questions to the Court of Justice:

- (1) May the proprietor of a trade mark oppose the introduction without his consent of goods from third countries, bearing a trade mark within the meaning of [the Trade Marks Directive] and/or of Regulation No 40/94, into the territory of a Member State (in this case the territory of the Netherlands/Benelux countries) in the context of transit or transit trade as referred to below?
- (2) Does "using [a sign] in the course of trade" within the meaning of the opening words of Article 5(1) in conjunction
- (3) Does it make any difference to the answers to Questions (1) and (2) whether or not, at the time of entering the abovementioned territory, the final destination of those goods is specified, or that no (purchase) agreement has or has yet been concluded with a customer in a third country in respect of those goods?
- (4) In the context of answering Questions (1), (2) and (3), is it relevant whether there are additional circumstances, such as

- (a) the circumstance that the trader, who is the owner of the goods in question or in any event is entitled to dispose of them and/or engages in parallel trade, is established in one of the Member States;
 - (b) the circumstance that those goods are being offered for sale or sold by the trader established in a Member State, from that Member State, to another trader established in a Member State, whilst the place of delivery is not (yet) specified;
 - (c) the circumstance that those goods are being offered for sale or sold by the trader established in a Member State, from that Member State, to another trader established in a Member State, whilst the place of delivery of the goods to be offered for sale or sold in that way is specified but the final destination is not, whether or not with the express statement or contractual restriction that the goods involved are non-Community (transit) goods;
 - (d) the circumstance that those goods are being offered for sale or sold by the trader established in a Member State to a trader established outside the EEA, whilst the place of delivery and/or final destination of the goods may or may not be specified;
 - (e) the circumstance that those goods are being offered for sale or sold by the trader established in a Member State to a trader established outside the EEA, who the (parallel) trader knows or has serious reason to suppose will resell or supply the goods in question to ultimate consumers within the EEA?
- (5) Must the term “offering” in the provisions referred to in Question (1) be construed as also meaning the offering (for sale) of original branded goods (bearing a trade mark within the meaning of the directive, the UBL and/or Regulation 40/94) which are stored in a customs office or warehouse within the territory of a Member State, which have not been introduced into the EEA by the proprietor of the trade mark or with his consent, which come from outside the EEA and which have the status of non-Community goods (for example, T1 or AAD), in the circumstances set out above in Questions (3) and (4)?
- (6) With which of the parties does the burden of proof rest as regards the acts mentioned above under (1), (2) and (5)?

20. Written observations have been submitted by the applicant, the defendants and the Commission.

21. Since Article 9 of the Community Trade Mark Regulation confers the same protection on proprietors of a Community trade mark as Article 5 of the Trade Marks Directive confers on proprietors of a registered trade mark, I will in the interests of simplicity refer only to the directive in discussing the questions referred.

The first question

22. By its first question the referring court asks whether a trade mark proprietor may oppose the entry without his consent of trademarked goods from third countries into the territory of a Member State in the context of transit or transit trade.

23. It appears to be common ground that by 'transit' the referring court means the movement through the territory of Member States of non-Community goods subject to the Community external transit procedure and by 'transit trade' it means transactions in non-Community goods which have not completed import formalities, have not

therefore been formally imported into the Community and hence, and for so long as that remains the case, conserve their status as non-Community goods. Transit trade may involve goods which are subject to the Community customs warehousing procedure; the question whether storing goods in a customs warehouse infringes the trade marks borne by the goods is the subject-matter of the second question referred while the question whether offering goods so stored for sale, or selling such goods, is an infringement is the subject-matter of the fourth and fifth questions referred.

24. The applicant submits that the first question should be answered in the negative. If the entry into the Community of non-Community goods by way of transit trade were regarded as 'using [the sign] in the course of trade' within the meaning of Article 5(1) of the Trade Marks Directive, that would significantly restrict Member States' economies since all transit and transit trade of trademarked goods without the trade mark proprietor's consent would infringe the trademark. That cannot be the objective or the effect of the Community legislature. It is clear moreover from *Commission v France*¹⁴ and *Rioglass*¹⁵ that such a restriction is not justified as a matter of Community law.

