

Question Q230

National Group: Swiss Group

Title: **Infringement of trademarks by goods in transit**

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Questions

I. Analysis of current legislation and case law

The Groups are invited to answer the following questions under their national laws and if applicable their regional/community legislation:

In-transit term

- 1) Does your country's law provide for an „in transit“ concept (regardless of the exact terminology)?

Neither statutory nor case law provides for a comprehensive “in transit” concept in the field of intellectual property in general or with regard to trademarks in particular. The terms “transit” and “to transit” (“Durchfuhr”/“durchföhren”, “transit”/“faire transiter”, “transito”/“far transitare”) are used in all Swiss intellectual property statutes (art. 13, 61 (1) (b) and 70 (1) of the Trademark Act; art. 8 (2) and (3), 86a (1), 86b (1) and 86c (1) of the Patent Act; art. 9 (1), 9 (1bis), 46 (1), 47 (1) and 48 (1) of the Design Act; art. 75 (1), 76 (1) and 77 (1) of the Copyright Act; art. 5 (b), 10(1) of the Topography Act). They made their first appearance in the Design Act that became effective on July 1, 2002 and were later introduced in the revised Patent Act, Trademark Act, Copyright Act and Topography Act, effective as from July 1, 2008.

None of these statutes includes a legal definition of the terms “transit” or “to transit”. Up to know, case law has only dealt with particular aspects of the issue of “transit” but not developed an overall concept in this regard. E.g. it was held that free warehouses (“Zollfreilager”/“dépôt franc”/“deposito franco”) located within the territory of Switzerland are to be considered Swiss territory for the purpose of both patent and trademark law (BGE 92 II 293; BGE 110 IV 108, 110, E.1 a;). The import of goods into Switzerland, their storage, packaging, repackaging on the premises of such free warehouses and their sale and export were found to fall within the scope of protection of patents or trademarks that are valid in Switzerland as the aforementioned actions might not be considered to represent “pure transit” (see also SMI 1971, 140; SMI 1975, 21).

Eventually, it should be noted that the meaning of the terms “transit” or “in-transit” may differ depending on whether they are used in an intellectual property context or in the context of customs law.

- 2) If yes to question 1, what term is used in your country to describe this concept?

See above.

- 3) If yes to question 1, does your country make a distinction between “custom transit”, “transshipment” and “in-transit”?

See above.

- 4) Does your country's “in transit” concept include for example customs warehouses, free warehouses, free zones and other customs procedures under which the goods are not released for free circulation and are kept under customs control?

See above

Goods in transit – infringement

In the following questions 5-12, “in-transit” refers to the term used in your country.

- 5) Are goods in transit considered to fall within the trademark owner's exclusive right to prevent others from importing goods bearing the trademark?

Yes. Since the partial revision of the Swiss Trademark Protection Act (entered into force on 1 July 2008), goods in transit, in addition to imported or exported goods, are expressly mentioned as being encompassed by a trademark owner's exclusivity rights (Article 13(2)(d) Swiss Trademark Protection Act). Therefore, transit of infringing goods may be prevented by the trademark owner.

A trademark owner's exclusivity rights also extend to commercially produced goods in transit that are intended for private purposes (Article 13(2^{bis}) Swiss Trademark Protection Act). However, transporting goods in transit for private purposes does not give rise to criminal liability (Article 65a Swiss Trademark Protection Act).

In the legislative process it was argued that the introduction of such right is justified in order to prevent Switzerland from becoming a transit country for pirated goods (Dispatch of the Federal Council re Patent Act, 132), although it was acknowledged that the inclusion of transit in the trademark owner's exclusive rights may give the owner certain excessive legal powers, in particular in cases where the goods are not protected in the country to which they are sent.

- 6) Taking into account the following scenarios, are goods in transit considered to be infringing in the country of transit if:

- i. goods bearing a trademark are sent from country A (where it is not registered) to country C (where it is not registered) via transit country B (where it is registered).

Yes; see above

- ii. the trademark owner has a valid trademark registration only in the country of destination (country C).

No, except if the trademark is protected under Swiss law as a well-known or famous trademark.

- iii. the trademark owner has a valid trademark registration only in the country of origin (country A).

No; see above 6 ii.

- iv. the final destination of the goods is not known at the time of entrance of the goods in the transit country (consider both scenarios – where it is registered in country B and where it is not registered in country B).

If the trademark is protected in the transit country (country B), then yes; if not, no. In any event, the final destination is not relevant under Swiss law.

