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Montex and Rolex – Irreconcilable Differences? A Call for a Better Definition of Counterfeit Goods**

Introduction

In late 2006, the European Court of Justice handed down a remarkable decision on whether trademark owners can object to the mere transit of goods that they consider to infringe their trademark rights: *Montex Holdings Ltd v. Diesel SpA*¹ (*Montex*). The case has sparked a heated debate about the fate of infringing goods in international transit and – more specifically – about the role that the European Anti-Piracy Regulation² (APR) has to play in relation to such transit.

This article attempts to put the *Montex* decision in context and to give it a logical interpretation, consistent with its pedigree and with the international legal obligations that TRIPS³ imposes on the EU. As an extension of the analysis of the *Montex* decision, this article argues that there continues to be a role for a definition of “counterfeit goods” besides a general definition of “trademark infringement” but that the current definition of counterfeit goods requires a substantial overhaul.

The Case

The *Montex* case revolved around jeans bearing the mark “Diesel” that were about to enter Germany from Poland by truck. Poland was at that time not a Member State of the EU so this concerned the outer border of the EU.

The jeans were not manufactured by the well-known “Diesel” trademark owner and Diesel therefore requested the German customs to detain the jeans on the basis of the Anti-Piracy Regulation.

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** All views expressed in this article are solely those of the author.

1 Case C-281/05 *Montex Holdings Ltd v. Diesel SpA* (2006).

2 Council Regulation (EC) No. 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights (APR 2003). This Regulation has two predecessors, Council Regulation (EEC) No. 3842/86 of 1 December 1986 laying down measures to prohibit the release for free circulation of counterfeit goods (APR 1986) and 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 (APR 1994). The *Montex* case was decided with reference to APR 1994. I will use “APR” in this article as referring to the current regulation together with its predecessors, unless otherwise specified.

3 Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Annex 1C to the Agreement Establishing the World Trade Organization.

The German customs responded positively to the request and the goods were detained. In the (civil) procedure that followed, the owner of the jeans (Montex) argued that the goods did not infringe trademark law, at least not in Germany, as the goods were intended to go to Ireland, where Diesel does not own trademark rights. The goods would physically pass through Germany (and a number of other Member States) but would only be “imported”, i.e. cleared for free circulation, in Ireland.

The case went up to the German Supreme Court, which submitted questions for a preliminary ruling about the assessment of the situation under EU law. Specifically, the Supreme Court asked: “Does a registered trademark grant its proprietor the right to prohibit the transit of goods with the sign?”⁴

The European Court of Justice followed the reasoning that Montex advocated: The goods do not infringe Diesel’s trademark rights in Germany as the mere passage through Germany does not affect the essential function of Diesel’s trademark there, i.e. to provide Diesel the exclusive right to sell goods bearing the mark.

Consequences for the Interpretation and Application of the APR

The decision that the mere transit through Germany does not constitute trademark infringement under the Trademark Harmonisation Directive⁵ in itself is not so remarkable, as it is in line with the Court’s earlier decisions in *Rioglass*⁶ and *Class International*.^{7, 8}

Remarkable is the discussion that ensued about the relevance of the APR. Diesel pointed out that the APR explicitly mentions that counterfeit goods may neither be imported, exported, re-exported nor placed under a suspensive customs procedure.⁹ Diesel argued that the APR should lead to the

4 *Montex*, at para. 14.

5 First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks.

6 Case C-115/02 *Administration des douanes et droits indirects v. Rioglass SA and Transremar SL* (2003).

7 Case C-405/03 *Class International BV v. Colgate-Palmolive Company* (2005).

8 *Rioglass* and *Class International* are part of a line of cases in which the European Court of Justice attempts to balance the competing interests of (national) trademark protection and the free movement of goods in the internal market (Arts. 28 and 30 EC). An important tool in doing so is to confine the exercise of trademark protection to those instances where the “essential function” of the trademark, guaranteeing to consumers the origin of the goods, is at stake. *See also, e.g.*, Case C-206/01 *Arsenal Football Club plc v. Matthew Reed* (2002), at paras. 50–51. One example where this essential function is *not* affected is where the goods are never offered to consumers in the territory where the trademark protection applies.

9 Article 16 APR 2003. A suspensive procedure is a special status given to non-Community goods that physically enter the Community but that are not cleared for free circulation (Contd. on page 777)

conclusion that these goods may not be allowed entrance into Germany. Diesel also referred to the Court's 2000 and 2004 decisions in *Polo/Lauren*,¹⁰ a civil case, and *Rolex*,¹¹ a criminal case, which seemed to provide a clear precedent for Diesel's position. In those cases, both of which dealt with the situation where both the origin and the declared destination of the goods were outside the EU, the Court had held:

Article 1 of the [APR 1994] is to be interpreted as being applicable where goods of the type specified in the APR 1994 [i.e. counterfeit and pirated goods], imported from a non-member country, are, in the course of their transit to another non-member country, temporarily detained in a Member State by the customs authorities of that State.¹²

It justified this decision by finding that:

After all, the external transit of non-Community goods is not completely devoid of effect on the internal market. It is, in fact, based on a legal fiction. Goods placed under this procedure are subject neither to the corresponding import duties nor to the other measures of commercial policy; it is as if they had not entered Community territory. In reality, they are imported from a non-member country and pass through one or more Member States before being exported to another non-member country. This operation is all the more liable to have a direct effect on the internal market as there is a risk that counterfeit goods placed under the external transit procedure may be fraudulently brought on to the Community market, as several Governments pointed out in their written observations and at the hearing.¹³

In *Rolex*, it confirmed the need to penalise behaviour that contravenes the APR:

If the national court were to find that the relevant provisions of national law do not prohibit and, thus, do not penalise the mere transit of counterfeit goods through the Member State concerned, contrary none the less to the requirements under Articles 2 and 11 of [the APR 1994], it would be proper to conclude that those articles preclude the national provisions in question.¹⁴

On this basis, one would think that the APR would a fortiori apply to non-Community goods that are in transit to a destination *within* the Community territory.

(Contd. from page 776)

therein. This procedure is applied in several different circumstances, such as external transit, customs warehousing and temporary importation. See Council Regulation (EEC) 2913/92 of 12 October 1992 establishing the Community Customs Code, as amended, Art. 84 *et seq.*; and MARIUS SCHNEIDER & OLIVIER VRINS, "Community Legal Framework: Regulation (EC) 1383/2003", in: OLIVIER VRINS & MARIUS SCHNEIDER (eds.), "Enforcement of intellectual property rights through border measures" 80 *et seq.* (Oxford University Press 2006).

