

Patent infringement by transit of goods through Germany

By Clemens Rübel

The German patent law enumerates the “acts of use” that are exclusive to the patent holder, specifying the manufacturing, offering, distributing and the use or import or owning for these purposes. This enumeration of the acts of use of a patented invention is being expanded by one more act exclusive to the patent holder which is said to have been created by interpretation of the term “distributing” in the case law of a patent infringement court: transit.

This “new” act of use is of considerable practical importance, in particular in Germany, which by its central geographical situation in Europe and in the European Union has become an important country of transit. The high practical relevance of a law granting to the patent owner the right to interdict transit is resulting from the ever growing claims to border seizure of IPR infringing goods by the custom authorities in Germany.

Many of the goods seized at the German borders or at harbors and airports on the basis of the European Regulation (EC) 1383/2003 are in transit through Germany. If transit was not treated as potential patent infringement, the sharp sword of border seizure in these rather frequent cases would be ineffective since if evidence was provided that the goods were indeed on “mere” transit, the goods would have to be released.

Patent owners therefore welcome the tendency triggered by a decision of the Hamburg District Court of April 2, 2004 which contrary to the case law to-date sees “mere” transit as an act of use reserved to the patent holder regards it as a sub-category of “distributing”, not least in order to prevent cases of misuse when goods declared for transit ultimately end up in Germany.

When assessing IPR infringement in this context, the Federal Supreme Court has always differentiated the so-called “uninterrupted transit” which lacks the business criteria of turn-over and sales defining “distribution” (BGH decisions “Taeschner/Pertussin” and “Zeiss” of 1957). These decisions were rendered according to trademark law but were also regarded as being authoritative for the interpretation of the term “distributing” in patent law.

Because of the great importance of the right to transport goods through Germany, the practice started by the Hamburg District Court which regards transit as an act of use of a patented invention is being followed by patent holders with much attention. In spite of the case law of the Supreme Court having been valid for fifty years, the ruling of the Hamburg District Court does not come as a surprise. The decision is part of a European-wide reaction on decisions of the European Court of Justice (ECJ) concerning trademark law rendered on January 7, 2004 in the case C-60/02 (“Rolex”) and of April 6, 2000 in C-383/98 (“Polo/Lauren”). The ECJ held in “Rolex” that Art.1 of the European Regulation (EC) 3295/94 of December 22, 1994 is to be applied also in cases when goods imported from a third country and in transit through another third country are seized on the claim of a rights owner alleging infringement.

In addition, the ECJ explained that the relevant provisions of national trademark law that do not prohibit mere transit of counterfeit goods through the territory of the concerned member state are contrary to this (“Polo/Loren”). According to the standing case law of the ECJ, the national courts have to interpret their national law according to the limits of the Community law insofar as such conform interpretation is appropriate to reach the targets prescribed by the Community norm: To guarantee to the rights holders protection of their intellectual property against interferences prohibited, according to Art. 2 of the European Regulation 3295/94, by applying civil law sanctions on counterfeit goods that are in transit through the territory of the respective country, i.e. civil law sanctions which are provided by national law for other prohibited acts, according to Art. 2 of the Regulation, insofar as they are effective, appropriate and have a deterring effect.

If such interpretation is possible, this means that according to the decisions of “Rolex” and “Polo/Lauren”, transit can be equated also in national law with the other above-mentioned acts of use reserved to the patent holder, with the consequence that, in case of illicit use, the patent holder is entitled to claim for cease and desist, damages, rendering of accounts and, as the case may be, destruction of the infringing goods. If such interpretation was **not** possible, national law would not conform to Community law.

Courts of several member states of the European Community have reached the conclusion, on the basis of this ECJ case law, that such interpretation of the term “transit” as one of the acts of use reserved to the patent holder is possible, and have enacted sanctions against those responsible for illegal shipments. Corresponding decisions according to trademark law were also rendered in Germany. One of these decisions has been forwarded to the Federal Supreme Court for assessment. In the widely noted decision “Diesel” of June 2nd 2005, the Federal Supreme Court has elaborated that, contrary to the decisions of “Rolex” and “Polo/Lauren”, it intends to keep to its case law according to which transit does not constitute an act of use. However, since the trademark law is harmonized among the member states of the European Union and the decision of the Federal Supreme Court also concerns Art. 20 and 30 EC, and since the Federal Supreme Court had doubts whether it could keep to its case law with regard to “Rolex” and “Polo/Lauren”, it could not finally decide on the present case but has forwarded the relevant questions to the ECJ for consideration. The ECJ has not yet decided on these questions.

The Federal Supreme Court reasons that it can keep to its case law in spite of “Rolex” and “Polo/Lauren”: In case of a mere transit business, the interest of the rights owner to preclude endangerment of his IP rights cannot be given preference (on the basis of the theoretical possibility that the goods may be distributed abusively in the inland) against the interest of the transporter in a non-infringing distribution in a third country of the Community and the interests of other parties engaged in the transit business as well as the general interest in an unimpeded transit through the inland. It can not be presumed that in general goods declared for transit are used for abusive distribution (BGH “Diesel”).