- 7) In those scenarios where in-transit goods are considered to infringe a registered trademark right in the transit country:

- i. Would that be the case if it is shown that goods will be or that there is a risk for the goods being illicitly diverted into the market in the transit country?

No, this risk is irrelevant when assessing if the trademark is infringed.

- ii. Who has the burden of proof to show that goods will be or that there is a risk for the goods being illicitly diverted into the market of the transit country?

The trademark owner in the transit country bears the burden of proof. However this risk is irrelevant when assessing if the trademark is infringed.

- iii. What is the nature of evidence that may have to be submitted in this regard?

Irrelevant, cf. 7 i.

- iv. What is the standard of proof in such cases?

The risk of diversion does not have to be proven.

Categories of goods and trademarks

- 8) Are there any differences as to whether goods in transit are considered to be infringing in the country of transit if the goods are (i) counterfeit, (ii) parallel traded or (iii) bear confusingly similar trademarks?

Parallel traded goods in the country of transit would not be considered as infringing the trademark owner's rights under the principle of international exhaustion of trademark rights. Otherwise, Swiss law doesn't make any distinction between counterfeit or confusingly similar trademarks.

- 9) Is there any extended or special protection for well-known and famous trademarks in respect of goods in transit?

The "privilege" granted to owners of well-known or famous trademarks is not applied in any different way in respect of goods in transit.

- 10) Does the extended or special protection under question 9 above, exist even where no registration has been obtained in the country of transit?

Yes. The special protection granted for well-known marks in the sense of article 6^{bis} of the Paris Convention exists where no registration has been obtained in Switzerland (cf. Articles 3(2)(b) and 13(2) Swiss Trademark Act; see e.g. Rohner, *Die notorischbekannte Marke in der Schweiz*, Bern 2002, p. 159; MSchG – David, Art. 3 para. 51; Noth/Bühler/Thouvenin – Joller, Art. 3 MSchG para. 352).

According to the prevailing view in Swiss doctrine, the extended protection granted for famous trademarks under Article 15 of the Swiss Trademark Act exists even where no registration has been obtained in Switzerland (see e.g. Laredo, *Der markenrechtliche Schutz berühmter Marken in der Schweiz*, Bern 2006, p. 97-98; Marbach, *SIWR III/1*, para. 1650; Noth/Bühler/Thouvenin – Thouvenin, Art. 15 MSchG para. 12, with further references).

Border measures and Remedies

- 11) Are border measures available for goods in transit under your statutory law? If yes, please quote the corresponding article(s) or paragraph(s).

Yes, border measures are also available for goods in transit under Swiss statutory law (see answer to question 5).

The assistance of customs authorities is regulated in Articles 70 to 72h of the Swiss Trademark Act. The following border measures are available, inter alia, for goods in transit: notification of suspect consignments (Article 70(1)); temporary retention of suspect goods (Articles 70(2), 72(1) and 72(3)); non-release of suspect goods (Article 71); taking samples and specimens of suspect goods (Article 72a and 72e); destruction of goods (Article 72c to 72g).

- 12) Does your case law / jurisprudence deal with border measures regarding goods in transit? If yes, please comment if possible trends can be observed from court precedents, and in which direction.

The partial revision of the Swiss Trademark Act concerning goods in transit (see answer to question 5) only entered into force on 1 July 2008. The Working Group is not aware of any published court decisions specifically dealing with border measures regarding goods in transit under the revised law.

Importantly, however, border measures are not available if the trademark owner's exclusivity rights in relation to the goods in question are exhausted. The principle of international exhaustion applicable in Swiss trademark law is not expressly mentioned in statutory law, but is well accepted in Swiss doctrine and jurisprudence (BGE 122 III 469 – Chanel; BGE, sic! 2002 – KWC; see also Swiss AIPPI Report on question Q205, "Exhaustion of IPRs in cases of recycling or repair of goods").

- 13) What kinds of remedies are available if goods in transit are considered to be infringing in the transit country? Are, for example, injunctions, monetary damages, or destruction of such goods possible?

The remedies provided for in Switzerland are essentially the same for all types of trademark violations.

Injunctions, monetary damages or destruction of such goods are all possible.

- 14) If the answer to question 13 includes monetary damages, how are the damages computed?

The general principles apply. There are no specific rules in relation to the transit of goods.

- 15) If the answer to question 13 includes destruction of the infringing goods, who is responsible for ensuring the destruction of the infringing goods?

The responsibility for ensuring the destruction would in principle be the court who orders this measure or the customs authorities upon a request filed by the trademark owner.

II. Proposals for harmonisation

The Groups are invited to put forward proposals for the adoption of harmonised rules as to the infringement of trademarks by goods in transit. More specifically, the Groups are invited to answer the following questions.