10 Case C-383/98 *The Polo/Lauren Company LP v. PT. Dwidua Langgeng Pratama International Freight Forwarders* (2000).

11 Case C-60/02 *Criminal proceedings against X* (2004) (*Rolex*).

12 *Polo/Lauren*, at para. 29.

13 *Polo/Lauren*, at para. 34.

14 *Rolex*, at para. 58.

The Court, however, had little sympathy for Diesel's position. It ruled that the question of trademark infringement had to be resolved with reference to the Trademark Harmonisation Directive. Under the Trademark Harmonisation Directive, mere transit does not constitute trademark infringement and "none of the provisions of [the APR] introduces a new criterion for the purposes of ascertaining the existence of an infringement of trade mark law".¹⁵

This raises the question: what use are the specific provisions in the APR (specifically aimed at preventing import, export and transit of counterfeit goods) if they are overruled by substantive trademark law that does not consider mere transit an infringement? This question is all the more justified if one takes into account that the APR originally only covered goods that were being declared for free circulation, but was purposely broadened in 1994 (*inter alia*) to include also prohibitions against transit.¹⁶

In the wake of *Montex*, different explanations of the (continued) role of the APR have been offered.

In The Netherlands, Van der Wal and Van Schaik¹⁷ have suggested that the purpose (and therefore the useful effect) of the APR is mainly to empower *customs* to take certain action, not to strengthen the material legal position of IP right owners. Reinisch¹⁸ and Heinze and Heinze¹⁹ seem to read the decision in a similar way.

Eijsvogels,²⁰ on the other hand, argues that the useful effect of the APR for right owners has been obscured in this case but does exist. He refers to a *fictio iuris* established by the APR that would – in this analysis – allow goods in transit to be assessed *as if* they were manufactured in the Member State where the customs took action. However, since Diesel did not *invoke* this

15 *Montex*, at para. 40.

16 See SCHNEIDER & VRINS, at 67–68.

17 GERARD VAN DER WAL & FREYA VAN SCHAİK, "Zet het arrest Montex/Diesel de deur open voor ongebreidelde transitohandel van nagemaakte merkgoederen? Of toch niet...", Boek9.nl, 4 December 2006, <http://www.boek9.nl/default.aspx?id=3000> (accessed 8 March 2008).

18 MARTIN REINISCH, "Maßnahmen eines Markeninhabers gegen eine im DurchfuhrMS für ihn markengeschützte, im Empfangsstaat aber nicht markengeschützte Ware", 2007 Österreichische Blätter für gewerblichen Rechtsschutz und Urheberrecht 79–84, at 83 ("[I]n der Produktpiraterieverordnung [sind] lediglich die Voraussetzungen für ein Tätigwerden der Zollbehörden und die durch diese zu treffenden Maßnahmen geregelt").

19 CHRISTIAN A. HEINZE & STEFAN HEINZE, "Transit als markenverletzung", 2007 Gewerblicher Rechtsschutz und Urheberrecht (GRUR) 740–748, at 745 ("Die [Produktpiraterieverordnung] regelt lediglich die Voraussetzungen eines Tätigwerdens der Zollbehörden und deren Maßnahmen").

20 FRANK EIJSVOGELS, "Some remarks on Montex Holdings Ltd./Diesel SpA", Boek9.nl, 24 November 2006, <http://www.boek9.nl/default.aspx?id=2968> (accessed 8 March 2008).

fiction, the Court could not rule on it, according to Eijsvogels. A similar argument has been made by Puts.²¹

I find neither explanation of the decision particularly convincing. I will very briefly explain why.

Van der Wal et al.’s explanation does not seem to be compatible with the ECJ’s decision in *Rolex*. In *Rolex*, the ECJ held that the APR required Austria to “penalise the mere transit of counterfeit goods through [Austria]”.²² These penalties should be directly effective against citizens²³ and therefore clearly go further than merely to provide to customs authorities appropriate powers and to specify the measures to be taken by them.²⁴

Eijsvogels et al.’s explanation makes the *fictio iuris* the pivotal point of the APR, while this *fictio* – if it ever properly existed – in the latest version of the APR (2003) has only returned in a vague formulation in Recital 8. It seems unlikely that the core functionality of the APR should be deduced from a recital.²⁵

It seems to me that the impact of *Montex* on the application of the APR is even different. I think that *Montex* has – possibly unintentionally – caused a watershed between *counterfeit and pirated goods* on the one hand and *other forms* of trademark or copyright infringement on the other hand. I will show this by examining the provisions of the APR that *could have been applicable*, together with the TRIPS provisions that the APR implements. This examination will show that all criteria for (mandatory) application of these provisions were met, except that the Diesel goods were not qualified as counterfeit or pirated goods, which rendered both the APR and TRIPS arguably inapplicable to the case at hand.

TRIPS and the APR: Mandatory Measures in Case of Importation of Counterfeit Goods

Diesel had every reason to suggest to the Court that the APR would have a bearing on the outcome of this case. Not only do the terms of the APR itself suggest that it was intended to apply to situations like these, but the APR

21 See ALOIS PUTS, “Enkele bedenkingen bij het Montex-arrest”, 2007 *Revue de droit commercial belge* 664–668, at 666; and ALOIS PUTS, “Goods in transit”, 194 *Trademark World* 22–23 (February 2007).

22 *Rolex*, at para. 58.

23 The Court reminds Austria that it should enforce the prohibitions from the APR against its citizens, but should bear in mind that the ECHR prohibits retroactive effect of criminal penalties. See *Rolex*, at paras. 61–63.

24 REINISCH and HANZE & HANZE base their interpretation on paras. 37–40 of *Montex*, in which the Court “summarises” APR 1994 without making clear what exactly the point is it wants to make. See *infra* note 59.

25 Cf. SCHNEIDER & VRINS, at 71 and note 32, who cite Recital 8 only for the proposition that “the national law of the Member State in which the customs intervention is requested applies when the scope of protection of national intellectual property rights ... has to be determined”.