However, the Federal Supreme Court feels supported in its view by another decision of the ECJ of 23 October 2003, C-115/02 (Rioglass”) holding that mere transit does not constitute an act of use reserved to the holder of a protective right. Though this ruling was not rendered for the interpretation of trademark law but for the interpretation of Art 28 – 30 EC, it seems to contradict the case law of “Rolex” and “Polo/Lauren”. In this decision, the ECJ has explained that the connection between transit and the specific content of trademark law exists in the aim to safeguard the right of the trademark owner to use the trademark by way of first distribution of a product and to therefore protect him from competitors who under abuse of the status and

the reputation of the trademark are selling goods illegally labeled with this trademark. This protection does therefore only apply in the context of marketing of goods. A transit consisting of shipping goods manufactured in a member state through the territory of one or more states into a third state does not imply any marketing of the concerned goods and can therefore not infringe the specific subject of the trademark law. This conclusion holds true independently of the final destination of the goods in transit (“Rioglass”).

This means that an interdiction of transit inside the Community would constitute a contravention against Art. 28 EC, which is not justified by Art 30 EC. Accordingly, after “Rioglass” national trademark law is to be interpreted restrictively in accordance with European law. The risk that goods declared only for transit may end up wholly or partly in the inland does not justify any forcing of the owner/shipper to choose another route of transport. A general prohibition of transit in one or more EC-countries would force the owner/shipper to choose another route which from case to case could be equated with a prohibition of distribution and would thus discriminate against the foreign offerer vis-à-vis offerers domiciled in the inland.

The factual situation of “Rioglass” differs from “Rolex” and “Polo/Lauren” only in that the goods in the latter cases were imported from a third country and not from a member state of the Community. The Federal Supreme Court, however, does not regard this difference to be relevant. Nor does it consider the question of whether the goods had been manufactured legally or illegally in the country of origin (for instance, because there was no corresponding trademark registered in this country) to be a valid criterion of differentiation for the question of whether transit constitutes a marketing of the concerned goods in Germany and therefore concerns the specific subject of trademark law or not.

After this decision there are now doubts as to the trademark law: Does the ECJ really demand an interpretation of the term “transit” in national law as to the same sanctions being applicable like for the other above-mentioned acts of use, if the ECJ states, albeit in another context, that transit does not concern the specific subject of trademark law and that the act of transit does not in itself constitute an act of distribution (“Rioglass”)? It is very questionable whether it is possible to assess the interpretation of the term “transit” differently, depending on the

viewpoint of best effectiveness of the Piracy Regulation or from the viewpoint of the interpretation of Art. 28 and 30 EC. For this reason, the decision of the ECJ on the questions forwarded by the Federal Supreme Court in the “Diesel” case is eagerly awaited.

As shown by the ruling on patent infringement of the District Court Hamburg which builds on the decisions “Rolex” and “Polo/Lauren”, this discussion of interpretation of the trademark law is also relevant for patent law. However, neither in its decision of April 2nd 2004 nor in a later decision of July 1. 2005 (Az. 315 O 330/05 – not yet in force), with identical wording regarding the interpretation of transit as the act of use of “distributing”, has the Hamburg District Court taken “Rioglass” into consideration. It is also questionable whether one can subsume, as the Hamburg District Court did, the term of “transit” under the term “distribution” when taking into account a decision of the ECJ concerning design law (C-23/99 of September 26 1999) in which it explained that distribution does not mean the factual transportation of goods but bringing the goods to market, that is selling them.

The Hamburg District Court founds its decision that the German law regards transit as an act of use reserved for the patent owner primarily on the Regulation on Product Piracy 3295/94 and the following Regulation (EC) 1383/2003, according to which the detention of goods in transit on the grounds of a suspected patent infringement would become void if in national patent law transit would not be regarded as an act of use, since then the seizure would be lifted if the owner/shipper can prove that the goods were indeed only intended for transit. However, this may not be necessarily contradictory, because according to the Regulation (EC) 1383/2003, the customs authorities can become active merely on suspicion of patent infringement. But such suspicion may arise already if goods, which would constitute a patent infringement when being distributed in the country concerned, are being transited ostensibly, since cases exist when goods stay in the inland contrary to them being declared for transit. Consequently, in cases of transit, there may arise a need to seize goods even without their transit constituting a patent infringement until the person which declared these goods provides proof that the goods were indeed intended only for transit.

Furthermore, it seems to be a circular argument that, on the one hand, Regulation (EC) 1383/2003 states that goods seized on suspicion of patent infringement have to be treated

according to national law, and, on the other hand, a national court finds a patent infringement on the basis of Regulation (EC) 1383/2003 according to which goods can be seized on suspicion.

For these reasons the decision of the Hamburg District Court is not without controversy. Nevertheless it should not be expected that the Hamburg District Court will very quickly depart from its opinion. Since, in most cases, the patent owner can choose a forum advantageous to him, and Hamburg is home to the most important seaport of Germany, and it is not to be excluded that other courts will follow this example, patent owners as well as their competitors and those seeking a license should prepare themselves for transit being regarded as patent infringement, not only in Germany but also in other countries of the European Union.

Therefore, companies should not rely in their patent strategy on getting patents in their most important countries of distribution but should also apply for patents in countries with important seaports or in important transit countries of the European Union. In addition, companies should examine their existing patent license contracts or those that are about to be concluded for whether these licenses do cover not only the countries in which the goods are manufactured and distributed but also whether every single country through which the goods are transited is covered by the license. Some companies that deem themselves entirely safeguarded by licenses may experience a bad surprise if they do not consider transit as a “new” act of use.

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