¹⁴ — Case C-23/99 [2000] ECR I-7653.

¹⁵ — Case C-115/02 *Rioglass and Transremar* [2003] ECR I-12705.

25. The defendants take the opposite view. They submit that 'using in the course of trade' includes all commercial or professional (other than exclusively scientific) use. Importing trademarked goods, included under Article 5(3)(c) of the Trade Marks Directive, means bringing the goods into the territory of a Member State. Importing — at least in the present case — seeks a commercial advantage. The fact that the import formalities have not yet been completed and that the goods are therefore not yet in free circulation is irrelevant. Most transit procedures involve the risk that the goods may be put into free circulation in the EEA without the consent of the trade mark proprietor, who must therefore be in a position to oppose the import of the goods and their presence, even temporary.

26. The Commission takes the view that 'importing ... the goods under the sign' within the meaning of Article 5(3)(c) of the Trade Marks Directive does not cover bringing them into the Community under the transit procedure. Although Article 5(3)(c) is not wholly clear, the legislative history shows that the objective was that the trade mark proprietor could oppose only importation with a view to marketing in the Community. That interpretation is also consistent with the definition of goods in free circulation in Article 24 EC, since import formalities will not have been complied with or customs duties levied if the goods are in transit.

27. In my view the first question, although couched in general terms, in fact seeks an interpretation of Article 5 of the Trade Marks Directive, which concerns the rights conferred by a trade mark. Article 5(1) provides that a trade mark confers on the proprietor exclusive rights therein. Under Article 5(1)(a), those exclusive rights entitle the proprietor to prevent third parties not having his consent from using in the course of trade an identical sign in relation to goods identical to those for which the mark is registered. In the present case the proprietor seeks to oppose the entry into the Community without his consent of goods bearing his genuine trade mark where that entry is by way of Community external transit. The question therefore essentially asks whether bringing trademarked goods from a third country into the Community subject to the external transit procedure without the trade mark proprietor's consent infringes the exclusive rights conferred on the trade mark proprietor by Article 5(1) of the Trade Marks Directive and in particular whether it amounts to 'using [the mark] in the course of trade' within the meaning of Article 5(1) (a).

28. The Court has ruled that use of a sign identical to a mark is use in the course of trade where it takes place in the context of commercial activity with a view to economic

advantage and not as a private matter.¹⁶ It has also made clear that the exclusive right under Article 5(1)(a) was conferred on the trade mark proprietor in order to enable him to protect his specific interests as proprietor, that is, to ensure that the trade mark can fulfil its functions. The exercise of that right must therefore be reserved to cases in which a third party's use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.¹⁷ Consequently the proprietor may not prohibit the use of a sign identical to the trade mark for goods identical to those for which the mark is registered if that use cannot affect his own interests as proprietor of the mark, having regard to its functions.¹⁸

29. I do not see how the essential function of a trade mark can be compromised solely by the fact that goods genuinely bearing that mark are subject to the external transit procedure and hence by definition are not in free circulation within the Community. Such a situation, without more, cannot to my mind affect or be liable to affect the functions of the trade mark.

16 — Case C-206/01 *Arsenal Football Club* [2002] ECR I-10273, paragraph 40.

17 — *Arsenal Football Club*, paragraph 51. See also Case C-2/00 *Hölterhoff* [2002] ECR I-4187, paragraph 15.

18 — *Arsenal Football Club*, paragraph 54.

30. That view is confirmed in an analogous context by the judgment of the Court in *Rioglass*.¹⁹ That case concerned a situation in which trademarked goods, lawfully manufactured in Spain, were exported from Spain to Poland under cover of a Community transit certificate which allowed movement between two points in the customs territory of the Community and Poland free of import duty, tax or commercial policy measures. The goods were detained by customs officers in France on suspicion of trade mark infringement. The manufacturer and the transporter of the goods sought an order that the detention be lifted. The Court was asked whether national measures for the detention of goods in such circumstances were contrary to Article 28 EC, which provides that quantitative restrictions on imports and all measures having equivalent effect are to be prohibited between Member States.