Please note that in-transit in the following refers to the term in a broader sense and is not limited to a specific customs procedure.

Goods in transit – infringement

- 16) Should goods in transit be considered to infringe a registered trademark in the transit country? If yes, why? If no, why not?

Under Swiss law, the import, export and the transit (cf. Trademark Protection Act Art. 13 lit. d; in force since 1. July 2008) of goods are deemed to be domestic acts of use that are reserved exclusively to the Swiss proprietor of the mark.

According to the Swiss Working Group, such a legal norm goes too far. In today's globalized world, it is rarely possible to manufacture or process a product exclusively in one country. Transport to or through several countries for the purpose of manufacturing, further processing or final sale is almost inevitable and must not be obstructed by a trademark law that is too restrictive.

Against this background, we think that a harmonization only partly maintaining the currently applicable Swiss law would be desirable. Trademark law must permit that, under certain conditions, the transit of goods does not infringe trademark rights in the transit state. The issues addressed in questions 17 (lawfully manufactured or exported) and 18 (lawfully put on the market in the country of destination) focus on two aspects which should matter in this regard.

A slightly opener approach regarding the concept of transit infringement is currently stated already in the Swiss Patent Act (c.f. Patent Act Art. 8 para. 3). The transit of patent-infringing goods can only be prohibited when the patent owner can also prohibit the import into the country of destination. Assistance measures regarding goods in transit can only be provided by customs when direct evidence is present concerning infringement of a patent in both Switzerland and in the country of destination. A similar regulation might also be taken into account with a view on trademark law.

17) Should it matter whether the goods have been lawfully manufactured in and/or exported from the country of origin?

Yes, it should matter.

However, first of all, the definition of the term “lawfully manufactured” must be clarified. The Swiss Working Group understands the term to mean lawfully manufactured (only) according to trademark law (other legal norms such as those on public health are hence not taken into account).

It must be possible to prevent the transit of e.g. counterfeit goods through a transit country. In the view of the Swiss Working Group, the fact that a product has been lawfully manufactured on its own should however not suffice to preclude a trademark infringement of goods in transit. Hence, according to the Swiss Working Group, for there to be no infringement of trademark rights, a product must be lawfully manufactured and – cumulative – it must also be possible to lawfully place the product on the market in the country of destination (c.f. question 18).

18) Should it matter whether the goods could be lawfully put on the market in the country of destination?

Yes, it should matter.

In the opinion of the Swiss Working Group it is relevant, whether the proprietor of a mark in a transit state also has trademark rights in the country of destination. If this is the case, a transit should be deemed illegitimate due to an infringement of trademark rights.

However, as already stated above (question 17), according to the Swiss Working Group, for there to be no infringement of trademark rights with regards to goods in transit, a product must be lawfully manufactured and –cumulative – it must also be possible to lawfully place the product on the market in the country of destination.

19) If in-transit goods are not considered to infringe a registered trade mark in the transit country, should there be an exception if it is shown that the goods will be or that there is a risk for the goods being illicitly diverted onto the market in the transit country?

If there is a risk of diversion of goods in transit as supposed in the question general rules on imminent infringement will apply so that in principle such goods will be considered as infringing as imports. An explicit exception in the law is thus not required. It would, however, be desirable to establish rules for the assessment of the risk of diversion.

20) What kind of evidence should be presented for this exception to take effect?

In order to assess the risk of diversion the following should be taken into consideration:

- *evidence that goods in transit were sold or offered for sale to a party in the transit country;*
- *documents revealing the intention to do so;*
- *lack of identification of the goods as required by customs law;*
- *lack of information about manufacturer, sender or addressee;*
- *lack of cooperation of the importer with customs authorities, in particular silence on oral or written requests; or*
- *failure to respond to requests made by the rights holder.*

Categories of goods and trademarks

- 21) Should infringement by goods in transit be limited to counterfeit goods or should also parallel traded goods and goods bearing confusingly similar goods [recte: marks] be considered to infringe when in-transit?

If it can be shown that the goods have been manufactured legally in or exported legally from the country of origin and that they could be marketed legally in the country of destination there should be no infringement (see answers to questions 16 to 18). If that cannot be shown, transit should be considered as infringement of trademark rights in the transit country according to general rules and there is no need to differentiate between counterfeits and goods bearing confusingly similar trademarks. As regards parallel traded goods, the exhaustion regime applicable in the transit country should also apply to goods in transit.

- 22) Should famous and well-known trademarks enjoy extended protection in respect of goods in transit? If so, should this be the case even when no registration has been obtained in the country of transit?

