

Neutral Citation Number: [2008] EWCA Civ 24

Case No: A3/2007/2738

**IN THE SUPREME COURT OF JUDICATURE
COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE
CHANCERY DIVISION (INTELLECTUAL PROPERTY)
THE HON MR JUSTICE MANN
HC 07 C0 2877**

Royal Courts of Justice
Strand, London, WC2A 2LL
05/02/2008

Before:

**LORD JUSTICE RIX
LORD JUSTICE JACOB
and
SIR WILLIAM ALDOUS**

Between:

**Eli Lilly and Company
Lilly Icos LLC**

Claimants/Respondents

- and -

8PM Chemist Ltd

Defendant/Appellant

**Giles Fernando (instructed by Baker & McKenzie) for the
Claimants/Respondents
Richard Miller QC and Justin Turner (instructed by Fasken Martineau Stringer Saul) for the
Defendant/Appellant
Hearing date : 24 January 2008**

HTML VERSION OF JUDGMENT

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Lord Justice Jacob:

1. This is an appeal with the permission of this court from a decision of Mann J of 23rd November 2007, [\[2007\] EWHC 2829 \(Ch\)](#). Skipping a certain amount of now irrelevant matter, he held that the claimants ("Lilly") had an arguable case of infringement of trade mark against the defendants ("8PM") and granted an interim injunction against them. 8PM had themselves sought summary judgment in their favour.
2. A trial was set for March this year. In their application for permission to appeal 8PM also asked for expedition, since if they were right and there was no cause of action against them, the trial would be unnecessary. The permission to appeal was limited to whether they were right on this point.

3. Accordingly what we had to decide is whether there is an arguable case of trade mark infringement. Following the hearing, we had decided not and so discharged the interim injunction, subject to some minor points which could be taken care of by permanent undertakings proffered by 8PM. These are my reasons for that decision.

The Core Facts

4. These are undisputed. Lilly are a large world-wide pharmaceutical company. They are owners of the registered trade marks in suit, which consist of the words and logos Cialis, Lilly, Evista, Humalog and Humulin, registered for pharmaceutical products. These are all (save for one formulation of Humulin) prescription drugs. The marks are registered either as Community Trade Marks or UK marks. Nothing turns on the difference, the rules for infringement being the same in both cases.
5. There is a large market in the US for these Lilly products. Some patients (largely for reasons of price) have taken to trying to buy the genuine Lilly goods from sources outside the US, generally via internet purchasing, though some is done by fax or telephone.
6. 8PM is a substantial UK company operating a pharmacy business. It has about 100 employees. A relatively minor aspect of its business (carried out by one or two employees) consists of the activities complained of.
7. This case is about genuine Lilly products sold in Turkey. Patients in the US purchase and get these in the following way.

(1) They get a doctor's prescription for the product;

(2) They order the goods from a Canadian company over its website, Canadadrugs.com (sometimes it is a different Canadian company but nothing turns on this). The prescription or a copy of it is made available to the Canadian company which also has its own pharmacists who check the prescription and dosage regime to see it makes sense. The payment is in \$US.

(3) The Canadian company then places an order with a Turkish company. The patient's name and address, ready to print dispensing and address labels and a copy of the prescription are supplied electronically.

(4) The Turkish company has stocks of the drugs concerned, all genuine and packaged in boxes bearing the Lilly trade marks, instructions in Turkish and containing information leaflets in Turkish.

(5) The order is checked by a pharmacist who reviews the dispensing label to check the directions to see it complies with the prescription.

(6) The appropriate dispensing label is stuck onto one side of the Lilly box containing the product required to fulfil the prescription. The Lilly trade mark remains prominently used, as does much of the Turkish writing on the box. The product is then placed in an anonymous brown box.

(7) In the case of the temperature sensitive products, Humalog and Humulin, there is additional insulating packaging and some ice packs.

(8) The dispensing label stuck on the product bears the words "Complete Care Pharmacy" gives a Post Office Box address in "Slough UK" and a US toll-free number.

(9) The brown boxes are then sealed and provided with a label containing just the patient's name and address.

(10) About 700 such individual boxes are placed in each of some larger boxes. These are air freighted to 8PM in Slough. There, 8PM's employees open the larger boxes, affix Royal Mail stamps or use a Royal Mail franking machine to the actual patient boxes, take the stamped or franked products to a post office and post them to the patients concerned. The individual boxes are never unsealed and the Lilly trade

marks alleged to be infringed never see the light of day in Europe. Sometimes, in cases of urgency, a courier is used instead of Royal Mail, but this is rare because it is more expensive.

(11) 8PM's activities are all carried out under an authorised Customs procedure which enables products to be processed or dealt with in the UK without duty or VAT. The goods are under "Inward Processing Relief Suspension" (as to which more below) and are accordingly not "released for free circulation" in the EU.