(since its 1994 version, which was applied in this case) also serves to implement (certain provisions of) TRIPS.²⁶

TRIPS includes a special section on border measures (Part III, section 4), which applies *mandatorily* to “counterfeit trademark or pirated copyright goods”. Its mandatory rules apply where the right holder “has valid grounds for suspecting that *importation* may take place”.²⁷ TRIPS explicitly does not require that these measures apply to goods in transit.²⁸

In case such (suspected) importation of counterfeit or pirated goods takes place, TRIPS prescribes a number of procedural measures (e.g. that customs authorities can be requested to suspend the release of such goods), but also some substantive remedies. For instance, “in regard to counterfeit trademark goods, the authorities shall not allow the re-exportation of the infringing goods”.²⁹ Although this is not mentioned in so many words, TRIPS clearly takes a starting point that the *importation* of such goods shall also be prohibited.³⁰

With the APR, the European legislature has deliberately gone further than TRIPS requires. In particular, it has broadened the *situations* in which measures can be taken from just (suspected) *importation* to “virtually every customs situation”.³¹

In Montex, the Conditions for Applicability of TRIPS/APR Were (Apparently) Not Fulfilled

The first question in *Montex* was whether “a registered trade mark grant[s] its proprietor the right to prohibit the transit of goods with the sign”. I recall

26 Cf. the sixth recital of APR 1994: “Whereas the Community takes into account the terms of the GATT agreement on trade-related intellectual property issues, including a trade in counterfeit goods, in particular the measures to be taken at the frontier”.

27 Article 51 TRIPS (emphasis added).

28 Article 51 TRIPS, note 13 (“It is understood that there shall be no obligation to apply such procedures ... to goods in transit.”).

29 Article 59 TRIPS.

30 The somewhat unfortunate drafting of the relevant Arts. 51 TRIPS forces Members to “enable a right holder ... to lodge an application ... for the suspension ... of the release into free circulation” of counterfeit goods. It does not actually provide for the conditions under which a Member State shall be required to *effectuate* such a suspension. An obligation to prevent importation can be inferred from the text of TRIPS itself (e.g. Art. 46, *in fine*, provides that counterfeit goods may not be released “into the channels of commerce” and Art. 59 mentions that “re-exportation shall not be allowed”, which gives rise to the assumption that importation *a fortiori* will not be allowed) and from the incorporation by reference (in Art. 2 TRIPS) of Art. 9 Paris Convention, which calls for seizure of infringing goods upon importation. See about the relevance of Art. 9 Paris Convention also PUTS, 2007 Revue de droit commercial belge 667; and PUTS, 194 Trademark World 22–23 (February 2007).

31 SCHNEIDER & VRINS, at 72. See also KAREL DAELE, “Regulation 1383/2003: A New Step in the Fight against Counterfeit and Pirated Goods at the Borders of the European Union”, 2004 European Intellectual Property Review 214–223, at 216 (mentioning that the APR 2003 “covers basically every possible customs status”).

that the facts of the case concerned the entry under a suspensive customs regime into Germany of jeans that had Ireland as their (declared) destination. The ECJ found that neither TRIPS (which was not explicitly mentioned)³² nor the APR (which was explicitly mentioned) could change the (negative) answer to the question.

Why was neither legal instrument of influence in this case? For either TRIPS or the APR to have an impact on the answer to the question before the Court, three questions needed to be answered affirmatively:

1. Does the case concern a *category of goods* that falls within the realm of TRIPS or the APR?
2. Were those goods in a (*customs*) *situation* in which TRIPS or the APR would be applicable?
3. Is the *measure requested* (“prohibition of transit”) one that is available under either the TRIPS or the APR?

If all three conditions are fulfilled, TRIPS and/or the APR should have applied and changed the outcome of the case. Yet they did not.

It is my conviction that questions 2 and 3 should be answered affirmatively for the APR, but probably also for TRIPS, and that therefore the qualification of the goods (question 1) has prompted a negative answer from the Court. More specifically, failure by the relevant actors in the *Montex* case to make a distinction between (normal) trademark infringement and counterfeiting has, in my analysis, led to the present result. I will explain this by first answering questions 2 and 3 and subsequently establishing that question 1 indeed had to be answered negatively.

Question 2: Were the Goods in a (Customs) Situation in Which TRIPS or the APR Would Be Applicable?

TRIPS

As mentioned, TRIPS (mandatorily) applies when there is a case of (suspected) *importation* of goods.

The question raised by the German Supreme Court mentions *transit of goods* (through Germany to Ireland), which does not necessarily seem to constitute (suspected) *importation* in the sense of TRIPS.³³

In order to stay outside the (mandatory) application of TRIPS, the argument would have to be that placement under a suspensive procedure of goods that are physically brought into the EU does not (yet) constitute importation in the sense of TRIPS. However, this does not seem to be an adequate interpretation of TRIPS.

³² But the Court is bound to interpret EU law “in the light of the wording and purpose of” TRIPS; see Case C-53/96 *Hermès International v. FHT Marketing Choice BV* (1998).

³³ TRIPS does not define what constitutes “importation” in this context.

TRIPS *requires* Members (which include Germany) to make available the border measures at all their borders, except where a Member has formed a customs union with another Member.³⁴ In that case there is no requirement to apply the section on border measures at the *internal* borders. The section clearly presupposes that, in cases of a customs union, counterfeit and pirated goods will be detained at the outside border, not at an internal border.³⁵ Because members of a customs union typically have “dismantled substantially all controls over movement of goods across [their] border[s] with [other members of that customs union]”³⁶ the possibility of detainment at inside borders would not have much effect.

It seems fair to assume that TRIPS intends to prescribe the availability of border measures at all *actual* (external) borders. In other words, TRIPS meant to qualify the physical crossing of the external borders of the EU as *importation*. A relaxation of the border-measures requirement for members of a customs union with regard to their internal borders is incompatible with a regime whereby those members subsequently deny those border measures at the outside borders on the basis that there is not yet an importation for customs purposes. Briefly stated: if you do not control your internal borders, you must control your external borders and provide the prescribed border measures there.³⁷

APR

Under the APR, it is evident that the (customs) situation described in the questions of the German Supreme Court triggers its applicability. The APR

34 See Sec. 4 TRIPS (Arts. 51–61), note 12.

35 A note to the 1990 draft of TRIPS mentioned explicitly that “for the European Communities and for the purposes of this Section, the term “border” is understood to mean the external border of the European Communities with third countries”. See DANIEL GERVAIS, “The TRIPS Agreement: Drafting History and Analysis” 312 (2d ed., London, Sweet & Maxwell 2003).