Famous and well-known trademarks should enjoy extended protection as usual. If the country of transit provides for protection in certain cases even when no registration has been obtained, such protection should be available also against goods in transit under the conditions outlined above.

Border measures and Remedies

- 23) Should border measures be available for goods in transit?

According to the Swiss Working Group, border measures for goods in transit should be available, subject to the considerations below.

In general, the idea behind border measures to support trademark protection is the following: The import, export and transport in transit of infringing goods may be considered preparatory actions for marketing infringing goods. Such goods lead to substantial economic losses. Therefore, if trademark infringing goods can already be intercepted by the customs authorities when transiting a country, further trademark infringements may be prevented in an efficient manner.

There are also several other reasons and arguments in favour of border measures. First of all, counterfeiting activities are growing fast worldwide. The problem is getting more and more serious. It is therefore not only important to raise awareness, but also to find new ways of addressing and solving the problem. Another aim must be to dissuade potential infringers. According to the Working Group, border measures are a useful and suitable instrument in order to deal with these problems. The customs authorities are "at source" of trademark infringements and therefore provide an ideal starting point. Thereby, it has to be considered that even if the goods were not intended to be put onto the Swiss market, there is a substantial risk that they will enter the Swiss market at a later stage. Furthermore, the growing number of applications for assistance measures with the customs authorities shows that there exists a rising need of trademark owners. This indicates at least that the instrument of border measures is suitable and effective for the envisaged purpose.

In the view of the Swiss Working Group, the arguments in favour of border measures may not only be raised in the context of import and export, but also apply to goods in transit. First of all, Switzerland should not become a hub for counterfeit goods. Infringing goods must be blocked when they are en route from one jurisdiction to another. Moreover, the international cooperation and assistance on this issue, aimed at reducing or eliminating counterfeiting and piracy, is a key factor. Coordination between countries is the basis for improving enforcement of trademark protection. Countries should not act on their own to protect their own markets, but should look across their borders. If goods in transit are – together with imported and exported goods – subject to border measures, these aims can be achieved more efficiently and in a much shorter time. The inclusion of transit goods in the context of border measures is therefore an important part of international cooperation.

In summary, the Swiss Working Group in general supports the availability of border measures also for goods in transit. However, regulation of border measures for goods in transit should have its basis in trademark legislation and should not be stipulated in the customs legislation only. Furthermore, the customs authorities should not – with respect to goods in transit – be vested with greater competences than justified and reasonable under trademark law. This means that there should be consistency between the reach of trademark protection and the customs authorities' scope of action. Therefore, the circumstances under which border measures are available for goods in transit should be in line with the assessment as to what extent goods in transit are considered to infringe a registered trademark in the transit country or not (see answers to questions 16-18 above).

- 24) Should the same remedies (such as injunctions, monetary damages and destruction) be available for infringement by goods in transit as for other trademark infringements?

In general, to the extent goods in transit are considered to be able to infringe a registered trademark in the transit country (see answer to question 16-18 above), the same legal consequences should be stipulated for such an infringement as for other trademark infringements. As a result, also the same legal remedies should be available to the trademark owner.

The question that arises in this context, however, is whether the trademark owner's rights will be affected to the same degree by transit goods as is the case for other trademark infringements. In principle, the circulation of infringing goods harms the reputation and goodwill of a trademark. Hence, the trademark owner is always negatively affected by infringing transit goods. As far as (monetary) damages and their calculation are concerned, the respective compensation payments depend on a court having established that trademark infringement has occurred. Thereby, it will always be taken into account to what degree the trademark owner was actually affected and how serious the damage was. Also with respect to other civil claims, there is always a judicial examination of the individual case. As an exception, this is not true for the destruction procedure, since this lies within the competence of the customs authorities. However, in return for this, where the destruction of goods proves to be unjustified, the applicant will be exclusively liable for the resulting damages. Again, such an order for compensation can only be issued by a judicial body and not by the customs authorities.

Therefore, according to the Working Group, the same remedies should be available with respect to all trademark infringements. The mere fact that it is difficult to calculate (potential) damages suffered by trademark owners in transit situations should not be grounds for depriving them of the opportunity to claim compensation.

Furthermore, given the legislator's intention to ring-fence Switzerland from counterfeit products to the greatest degree possible, the trademark owners should be provided with

the same legal remedies for all trademark infringements with their respective deterrent effect.

25) Should the same defenses be available for the importers of goods in transit as for goods under direct importation from the country of origin or other?