31. Since the case did not concern the Trade Marks Directive, the Court used the language of its earlier trade marks case-law predating that directive. Having ruled that the measures were contrary to Article 28, the Court turned to the question of possible justification under Article 30 EC. It referred to settled case-law that the specific subject-matter of a trade mark is, in particular, to guarantee to the owner that he has the exclusive right to use that mark for the purpose of putting a product on the market for the first time. The Court continued by stating that implementation of such protection is therefore linked to the marketing of

19 — Cited in footnote 15.

the goods and concluded that a procedure, such as that in issue in the main proceedings, 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.²⁰

its statement that 'there is a risk that counterfeit goods placed under the external transit procedure may be fraudulently brought on to the Community market'. The defendants invoke that statement in support of their argument that the external transit procedure cannot guarantee that the goods transported will not end up in free circulation.

32. The defendants seek to distinguish that ruling from the present case on the basis that it solely concerned the transit of Community goods lawfully manufactured in a Member State. That is of course the case. I do not however consider that that undermines the support which may be derived from the Court's ruling to the effect that the mere fact that goods pass through a Member State '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'. Indeed it may be thought that if the Court took that view with regard to goods in free circulation in the Community it would apply a fortiori to non-Community goods in respect of which import formalities have not been completed.

34. The Court's statement in *Polo/Lauren* however was made in a very different context from the present case, and in my view it is not helpful to the defendants even by way of analogy. The Court in that case was considering whether Article 113 of the Treaty (now, after amendment, Article 133 EC), which concerns the common commercial policy, was an adequate legal basis for a regulation²² which applied where counterfeit or pirated goods were found when checks were made on goods placed under *inter alia* the external transit procedure. Clearly the risk that counterfeit goods in external transit may be fraudulently brought on to the Community market is a relevant consideration in examining the validity of a regulation which seeks to empower customs authorities to take action when such goods are found in the course of checks on goods in external transit. The present case, in contrast, concerns the wholly different question

33. The defendants also refer to the Court's judgment in *Polo/Lauren*²¹ and in particular

20 — Paragraphs 25 to 27.

21 — Cited in footnote 6, paragraph 34.

22 — Regulation No 3295/94, cited in footnote 13.

whether a trade mark proprietor may oppose the entry into the Community from a third country without his consent of goods bearing his genuine trade mark, that entry being effected by way of the external transit procedure.

35. In any event, the Court's statement in *Polo/Lauren* provides no basis for the exercise of trade mark rights simply because non-Community goods entered the Community under the external transit procedure.

36. The defendants' concerns that goods such as those at issue in the main proceedings may be released into free circulation in the Community without their consent, thereby infringing their trade mark rights, must be met by reference to the detailed provisions of the Customs Code²³ and its implementing measure²⁴ which are designed to ensure that non-Community goods placed under the external transit procedure are subject to customs supervision from the moment of entry until they leave the Community.²⁵ If the goods do not in fact leave the Community but are released into free circulation, at that point the trade mark

proprietor will be entitled to oppose their 'importing' in accordance with Article 5(3)(c) of the Trade Marks Directive. It may be noted that Article 50(1)(a) of the TRIPs Agreement²⁶ requires national judicial authorities to have competence 'to order prompt and effective provisional measures ... to prevent an infringement of any intellectual property right from occurring, and in particular to prevent the entry into the channels of commerce in their jurisdiction of goods, including imported goods immediately after customs clearance'. While I appreciate that enforcement of the trade mark proprietor's rights depends on his knowledge of the impending infringement, I do not see any basis for extending those rights in the case of goods subject to the external transit procedure. Such enforcement in the case of directly imported goods equally depends on prior knowledge on the part of the trade mark proprietor.

37. I am accordingly of the view that a trade mark proprietor may not oppose the entry into the customs territory of the Community without his consent of non-Community goods bearing his trade mark and subject

23 — Regulation No 2913/92, cited in footnote 5.