36 Section 4 TRIPS, note 12.

37 It may be noted that the formulation of Art. 51 TRIPS casts some doubt on this analysis, as it requires Member States to enable a right-holder, “who has valid grounds for suspecting that the importation of counterfeit trademark goods . . . may take place, to lodge an application . . . for the suspension by the customs authorities of the *release into free circulation* of such goods” (emphasis added). This could be read as indicating that the decisive moment is not physical importation but entry into free circulation. It appears that the drafters may not have taken into account the possibility that a customs union would, on the one hand, “dismantle substantially all controls over movement of goods” but, on the other hand, allow the entry into free circulation of non-customs-union goods to be suspended upon entry.

It appears that both the Paris Convention (*cf.* Art. 9(1) and (4)) and TRIPS assume a dichotomous situation: goods are either entered for free circulation (“imported” in the terms of the Paris Convention) or are in transit, *i.e.* meant for a destination outside the customs union. It seems an arguable position that TRIPS does not allow goods to (physically) enter a customs union – given the absence of “substantially all controls” – without being subject to possible border measures, except if they are transit goods with a destination outside that customs union. *Cf.* also the discussion of Art. 59 TRIPS below, and note 45.

explicitly mentions that placement under a suspensive customs procedure is covered.³⁸ This has also been confirmed by the rulings of the ECJ in its *Polo/Lauren* and *Rolex* decisions:

- In *Polo/Lauren*, the Court mentions that the Community has, with the APR, “introduce[d] common rules for stopping counterfeit goods under a suspensive customs procedure such as the external transit procedure”.³⁹
- In *Rolex*, it states that “[i]t must also be recalled that [the APR] requires Member States to introduce penalties for infringements of the prohibition (...) on the release for free circulation, export, re-export and placing under a suspensive procedure of counterfeit goods”.⁴⁰

There seems no doubt that the ECJ confirms the legislators’ desire to apply the anti-counterfeiting rules at the external borders, no matter under what regime the goods are brought into the Community.⁴¹ It must be concluded that the Montex jeans should probably have been qualified as goods about to be “imported” in the sense of TRIPS and certainly qualified as goods “found when checks are made on goods ... placed under a suspensive procedure” within the meaning of the APR.⁴²

Hence, question 2, “Were the goods in a (customs) situation in which TRIPS or the APR would be applicable?” should be answered in the affirmative.

Question 3: Is the Measure Requested Available Under TRIPS or the APR?

TRIPS

The German Supreme Court asked whether the trademark proprietor is entitled to “prohibit the transit” of the goods. As may have become clear from the above, it seems that this may not be the right question to ask under TRIPS as applied to customs unions like the EU. Under TRIPS, the facts of the case should not be qualified as mere transit. This is a case of importation into a customs union which (for the purposes of TRIPS’ border measures) should be treated as importation, not as transit.

In other words, the question is actually: does TRIPS prohibit the (physical) *importation* of these goods into the EU? Article 51 TRIPS only mentions an (application for) suspension of release into free circulation. As is clear from

38 Article 1(b) APR 2003.

39 *Polo/Lauren*, at para. 33.

40 *Rolex*, at para. 55.

41 See also SCHNEIDER & VRINS, *supra* note 31, and DALE, *id.* The APR and the ECJ confirm that the measures may even be applied in cases of mere “transit”, which in this case must be understood to mean shipping goods from a location outside the EU, through the EU, to another location outside the EU without ever importing them into the EU for customs (free circulation) purposes.

42 Article 1(b) APR 2003.

the Customs Code,⁴³ placement under a suspensive regime is not release into free circulation in the EU. As indicated above,⁴⁴ it seems arguable that the drafters of TRIPS meant the border measures to be mandatorily available in every instance of physical importation except for transit to a destination outside the customs union.

Specifically in relation to counterfeit trademark goods, the availability of the measure of seizure of the goods in a wider array of customs situations than just declaration for free circulation seems to be supported by Art. 59 TRIPS, *in fine*, which mentions that “[i]n regard to counterfeit trademark goods, the authorities shall not allow the re-exportation of the infringing goods in an unaltered state *or subject them to a different customs procedure*” (emphasis added). This provision supports the assumption that it was the drafters’ intention also to prohibit the entry into a customs union of counterfeit goods under different customs regimes than free circulation, e.g. a suspensive procedure.⁴⁵

APR

In any event, the answer to the third question is much clearer under the APR. Goods found to qualify as counterfeit or pirated goods “shall”, under the APR, “not be placed under a suspensive customs regime”.⁴⁶ In fact, as noted,⁴⁷ the APR now covers essentially every possible customs situation. Since “transit” through the European Union requires that the goods are placed under a special customs regime, the measure of “prohibition of transit” is clearly available under the APR.

Hence, question 3, “Is the measure requested available under TRIPS or the APR?” should also be answered affirmatively.

Question 1: Were These Goods Counterfeit or Pirated Goods?

If there is 1) a case of importation (in the sense of TRIPS) or placement under a suspensive regime (in the sense of the APR) and 2) the measure requested by Diesel is one provided for under these two instruments, but still such measures are not available according to the ECJ, this leaves only one explanation: the ECJ did not treat the Montex goods as *counterfeit goods or pirated goods* in the sense of Art. 51 TRIPS or Art. 2 APR.

The goods were qualified (by the German Supreme Court) only as “goods with the sign”,⁴⁸ but that does not necessarily make them counterfeit or

43 See *supra* note 9.

44 See *supra* note 30 and the accompanying text.

45 See GERVAIS, at 325, who interprets this provision as meaning that “counterfeit goods ... may not be admitted under a different customs procedure or channel”.

46 Article 16 APR 2003.

47 See *supra* note 31.

48 *Montex*, at para. 14. The ECJ reformulated this as “goods ... bearing a sign which is identical with [the] trade mark”, *id.*, at para. 15.

pirated goods. Under Art. 2(1)(a) APR 2003, “counterfeit goods” are essentially:

goods, including packaging, bearing without authorisation a trademark identical to the trademark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the trademark-holder’s rights under Community law, as provided for by Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trademark or the law of the Member State in which the application for action by the customs authorities is made.