According to the Swiss Working Group, there do not seem to be any valid reasons for making a distinction between defenses available for the importers of goods in transit and defenses for the importers of goods under direct importation. Therefore – and in accordance with the Group's answer to question 24 above – the same defenses should be available for all importers of goods, be it in transit or through direct importation.

National Groups are invited to any additional issue concerning the infringement of trademarks by goods in transit.

Summary

Since the partial revision of the Swiss Trademark Protection Act (entered into force on 1 July 2008), goods in transit, in addition to imported or exported goods, are expressly mentioned as being encompassed by a trademark owner's exclusivity rights. Therefore, transit of infringing goods may be prevented by the trademark owner. It is not relevant in this regard whether the trademark owner also has trademark rights in the country of the goods' origin or destination, or whether such transit may have any effect on the Swiss market.

The Swiss Working Group considers this approach to be unbalanced and thus not suitable to serve as a model for a harmonized rule. Transit should be permissible if the goods have been lawfully manufactured in the country of origin and can be lawfully put on the market in the country of destination unless there is a risk for the goods being illicitly diverted onto the market of the transit country. We consider it desirable that a harmonized rule would also define criteria to establish whether there is such risk of diversion. Once such risk is established the goods may no longer be considered to be in transit but to be about to be imported and thus subject to the general rules regarding trademark infringement.

A harmonized rule should provide for border measures to be also applicable to goods in transit subject to the conditions outlined above.

Zusammenfassung

Seit einer am 1. Juli 2008 in Kraft getretenen Teilrevision sieht das schweizerische Markenschutzgesetz vor, dass neben der Ein- und Ausfuhr von Waren auch deren Durchfuhr in den Ausschliesslichkeitsbereich des Markeninhabers fällt. Somit kann dieser auch die Durchfuhr markenverletzender Waren verhindern. Dabei ist es unerheblich, ob der Markeninhaber auch über Markenrechte im Herkunfts- oder Bestimmungsland der durchgeführten Waren verfügt oder ob sich deren Durchfuhr irgendwie auf den Schweizer Markt auswirkt.

Die Schweizer Arbeitsgruppe erachtet diese Lösung als unausgewogen und deshalb nicht dazu geeignet, als Vorbild für eine international harmonisierte Regel zu dienen. Die ungehinderte Durchfuhr von Waren sollte dann möglich sein, wenn diese im Herkunftsland rechtmässig hergestellt wurden und im Bestimmungsland rechtmässig vermarktet werden können, solange keine Gefahr besteht, dass sie unerlaubterweise dem Schweizer Markt zugeführt werden. Wir erachten es als wünschenswert, dass eine harmonisierte Regel einheitliche Kriterien festlegen würde, anhand derer sich bestimmen lässt, ob eine Gefahr einer unerlaubten Zuführung zum Markt des Durchfuhrlandes besteht. Ist letzteres der Fall, befinden sich die Waren nicht mehr auf der Durchfuhr, sondern es droht deren Import, weshalb sie den allgemeinen Regeln betreffend Markenverletzung unterliegen.

Eine harmonisierte Regel sollte vorsehen, dass zollrechtliche Massnahmen unter den obenerwähnten Voraussetzungen auch auf Waren im Transit Anwendung finden.

Résumé:

Depuis sa révision partielle entrée en vigueur le 1er juillet 2008, la loi suisse sur les marques prévoit qu'en plus de l'importation et de l'exportation le transit tombe dans le champ du droit exclusif du titulaire de la marque. Ce dernier peut dès lors empêcher le transit de produits violant sa marque. Il est indifférent que le titulaire de la marque bénéficie aussi d'une protection de sa marque dans le pays d'origine ou dans le pays de destination des marchandises ou que le transit de celles-ci soit susceptible d'avoir un impact sur le marché suisse. Le groupe suisse considère que cette solution n'est pas équilibrée et n'est dès lors pas propre à servir de modèle pour une règle harmonisée sur le plan international. Le transit libre de marchandises devrait être possible lorsque celles-ci ont été fabriquées licitement dans le produit d'origine et qu'elles peuvent être légalement commercialisées dans le pays de destination, pour autant qu'il n'y ait pas de risque qu'elles soient commercialisées illégalement en Suisse. Nous considérons qu'il serait souhaitable qu'une règle harmonisée établisse des critères unifiés déterminant les conditions d'existence d'un risque de commercialisation illégale dans le pays de transit. En cas d'un tel risque, les marchandises ne se trouvent plus en transit, mais en situation de menace d'importation, raison pour laquelle les règles générales relatives à la violation de la marque doivent s'appliquer.