24 — Regulation No 2454/93, cited in footnote 7.

25 — In particular Articles 94 and 96 of the Code and Articles 345, 349, 356, 357, 361, 365 and 366 of Regulation No 2454/93.

26 — Agreement on trade-related aspects of intellectual property rights, set out in Annex 1C to the Agreement establishing the World Trade Organisation; approved on behalf of the European Community as regards matters within its competence by Council Decision 94/800/EC of 22 December 1994 concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994) (OJ 1994 L 336, p. 1).

to the Community external transit procedure on the basis that such entry alone constitutes 'using [the mark] in the course of trade' within the meaning of Article 5(1) of the First Council Directive.

38. The referring court's first question also asks whether a trade mark proprietor may oppose the entry into the Community without his consent of non-Community goods bearing his trade mark in the context of transit trade, namely transactions in non-Community goods subject to the external transit procedure or the customs warehousing procedure. By that question the referring court is essentially asking whether such transactions constitute infringement of the trade marks borne by the goods. I will therefore deal with it in the context of the referring court's fourth and fifth questions which in substance concerns the status under the Trade Marks Directive of such transactions.

The second question

39. By its second question the referring court asks essentially whether 'using [a sign] in the course of trade' within the meaning of Article 5 of the Trade Marks Directive covers the storing in a customs warehouse of genuine trademarked non-Community goods where the trade mark proprietor has not consented to their entry into the EEA.

40. The applicant submits that it follows from its analysis of the first question referred that the storage of non-Community goods in such circumstances must also be permissible since otherwise transit and transit trade would become impracticable, which cannot have been the intention of the Community legislature.

41. The defendants repeat in substance their submissions on the first question to the effect that any commercial use, other than exclusively scientific, involves use of a sign in the course of trade, and argue that storing goods in a customs office or warehouse must be presumed to be with a view to commercial gain.

42. The Commission notes that Article 5(3) (b) of the Trade Marks Directive expressly mentions 'offering the goods, or putting them on the market, or *stocking them for these purposes*'.²⁷ That suggests that only stocking the goods for the purpose of marketing them *in the Community* may be opposed by the trade mark proprietor. If therefore it is established that the goods will not be placed on the Community market, the trade mark proprietor cannot oppose their storage in a customs warehouse.

²⁷ — Emphasis added.

43. In my view, the referring court's second question calls for an answer along the same lines as its first question. The essential function of a trade mark cannot be compromised solely by the storage in a Community customs warehouse of trademarked non-Community goods. Such storage cannot in itself affect or be liable to affect the functions of the trade mark.

The third question

45. By its third question the referring court asks whether it makes any difference to the answers to the first and second questions that at the time of entering Community customs territory (i) the final destination of the goods is specified or (ii) no purchase agreement has been concluded with a customer in a third country in respect of those goods.

44. With regard to the defendants' concerns that goods such as those at issue in the main proceedings may be released into free circulation in the Community without their consent, thereby infringing their trade mark rights, those concerns must be met by reference to the detailed provisions of the Customs Code²⁸ which are designed to ensure that goods in customs warehouses are not removed from customs supervision.²⁹ As mentioned above, if the goods are released into free circulation the trade mark proprietor will at that point be entitled to oppose their 'importing' in accordance with Article 5(3)(c) of the Trade Marks Directive. Again, while I appreciate that enforcement of the trade mark proprietor's rights depends on his knowledge of the impending infringement, I see no basis for extending those rights in the case of goods subject to the customs warehousing procedure.

46. Both the applicant and the defendants consider that the factors mentioned by the referring court make no difference to their analysis of the first and second questions.

47. I also take the view that those factors make no difference to the answers I propose to the first and second questions. Those questions are limited to whether the trade mark proprietor may oppose the entry of trademarked non-Community goods into the customs territory of the Community under the transit or customs warehousing procedure. I have explained why I consider that such entry does not in itself affect and is not liable to affect the functions of the trade mark. That remains the case to my mind, subject to one qualification, where the final destination of the goods is specified or no purchase agreement has been concluded with a customer in a third country in respect of the goods. The situation would be

²⁸ — Cited in footnote 5.