The definition in TRIPS is essentially the same.⁴⁹

This means that counterfeit goods (presumably) form a subset of all goods whose use in the course of trade would constitute trademark infringement. The wider category of goods whose use may constitute trademark infringement, in the European Union consists of (up to) three categories:

- a) Goods that are identical to those for which the trademark had been registered and which bear a mark that is identical to the registered trademark;⁵⁰
- b) Goods that are similar to those for which the trademark has been registered and which bear a sign that is similar to the registered trademark (if this creates a likelihood of confusion);⁵¹
- c) Goods that are not similar to those for which the trademark is registered but which bear a sign similar to a registered trademark that enjoys a reputation (if the use takes advantage of or is detrimental to the reputation of the trademark).⁵²

Although there seems to be a little room for discussion due to the diverging terminology, it seems that the definition of counterfeit goods only covers all of category (a) and possibly part of category (b).

The definition of counterfeit goods requires that the sign used be “identical” to the trademark or that it “cannot be distinguished [therefrom] in its essential aspects”. This essentially coincides with the ECJ’s definition of “identical” in category (a), which it has interpreted to include the situation where the sign “viewed as a whole . . . contains differences so insignificant that they may go unnoticed by an average consumer”.⁵³

49 Article 51, note 14 TRIPS provides that:

“For the purposes of this Agreement:

(a) “counterfeit trademark goods” shall mean any goods, including packaging, bearing without authorisation a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation”.

50 Cf. Art. 5(1)(a) Trademark Harmonisation Directive.

51 Cf. Art. 5(1)(b) Trademark Harmonisation Directive.

52 Cf. Art. 5(2) Trademark Harmonisation Directive.

53 Case C-291/00 *LTJ Diffusion SA v. Sadas Vertbaudet SA* (2003) (*Arthur et Felicie*).

The definition of counterfeit goods furthermore requires that the goods be “of the same type” as those for which the trademark is registered. The question is whether this was meant to encompass only identical goods or also “similar goods”. A plain-meaning analysis of the phrase “of the same type” would seem to indicate that this category is wider than “identical” and would include (at least part of) the broader group of “similar goods” of category (b).

On the other hand, an argument could be made that “counterfeit goods” should coincide with just category (a) (identical goods, identical trademark). A grammatical argument from the definition of counterfeit goods itself is that it mentions that the goods of the same category, bearing the identical mark, “thereby”⁵⁴ infringe the trademark holder’s rights. This does not appear to be a third requirement, but a consequence of the first two requirements: goods of the same category that bear an identical mark *as a consequence* infringe the trademark rights. Read in this way, the definition would point to just category (a), as it is the only category that leads to “automatic infringement” without additional requirements. Both categories (b) and (c) require additional findings: under (b) there must be likelihood of confusion and under (c) there must be advantage or detriment. Only for category (a) does there exist a direct relationship: identical goods that bear a sign identical to the trademark that *as a consequence* infringes trademark rights.⁵⁵

A further teleological argument could be found in the assumption that the drafters of the APR and TRIPS did not want to burden the customs authorities with analyses of whether goods are liable to cause confusion, an assessment that is not easily made and frequently requires market analysis. Presumably, the drafters wanted to limit customs’ tasks and responsibilities to the – relatively easy – task of assessing whether the goods and the signs are (quasi-)identical to the registered trademark.

Either way, we do not need to resolve here the issue of the exact scope of the definition of counterfeit goods. The important thing to note is that the definition of counterfeit goods – however interpreted – does not completely overlap with trademark infringement, and an additional analysis will always be needed to determine whether goods whose use could be qualified as trademark infringement also fall within the narrower definition of counterfeit goods.

The German Supreme Court, however, submitting questions for a preliminary ruling in *Montex*, did not include in those questions (nor, for that matter, in its entire decision)⁵⁶ the fact or assumption or even the possibility

54 German: *damit* / French: *de ce fait* / Dutch: *zodoende* / Italian: *pertanto* / Spanish: *por tanto*.

55 As I will explain below, it is not entirely correct that bearing an identical trademark automatically means infringement; for infringement an *action*, typically *use* of the trademark in the course of trade, is required.

56 German Federal Supreme Court decision of 2 June 2005, I ZR 246/02, published *inter alia* in 2005 GRUR 768.

that these goods were *counterfeit* goods. It merely inquired about the rights of a registered trademark owner in general, under the Trademark Harmonisation Directive.

As the determination of whether or not goods are counterfeit is of a factual nature, the ECJ could not itself enter this factor into the proceedings⁵⁷ and merely ruled on the basis of the Trademark Harmonisation Directive.⁵⁸

The Trademark Harmonisation Directive does not grant a trademark owner the right to prevent the mere passage of infringing goods through a Member State and “none of the provisions of [the APR] introduces a new criterion for the purposes of ascertaining the existence of an *infringement of trade mark law* or to determine whether there is a use of the mark liable to be prohibited because it infringes *that law*”, said the ECJ (emphasis added). It might have added: “It should be noted, however, that the APR and TRIPS do call for specific measures and sanctions to be available *vis-à-vis counterfeit trademark goods* that are found at the external borders of the EU.”⁵⁹

57 The qualification of goods as counterfeit under the APR requires findings of fact such as whether the goods bore a sign that “cannot be distinguished in its essential aspects from [another’s] trademark” and whether the goods were “of the same type”. The Court could, by the way, have re-qualified the question as an “importation” scenario rather than a transit scenario under TRIPS, because the facts allowed such a re-qualification. The facts, however, probably did not allow the Court to assume that these were counterfeit goods.

58 *Cf.*, e.g., the operative part of the *Montex* decision, which starts with: “[T]he Court hereby rules: 1. Article 5(1) and (3) of [the Trademark Harmonisation Directive] is to be interpreted as...”.

59 Some support for this interpretation might be found in the Court’s rather cryptic paras. 37–39:

“37. In [regard to Diesel’s invocation of the APR], the Court notes that Article 1 [APR 1994] lays down, first, the conditions under which the customs authorities are to take action where goods suspected of being counterfeit goods are ... placed under a suspensive procedure within the meaning of Article 84(1)(a) of [the Customs Code]... .

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

39. Third, the second and third recitals of that regulation ... refer expressly to the marketing of *counterfeit goods* or the placing of *such goods* on the market, and to the need to prohibit the release of such goods for free circulation in the Community.” (Emphasis added.)