²⁹ — In particular, Articles 85 and 86 (mentioned in point 13 above), 101 and 105 of Regulation No 2913/92.

different only if the final specified destination were within the EEA. In that case there would be a real risk that the goods would be released into free circulation in the Community, a factor which I consider in the context of the fifth question referred.

goods may or may not be specified; and (e) that those goods are being offered for sale or sold by the trader established in a Member State to a trader established outside the EEA, who the (parallel) trader knows or has serious reason to suppose will resell or supply the goods in question to ultimate consumers within the EEA.

The fourth question

48. By its fourth question the referring court asks whether it is relevant in the context of the first three questions that there are additional circumstances such as (a) that the owner of the goods is established in one of the Member States; (b) that the goods are being offered for sale or sold by the trader established in a Member State, from that Member State, to another trader established in a Member State, whilst the place of delivery is not (yet) specified; (c) that the goods are being offered for sale or sold by the trader established in a Member State, from that Member State, to another trader established in a Member State, whilst the place of delivery is specified but the final destination is not, whether or not with the express condition that the goods are non-Community (transit) goods; (d) that the goods are being offered for sale or sold by the trader established in a Member State to a trader established outside the EEA, whilst the place of delivery and/or final destination of the

49. The applicant accepts that the fact that non-Community goods are subject to a given customs procedure is not in itself sufficient to show that there is no infringement of the trade mark if the proprietor of the mark can adduce sufficiently convincing evidence that the manifest objective of the owner of the goods is to put the goods on the market in the Community. It does not however consider that the hypotheses outlined in the fourth question referred are sufficiently decisive.

50. The defendants also submit that none of the circumstances outlined in the fourth question affects the answers to the first three questions, although they consider that the circumstances mentioned in (a), (b), (c) and (e) may be relevant to the answer to the fifth question.

51. The Commission submits that the circumstances mentioned in the fourth question may be useful in determining whether the goods might in fact be marketed in the Community; if there is a serious presumption to that effect, the trade mark proprietor may detain the goods. It is however for the national judge to evaluate the facts and determine whether it has been established that the goods will not be released into free circulation in the Community.

53. With regard to (a), I agree with the applicant that the place of the establishment of the owner of trademarked goods is irrelevant to the question whether the placing of the goods under the customs warehousing or external transit procedure constitutes use of the mark in the course of trade.

52. In my view the answer to the national court's fourth question must be derived, like the answers to its earlier questions, from the wording and scope of Article 5(1) of the Trade Marks Directive. It is that provision which entitles the trade mark proprietor to prevent third parties not having his consent from 'using [the mark] in the course of trade'. In order to be actionable, that use must, as discussed above in the context of the first question, affect or be liable to affect the functions of the trade mark. I have already explained why I do not consider that the mere fact that non-Community goods bearing a trade mark are placed under the Community transit or customs warehousing procedure constitutes use of that mark in the course of trade within the meaning of Article 5(1). The national court is essentially asking whether that conclusion is affected by the specific circumstances mentioned by it under (a) to (e).

54. The circumstances mentioned under (b) to (e) all involve the goods being offered for sale or sold. Article 5(3)(b) of the Trade Marks Directive includes 'offering the goods' among the transactions which may be prohibited under Article 5(1). Since the fifth question specifically concerns the scope of 'offering' within the meaning of Article 5(3)(b), it seems appropriate to deal with (b) to (e), in so far as the circumstances envisaged involve offering the goods for sale, in the context of that question. In so far as those circumstances envisage that the goods are sold, the extent of the trade mark proprietor's rights depends on whether the effect of the sale is that the goods are to be released into free circulation in the Community. Since that issue arises also in the context of the fifth question, I shall deal with it too under that heading.

The fifth question

55. By its fifth question the referring court asks essentially whether the term 'offering' in Article 5(3)(b) of the Trade Marks Directive includes the offering for sale of trademarked non-Community goods which are stored in a customs warehouse where the trade mark proprietor has not consented to their entry into the EEA in the circumstances set out in the third and fourth questions.

56. The applicant considers that offering for sale non-Community goods, whether or not in the Community, cannot be regarded as using the mark in the course of trade in the Community, given that neither its objective nor its effect is to put trademarked goods on the market in the Community. There are many forms of international trade in non-Community goods; if offering such goods for sale is prohibited by Community trade mark legislation, traders established and working in the Community will no longer be able to be involved in trade in trademarked goods, which cannot have been the objective of the legislature.

57. The defendants submit that for the reasons already given in the context of the previous questions, the fifth question should be answered in the affirmative.

58. The Commission submits that offering for sale such as described in the fifth question will not amount to 'offering for sale' within the meaning of Article 5(3)(b) if the owner of trademarked goods offers them for sale in the Community to a potential purchaser who is almost certain not to put them on the market in the Community.

59. The starting point for an interpretation of 'offering for sale' must be the scheme and objectives of the Trade Marks Directive. That directive was based on Article 100a of the EC Treaty (now, after amendment, Article 95 EC). The first recital refers to disparities in national trade mark laws which may impede the free movement of goods and services. The third recital states that the approximation of laws effected by the directive is limited to those national provisions of law which most directly affect the functioning of the internal market. The ninth recital states that it is fundamental, in order to facilitate the free circulation of goods and services, to ensure that trade marks enjoy the same protection in all the Member States.

60. Article 5 must therefore be interpreted in the context of the free movement of goods. That principle however applies to products coming from third countries only where they are in free circulation within the Community.³⁰ The Court of Justice has made it clear that products in free circulation mean those products which, coming from third countries, were duly imported into one of the Member States in accordance with what is now Article 24 EC³¹ and that 'non-Community goods declared for release for free circulation do not obtain the status of Community goods until commercial policy measures have been applied and the other formalities laid down in respect of the importation of goods have been completed and any import duties legally due have been not only charged but paid or secured'.³²

61. Non-Community goods must therefore be duly imported into the Community before they may benefit from freedom of movement. That to my mind explains why Article 5(3)(c) includes as an example of 'using [a mark] in the course of trade' 'importing or exporting the goods under the sign'. The Court has also stated that 'in adopting Article 7 of the [Trade Marks] Directive, which limits exhaustion of the right conferred by the trade mark to cases where the goods bearing the mark have been put on the market in the [EEA], the Community legislature has made it clear that putting such

goods on the market outside that territory does not exhaust the proprietor's right [under Article 5] to oppose the importation of those goods without his consent and thereby to control the initial marketing in the [EEA] of goods bearing the mark',³³ confirming the view that importation is necessary before the trade mark proprietor can exercise his rights under Article 5.

62. For as long as goods conserve their status as non-Community goods, however, I do not consider that offering them for sale will normally constitute a use of the mark in the course of trade which may be prevented by the owner of the mark as a matter of Community law.

63. If in fact the outcome of the offer for sale of the goods is that they are to be released into free circulation in the Community, the trade mark proprietor's rights will of course be infringed by such release and he is in principle entitled to prevent the transaction. I would mention again that Article 50(1)(a) of the TRIPs Agreement³⁴ requires national judicial authorities to have competence 'to order prompt and effective provisional measures ... to prevent an infringement of any

30 — Article 23(2) EC.

31 — Case 41/76 *Donckerwolke* [1976] ECR 1921, paragraph 16.

32 — Case C-66/99 *D. Wandel* [2001] ECR I-873, paragraph 36.

33 — See Case C-173/98 *Sebago and Maison Dubois* [1999] ECR I-4103, paragraph 21.

34 — Cited in footnote 26.

intellectual property right from occurring, and in particular to prevent the entry into the channels of commerce in their jurisdiction of goods, including imported goods immediately after customs clearance’.