Some commentators have instead emphasised the words “*marketing*” and “*release of such goods for free circulation*” in para. 39, suggesting that the court may have wanted to indicate that it reads the APR as only covering those activities (and not placement under a suspensive customs regime). Such a reading would, however, go against the plain meaning of the APR and the very recital that the Court is referring to (the third recital of APR 1994) mentions:

“Whereas, in so far as counterfeit or pirated goods and similar products are imported from third countries, it is important to prohibit their release for free circulation in the Community or their entry for a suspensive procedure and to set up an appropriate procedure enabling the customs authorities to act to ensure that such a prohibition can be properly enforced.” (Emphasis added.)

The dividing line seems clear: the prior cases, *Polo/Lauren* and *Rolex*, concerned *counterfeit* goods and these decisions reinforced the APR's provisions, emphasising that these goods should be stopped at the border. *Class International* concerned *non-counterfeit* goods and the goods could not be stopped at the border as the Trademark Harmonisation Directive does not provide a basis therefor and neither the APR nor TRIPs came into play.

Montex, finally, may *in fact* have concerned counterfeit goods but was interpreted and treated by the Court as a normal, non-counterfeiting case and therefore went in the “*Class International* box” and not in the “*Polo/Lauren* and *Rolex* box”.

Counterfeit Goods v. Other Forms of (Trademark) Infringement

This interpretation of the ECJ's decision in *Montex*, treating as a pivotal point the notion of *counterfeit goods* as distinguishable from (trademark) infringing goods in general, gives reason for a more careful consideration of this notion.

The APR was originally intended to cover (only) *counterfeit* goods.⁶⁰ However, right from the beginning, the definition of this term got off on the wrong foot. Counterfeit goods are – in my own definition – (only) those goods that falsely bear other parties' marks (or quasi-identical signs) in such a way that it can reasonably be assumed that they are intended to deceive the public in territories where the original mark is well known about the commercial origins of such goods.

An important attribute of this definition is that it describes a characteristic of the *goods as such*. It could be maintained that a good is – from its creation⁶¹ – either counterfeit or not, regardless of what is subsequently *done* with it. Note that this definition also does not depend on the location of the goods or the laws and/or trademark rights that may apply in that location. “Counterfeit” could be considered an inherent property of a good.⁶²

The manufacture and distribution of *counterfeit goods* (thus defined) is a plague with only negative social consequences and should be fought with all available means. So is copyright piracy. *Other forms* of (alleged) trademark

60 And the APR 1986 was indeed limited to that category; it did not include any other form of IP infringement. Cf. the full titles of the different versions of the APR, *supra* note 2, for a brief summary of the evolution of its scope.

61 Or at least from the moment the trademark is affixed to it.

62 Not dissimilarly, the World Health Organisation (WHO) defines counterfeit drugs as “[medicines] deliberately and fraudulently mislabelled with respect to identity and/or source”. See <http://www.who.int/medicines/services/counterfeit/overview/en/> (accessed 10 March 2008).

and copyright infringement⁶³ should be approached with much more nuance, if only because their social effects are not necessarily and unequivocally negative and civilised nations, including those that are members of the WTO, may differ as to the illegality of certain actions that some countries qualify as trademark infringement:⁶⁴

- Parallel import of genuine toothpaste from South Africa through the EU to the Ukraine and subsequent sale in that country may be considered undesirable but it is not criminal, nor is it forbidden in the Ukraine.⁶⁵ Yet some countries consider (certain forms of) parallel import to be trademark infringement.
- If it so happens that the trademark “HAG” for coffee is owned by two completely independent entities in Germany and Belgium,⁶⁶ the German company may have a legitimate desire to have its trademarked product, produced in Brazil, imported to Germany through the Antwerp harbour. Yet in many countries, such import would constitute trademark infringement.
- A trader in mattresses may have a legitimate desire to sell a shipment of German mattresses bearing the indication “Matratzen” (the German word for mattresses) to consumers in Spain. Yet, in Spain, “Matratzen” is a valid trademark for mattresses because to Spanish speakers it is not descriptive and the Spanish trademark owner can arguably invoke his trademark to impede imports of German mattresses.⁶⁷

The far-reaching prohibitions under the APR (which also cover the mere transit of goods) were intended for and may be reserved for real counterfeiting and the like: those acts that are almost always criminal are intended to deceive and harm, and necessarily have negative social consequences. They form the hard core of trademark infringement. About other forms of infringement there may not be a similar degree of international consensus, and measures like those available under the APR and TRIPS should not necessarily be extended to such other forms of infringement.

63 In the remainder of this article, I will only deal with trademark infringement and its malicious counterpart counterfeit goods. The reasoning applies *mutatis mutandis* to copyright infringement and its counterpart pirated goods. However, this discussion is not necessarily applicable to other forms of intellectual property infringement, such as patent infringement, which have different socio-economical backgrounds and whose inclusion in the APR has a different genesis.

64 I am not expressing a view as to whether these actions should or should not be covered by trademark or copyright law, I am merely suggesting that it is possible to put different types of infringements on a scale of “offensiveness” and – hence – that international agreement about their undesirability may vary.

65 Which fact, it might be added, is not incompatible with either the Paris Convention or TRIPS.

66 These facts are inspired by the famous HAG cases that were decided by the ECJ in 1974 and 1990 (Cases C-192/73 HAG I (1974) and C-10/89 HAG II (1990)).

67 These facts are inspired by Case C-421/04 *Matratzen Concord AG v. Hukla Germany SA* (2006).

The APR and TRIPS legislators have, however, not made a clear (enough) distinction between counterfeiting and piracy and other forms of infringement. The definition of counterfeit goods in the APR and TRIPS is both dogmatically imprecise and unfortunate.⁶⁸ For the sake of convenience, I repeat the definition of counterfeit goods from Art. 2(1)(a) APR 2003:⁶⁹

goods, including packaging, bearing without authorisation a trademark identical to the trademark validly registered in respect of the same type of goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the trademark-holder's rights under Community law ... or the law of the Member State in which the application for action by the customs authorities is made.

This definition is dogmatically imprecise because it refers to goods "bearing ... a trademark ... which is identical to [someone else's trademark] ... and which thereby infringes the trademark-holder's rights".⁷⁰ This is generally an impossible requirement.

Under our intellectual property laws, *goods or trademarks* are hardly ever infringing, *actions* are.⁷¹ Manufacturing, offering for sale, importing, copying or stocking goods that encompass the object of the trademark right is prohibited, not the trademarks as such or the goods as such. So, although it is a common shorthand formulation, it is technically incorrect to speak about "infringing goods" or "infringing trademarks". What are meant, are "goods/marks whose *use in the course of trade* in the territory where the trademark is registered constitutes trademark infringement".