64. In the light of my view that offering for sale trademarked non-Community goods which are stored in a customs warehouse where the trade mark proprietor has not consented to their entry into the EEA does not in principle constitute a use of the mark in the course of trade, I will consider what effect if any the additional circumstances (b) to (e) mentioned by the referring court in the context of its fourth question may have on that conclusion.

65. The circumstance mentioned in (b) is that the goods are being offered for sale or sold by the trader established in a Member State, from that Member State, to another trader established in a Member State, whilst the place of delivery is not (yet) specified. The circumstance mentioned in (c) is that the goods are being offered for sale or sold by the trader established in a Member State, from that Member State, to another trader established in a Member State, whilst the place of delivery is specified but the final destination is not, whether or not with the express condition that the goods are non-Community (transit) goods.

66. I do not consider that either of those factors affects the answer to the fifth question which I propose. While the fact that the purchaser of the goods is established in a Member State may suggest that the goods will be released into free circulation, at which point as discussed the trade mark proprietor will be entitled to assert his rights, such an outcome is still speculative until the final destination is determined since the purchaser may equally intend to market the goods outside the EEA.

67. The circumstance mentioned in (d) is that the goods are being offered for sale or sold by the trader established in a Member State to a trader established outside the EEA, whilst the place of delivery and/or final destination of the goods may or may not be specified.

68. With one qualification I consider that, for the reasons set out in the context of (b) and (c), the situation referred to in (d) also makes no difference to the answer I propose to the fifth question. Where however the final destination of the goods is specified and that destination is within the EEA, it will be evident that the goods will have to be released into free circulation before delivery and the trade mark proprietor is in my view entitled to assert his rights to prevent that release or delivery.

69. Finally, the referring court envisages in (e) that the goods are being offered for sale or sold by the trader established in a Member State to a trader established outside the EEA, who the (parallel) trader knows or has serious reason to suppose will resell or supply the goods in question to ultimate consumers within the EEA.

70. In those circumstances it will be evident that the goods are highly likely to be released into free circulation to effect delivery and the trade mark proprietor is in my view entitled to assert his rights to prevent that release or delivery.

71. The burden of proof required for such proceedings is the subject-matter of the referring court's sixth and final question.

The sixth question

72. By its sixth question the referring court asks which party bears the burden of proof of the acts mentioned in the first, second and fifth questions referred.

73. The first question refers to the entry without the trade mark proprietor's consent of non-Community trademarked goods 'in the context of transit or transit trade as referred to below'. I have explained why I consider that that question in substance asks whether bringing trademarked goods from a third country into the Community under the external transit procedure without the trade mark proprietor's consent amounts to 'using [the mark] in the course of trade' within the meaning of Article 5(1) of the Trade Marks Directive. The second question asks essentially whether storing such goods in a customs warehouse amounts to such use. The fifth question asks essentially whether offering such goods for sale constitutes 'offering the goods' within the meaning of Article 5(3)(b) and hence 'using [the mark] in the course of trade' within the meaning of Article 5(1). I take the sixth question to be asking who bears the burden of proof in proceedings alleging infringement of the trade mark in the circumstances described.

74. The applicant submits that he who alleges, on the basis of specific facts, that transit or transit trade is unlawful must prove those facts, since his allegations amount to an exception to the principal rule

of freedom of transit.³⁵ Moreover he will have to prove that the customs documents which determine the non-Community status of the goods are meaningless. In contrast, the fact that transit or transit trade is at issue must in general be proved by the owner or holder of the goods on the basis of the customs documents.

It is however also clear from the case-law, in particular *Sebago*³⁶ and *Zino Davidoff*,³⁷ that the owner of the goods must furnish evidence that the trade mark proprietor consented to their being put into free circulation. By analogy, it is for the owner of the goods in the circumstances outlined by the referring court to demonstrate that the goods were introduced not with a view to marketing them in the Community but as a logical step in their transport to a third country.

75. The defendants submit that it is for the trade mark proprietor to prove that his trade mark rights have been infringed, if he brings an action on that basis, in the sense that he must prove that he is the trade mark proprietor for the territory concerned, that the goods come from outside the EEA and that the goods have been introduced into that territory. If the trade mark proprietor proves the above, it is for the party who is accused of having infringed the trade mark to prove that he has not used the sign in the course of trade and is not going to do so.