While the use of this shorthand formulation does not normally lead to problems, the difference between *infringing goods* and *infringing actions* does become an issue especially when we are talking about border measures. The problem is that at the point in time when border measures are contem-

68 The same objections apply, *mutatis mutandis*, to the definition of pirated goods in Art. 1 of the APR.

69 See *supra* note 49 for the TRIPS definition of counterfeit goods.

70 Incidentally, the definition is different in the Dutch translation of the APR 2003, in that in the Dutch version the definition refers to "goods ... bearing ... a trademark ... which is identical to [someone else's trademark] ... and which thereby *infringe* the trademark-holder's rights". *I.e.*, this definition requires that the *goods* infringe, while the English definition requires that the *trademark* infringes. It appears that this is a mistake in the Dutch translation; the German, French, Italian, Spanish and Portuguese versions are in line with the English text. In any case, both versions of the definition suffer from the "technical defect" I describe.

71 If we consult the Community Trademark Regulation (Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community trade mark) and the Trademark Harmonisation Directive, we find that a "sign" is not "infringing" by virtue of its being identical or indistinguishable from a registered trademark. Instead, the trademark gives its owner the right to prevent others from *using in the course of trade* a sign that is confusingly similar to his mark. His action right is triggered by an *action* of the other party. *Cf.* Art. 9 Community Trademark Regulation; Art. 5 Trademark Harmonisation Directive.

plated, the goods are typically in containers in a customs zone in the harbour or at the airport and, at that point in time, there is no case yet of *use* in the course of trade in the territory of intended importation, hence also no infringement yet in that territory. This may seem like splitting hairs, but it was exactly this problem that Diesel was confronted with in *Montex*: the goods bore a trademark identical to Diesel's registered trademark in Germany and were identical to the goods for which Diesel's trademark was registered, but the German courts and the ECJ found that there was no case of infringement (because there was no use in the course of trade there), so border measures were not available.

So, to make border measures available to "goods . . . bearing . . . a trademark identical to the trademark validly registered in respect of the same type of goods . . . which thereby infringes the trademark-holder's rights" is nonsensical to the extent that it is interpreted to require an actual, current infringement.

At least the definition should be amended to include an action or the fiction of an action: e.g. a trademark *whose use* in the course of trade in relation to goods identical or similar to those for which the trademark is validly registered *would* infringe the trademark-holder's rights under Community law or the law of the Member State in which the application for action by the customs authorities is made.^{72, 73}

This would effectively mean that border measures would be available in cases in which (or, at least, at a time when) a normal trademark infringement action would not (yet) be available. Some would argue that it was not the intention of the APR (or the border-measures section of TRIPS, for that matter) to expand the substantive rights afforded by intellectual property rights,⁷⁴ but

72 The advocates of the position that the APR creates a *fictio iuris* that the products in question were "produced in the [the Member State of proposed importation]" (*see supra* notes 20–21 and the accompanying text) will argue that this concern has thus been addressed by the legislature. However, apart from the unsure footing of this fiction, it does not solve the problem for trademark issues; production of a trademarked good in a country does not necessarily constitute use in the course of trade.

73 An example of such a more correct definition can be found in the World Customs Organization's "Model Provisions for National Legislation To Implement Fair and Effective Border Measures Consistent with the Agreement on Trade-Related Aspects of Intellectual Property Rights" 5, Version of 19 May 2004, http://www.wcoipr.org/wcoipr/Menu_Model_Legislation.htm (accessed 11 March 2008):

"Goods Infringing Intellectual Property Rights shall mean:

Any goods which are made, reproduced, put into circulation or otherwise used in breach of the intellectual property laws and without the consent of the right holder or a person duly authorised to do so by the right holder. If such making, reproduction, use or putting into circulation of the goods took place outside [the country] the goods are deemed to be infringing *if the acts would have constituted an infringement in [the country] had they been undertaken in the country.*" (Emphasis added.)

74 *See, e.g.,* SIMON KLOPSCHINSKI, "Markenverletzung im Transit", 2006 European Law Reporter 502, at 507, 509, who emphasises that the APR takes an accessory position to material IP law ("*steht . . . in einem Verhältnis der Akzessorietät zum materiellen Imma-* (Contd. on page 792)

making border measures available only at such a time as *actual use* of the trademark in the course of trade in the country of importation is a given would take away much, if not most, of the useful effect of such *border* measures.⁷⁵

Moreover, the current definition of counterfeit goods is also unfortunate, because it links the counterfeiting to the (infringement of) trademark rights in the (fairly arbitrary) country of (intended) importation. A definition of counterfeit goods that is *irrespective* of national trademark rights would be much more effective and logical. Are fake Gucci bags manufactured in China not “counterfeit goods” as long as they are in China (assuming that Gucci would not have enforceable trademark rights there), and do they suddenly change nature when crossing the ocean to a country where Gucci does hold trademark rights?

The problem becomes even more poignant if one realises that the owners can change the “intended destination” of goods in mid-sea, or even after the goods have been allowed into the European Union under a suspensive regime. This may lead to constant changes in the qualification of the goods as counterfeit or not, based on more or less arbitrary decisions made by the owner of the goods who has a strategic interest in that qualification.

There are indications in both the APR and TRIPS that the drafters did see (and intend) a more fundamental distinction between counterfeiting on the one hand and other forms of infringement on the other hand, e.g. both instruments exclude parallel imports from their scope of (mandatory) application.⁷⁶ Apparently, it was felt that those acts – despite constituting trademark infringement in a number of countries – were not “hardcore” and “always bad” forms of trademark infringement that come within the common notion of counterfeit goods. Moreover, Art. 46 TRIPS provides that (specifically and only) “[i]n regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce”.⁷⁷ Apparently, “counterfeit” was indeed perceived as something of an almost inherent characteristic of the goods, almost independent of local trademark law.

(Contd. from page 791)

terialgüterrecht”) and that therefore activities that are not prohibited under trademark law, also cannot be prohibited under the APR (“*Handlungen, die nicht nach dem Markenrecht verboten sind, können auch nicht durch die [Produktpiraterieverordnung] verboten werden.*”).

75 This is all the more so, as the ECJ has, in the interest of the free movement of goods, restricted the possibilities of taking action against *prospective* use in the course of trade in the EU to those instances where the offering for sale of the goods bearing the trademarks “*necessarily* entails their being put on the market in the Community”, *Class International* at para. 61 (emphasis added), a requirement that is generally considered very difficult to prove.

76 See Art. 51 TRIPS, note 13 and Art. 3(1) APR 2003, respectively.

77 A similar provision has been part of the APR since its first version and can currently be found in Art. 17(1)(b) APR 2003. However – more so than in TRIPS – it is presented as a measure aimed at establishing appropriate *deterrents* to would-be counterfeiters.

However, none of these considerations are reflected in the definition of counterfeiting, which is unfortunate.⁷⁸ Moreover, in the context of the adoption of APR 2003, EU legislators made things worse by mentioning in Recital 3 that not only “counterfeit goods [and] pirated goods” but also “more generally, goods infringing an intellectual property right [originating in or coming from] third countries” should be made subject to the measures and prohibitions foreseen in the APR.⁷⁹

Language like this, seemingly equating “counterfeit” with infringing in general, has all but obliterated the original scope and purpose of the APR and has – in my analysis – led to the confusing result in *Montex* due to the failure of the relevant parties to the litigation (including the German Supreme Court) to qualify the goods in question as counterfeit.

It is my contention that it is now already necessary to properly qualify goods as counterfeit if they meet the current definition and, moreover, that it is possible and desirable to define a class of goods that are counterfeit without having regard to the present location of the goods and the coincidental trademark situation at that location. Such a definition would take into account the reality that counterfeiters do not write Prada (or Praba) on a handbag to sell it in a country where nobody has ever heard of Prada, despite the fact that they will always declare to customs that they intend to sell the products in such a country.

78 I have been unable to verify the exact genesis of the counterfeit definition in the APR. It already featured in the original version of the APR in 1986. The almost exact same definition was adopted by the Customs Cooperation Council for its 1987 Model Legislation and, after negotiations in the Uruguay Round of Negotiations from 1987 onwards, also found its way into TRIPS. From the minutes of the TRIPS Negotiating Group, we learn that:

“[t]he representative of the Customs Cooperation Council introduced the Model Legislation for National Legislation to Give the Customs Powers to Implement Trademark and Copyright Legislation. . . . The text had been finalised by the Permanent Technical Committee of the CCC in June 1988 for final approval. Some participants considered that the CCC text would be a source of inspiration for the Group’s own work and should be taken into account. It contained, for example, some useful definitions that might be applicable in the work of the Group.”

Meeting of the Negotiating Group of 29 February–3 March 1988, MTN.GNG/NG11/6, 8 April 1988, http://www.ipmall.info/hosted_resources/lipa/trips/6.pdf (accessed 11 March 1988).

79 Ironically – to add to the confusion – in relation to trademark and copyright infringement “goods infringing an intellectual property right” are subsequently defined (in Art. 2(1) APR 2003) as “counterfeit goods” and “pirated goods”. (In addition, goods infringing a patent, supplementary protection certificate, plant variety right, designation of origin or geographical indication or indication are also included in the definition. The point is, however, that in relation to trademark and copyright infringement, the applicability of the APR remains limited to *counterfeit and pirated goods* as defined in Art. 2(1)(a) and (b)).

Concluding Remarks

Intellectual property infringement within today's EU with its 27 Member States is a complicated matter. Goods may not – and in fact often will not – be infringing in all Member States at the same time.

The ECJ – bearing in mind the importance of the free movement of goods – has restricted the enforcement of IP rights to those acts that are actually liable to affect the essential function of the trademark. In cases (not dealing with counterfeit goods) like *Rioglass* (and *Class International*), this means that transit of goods cannot be prohibited. As a balancing act between fair and effective protection of intellectual property rights and an effectively functioning internal market, this can be justified.

However, we should not let down our guard when it comes to combating counterfeit and pirated goods. In such cases (especially where these goods originate from outside the Community) there is no reason to restrict the arsenal of weaponry provided by TRIPS and the APR to stop them. Alternatively stated, one could say that in situations like in *Polo/Lauren* and *Rolex*, the essential function of the IP right is *by definition*⁸⁰ affected. The decisions by the ECJ in those cases give a strong indication that the ECJ agrees with that.

This dichotomy justifies and requires that – contrary to what has happened in *Montex* – we maintain a clear divide between trademark and copyright infringement in general (which can be debatable, or even unintentional) on the one hand and counterfeit and pirated goods (whose illegitimacy cannot be seriously debated) on the other hand.

This requires a better definition of that latter category, which should not lean on the (national) infringement definition,⁸¹ but instead should make “counterfeit” something of an immutable characteristic of the goods. Such a better definition would also solve the issue of “holes in the fence”: EU countries where a particular trademark that has been counterfeited happens not to enjoy protection and where the current APR (and TRIPS) is therefore

80 By definition, a definition of counterfeit like the one suggested above implies that the goods only bear the mark in order to deceive the public, which always affects the essential function of the right. Even if the goods are in transit in a country where the right owner does not have any rights, the reasonable assumption that they were manufactured to eventually deceive the public merits intervention. A similar argument was made by PUTS, 2007 *Revue de droit commercial belge* 668.

81 In fact, as Heinze and Heinze have pointed out, under the current definition of counterfeiting Member States are now faced with the following conundrum: 1. *Rolex*, at para. 58, requires them to provide adequate measures prohibiting the “transit of counterfeit goods”. 2. “Counterfeit goods” are by the current definition only goods that infringe a trademark holder's right under that Member State's trademark law (as harmonised by the Trademark Harmonisation Directive). 3. Under *Class International* and *Montex*, mere transit of trademarked goods does not constitute infringement under the Harmonisation Directive. 4. Hence, there is by definition no such thing as “the transit of counterfeit goods”. See HEINZE & HEINZE, at 745.

assumed not to provide any relief (depending as it does on the trademark rights of the country of intended importation), thus opening a trap door for counterfeit goods to enter into free circulation.⁸²

If the European courts, including the ECJ, are then asked to speak again on the actions that can be taken against *counterfeit and pirated* goods presented at the borders of the EU, I am convinced that they must be and will be tough on counterfeiters, as the ECJ has been in *Polo/Lauren* and *Rolex* in conformity with the EU's obligations under TRIPS.

The discussion in *Montex* was not well formulated (ignoring the above-mentioned dichotomy and failing to appropriately qualify the goods as *counterfeit*): it asked the wrong question and got an undesired and undesirable⁸³ answer.