77. I agree with the Commission that it is indeed clear from the preamble that the burden of proof in cases involving trade mark infringements is a matter for national procedural rules.

78. I do not however accept that the case-law invoked by the Commission is relevant to the issue which arises in the present case.

76. The Commission submits that the rules governing the burden of proof have been harmonised neither by the Trade Marks Directive nor by the Community Trade Mark Regulation. It is moreover clear from the preamble to the directive, in particular the 8th and 10th recitals, that such questions are governed by national rules of procedure.

79. It is not clear to me why the Commission refers to *Sebago*, which did not concern the burden of proof. *Zino Davidoff* on the other hand clearly did. That case concerned

35 — *Rioglass*, cited in footnote 15.

36 — Cited in footnote 33.

37 — Joined Cases C-414/99 to C-416/99 [2001] ECR I-8691.

the rule of exhaustion of rights set out in Article 7(1) of the Trade Marks Directive. That provision, which is an exception to the rule in Article 5(1) entitling the trade mark proprietor to prevent all third parties 'not having his consent' from importing goods bearing the mark,³⁸ provides that the trade mark proprietor's rights are exhausted where goods have been put on the market in the EEA by the proprietor or 'with his consent'. In *Zino Davidoff* the Court ruled that it was for the trader alleging consent to prove it and not for the trade mark proprietor to demonstrate its absence.³⁹

Court noted, it was necessary for the Court to supply a uniform interpretation of the concept of 'consent' within the meaning of Article 7(1). The referring court had asked whether such consent could be given implicitly or indirectly. The Court stated that in view of its 'serious effect in extinguishing the exclusive rights of [trade mark proprietors], consent must be so expressed that an intention to renounce those rights is unequivocally demonstrated'.⁴¹ It went on to say that it followed from that proposition that it was for the trader alleging consent to prove it.⁴²

80. That ruling however arose in a very different context from that of the present case. In *Zino Davidoff*, the Court stated that the trade mark proprietor's consent to goods bearing his trade mark having been put on the market was 'tantamount to the proprietor's renunciation of his exclusive right under Article 5 of the Directive to prevent all third parties from importing goods bearing his trade mark' and hence 'constitutes the decisive factor in the extinction of that right'.⁴⁰ In those circumstances, as the

81. The present case in contrast concerns the situation where a trade mark proprietor is seeking to prevent a trader from using his mark in the course of trade.

82. In *Zino Davidoff* there were cogent reasons for laying down rules concerning the burden of proof on the specific issue which arose in that case. That is not so in the present case. In the absence of cogent reasons, national rules on the burden of proof should apply.

38 — See paragraph 40 of the judgment in *Zino Davidoff*.

39 — Paragraph 54.

40 — Paragraph 41.

41 — Paragraph 45.

42 — Paragraph 54.

Conclusion

83. I accordingly conclude that the questions referred by the *Gerechtshof te 's-Gravenhage* should be answered as follows:

- (1) A trade mark proprietor may not oppose the entry into the customs territory of the Community without his consent of non-Community goods bearing his trade mark and subject to the Community external transit or customs warehousing procedure on the basis that such entry alone constitutes 'using [the mark] in the course of trade' within the meaning of Article 5(1) of the First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks.
- (2) For as long as such goods conserve their status as non-Community goods, offering for sale or selling the goods will not constitute 'using [the mark] in the course of trade' within the meaning of Article 5(1) of Directive 89/104.
- (3) The proprietor of the trade mark borne by such goods is entitled under Article 5 (1) of Directive 89/104 to prevent their release into free circulation in the European Economic Area.
- (4) In the current state of Community law, where a trade mark proprietor brings proceedings alleging trade mark infringement national procedural rules determine which party bears the burden of proof except with regard to the question whether the goods were put on the market in the European Economic Area under that trade mark with the proprietor's consent.