Peripheral Facts

8. Although that is the core activity complained of, Lilly also originally complained of two other activities. These are likely to be very minor indeed. First, Lilly suggest that there are odd instances where the patient has been within the EU and that 8PM have posted the box to such a patient. Mr Miller QC accepted that if that had happened (he did not accept it had in the case of any Lilly product) it would be an infringement. He pointed out that 8PM would be in serious trouble if they did that anyway: they have no suitable necessary product licence and would be in breach of Customs rules applicable to Inward Processing Relief. He was willing to add to those existing prohibitions on his clients by giving an undertaking not to supply any product bearing any of the Lilly marks to anyone within the EU.
9. The other minor matter concerned possible returns from disgruntled patients (if any). The dispensing labels give the Slough "pharmacy" name and address. So the returns possibly might go there (though it is also possible they would be sent to the Canadian company, which after all, is the company from whom the patient actually bought the goods). 8PM said that in the case of all returns in the past the product had either been destroyed or returned to Turkey and was quite willing to undertake to continue to do so.
10. That deals with those minor matters. Of course Lilly are entitled to press on to trial if they consider that there have been significant supplies to EU customers and want damages for that, but they would do so at risk as to costs – proof of only trivial infringements of trade mark or of passing off have been met in the past by costs orders recognising the triviality of the litigation, see *Kerly's Law of Trade Marks and Trade Names* 14th Edn §§19-156-160. That is all the more likely under the CPR.

Disputed Facts

11. The heart of Lilly's complaint is that by using the dispensing labels from a pretend UK pharmacy and UK postage stamps or franks 8PM are representing to the US patients that the product has come from a UK pharmacy rather than a Turkish one. That, it is submitted, would give the product an aura of respectability or apparent respectability which is not justified. The patient would be more likely to trust a British than a Turkish source. So he was being deceived.
12. To support that assertion further Mr Fernando for Lilly showed us a printout from a website which compared drug prices – it said that Canadadrugs.com's "operations" "have been evaluated" for "Canada, UK, US". There is no mention of Turkey. Whether what was said on the website was the responsibility of Canadadrugs.com we do not know. It is not suggested that 8PM had anything to do with it.
13. 8PM would say that no one receiving the drugs, whose packaging was covered all over with Turkish writing, would think anything other than that they are Lilly Turkish product (or at least not Lilly UK product if they cannot recognise Turkish).
14. Mr Fernando also submitted that there was another reason the business was conducted this way. If there was direct shipment of large quantities from Turkey to the US and the individual boxes broken out and posted to the patients there, US Customs might well interfere. By sending the product in individual packets the activities "came under the radar" of US Customs. So there was deception of US Customs. 8PM deny this.
15. The final fact in dispute was about the temperature sensitive products Humalog and Humulin. Lilly say that these could degrade significantly to the detriment of the US patients. 8PM say not so, that there is not enough time for this to happen before delivery.

16. 8PM also say that the real reason for conducting the business in the way it is done is for the pragmatic reason that Turkish postal services are not sufficiently reliable or speedy. By getting the product to the UK in a large shipment they can be got into the post much more reliably than by sending them direct from Turkey. They say that the reference to the pharmacy in Slough is for possible returns. But they would readily drop it. In riposte Mr Fernando said that even if that were done, the mere fact of use of a British postal stamp or frank would deceive the US patient.
17. Obviously these are all issues of fact. If any were relevant they would need a trial. But, as I shall demonstrate, they are not relevant in law. This is hardly surprising. We are, after all, talking about alleged infringement of European or British trade marks – one would not expect deception in the US to come into that.

The Legislation.

18. The key provision governing infringement of registered trade marks is Art.5 of the Trade Marks Directive (89/104/EEC). It is reproduced in s.10 of the UK Act for infringement of UK marks and in Art 9 of the Community Trade Mark Regulation (40/94). It reads, so far as relevant:

1. The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

- (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;

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

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

The key words for present purposes are "using in the course of trade" and "importing or exporting."

19. I must also quote the key provision about exhaustion of trade mark rights (also reproduced in the UK Act and Regulation):

Article 7 - Exhaustion of the rights conferred by a trade mark

1. The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent.

2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.

The Jurisprudence

20. In *Davidoff*, (C-414/99, [2001] ECR I-869, the Court of Justice has made it clear a trade mark owner can complain of importation into the EU of goods genuinely bearing his trade mark unless he has expressly or unequivocally indicated by conduct that he consents to this. Trade mark law gives him control over the initial marketing in the Community.
21. This is in addition to the notion of the specific-subject matter of a trade mark as developed by the court. This is expressed, for instance, in the *Arsenal* case, C-206/01, [2002] ECR I-10273:

[48] ... the essential function of a trade mark is to guarantee the identity of origin of the marked goods or services to the consumer or end user by enabling him, without any

possibility of confusion, to distinguish the goods or services from others which have another origin. For the trade mark to be able to fulfil its essential role in the system of undistorted competition which the Treaty seeks to establish and maintain, it must offer a guarantee that all the goods or services bearing it have been manufactured or supplied under the control of a single undertaking which is responsible for their quality [citations follow]

[50] For that guarantee of origin, which constitutes the essential function of a trade mark, to be ensured, the proprietor must be protected against competitors wishing to take unfair advantage of the status and reputation of the trade mark by selling products illegally bearing it [citations]. In this respect, the 10th recital of the preamble to the Directive points out the absolute nature of the protection afforded by the trade mark in the case of identity between the mark and the sign and between the goods or services concerned and those for which the mark is registered. It states that the aim of that protection is in particular to guarantee the trade mark as an indication of origin.

[51] It follows that the exclusive right under Article 5(1)(a) of the Directive was conferred in order to enable the trade mark proprietor to protect his specific interests as proprietor, that is, to ensure that the trade mark can fulfil its functions. The exercise of that right must therefore be reserved to cases in which a third party's use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.

22. Now the essential function of Lilly's European trade marks is in no way jeopardised by 8PM's activities. No one in Europe even sees the trade marks. It is unlikely in those circumstances that there will be infringement. Nonetheless one must ask whether there is a use of the marks "in the course of trade." More specifically is there an "import" or "export", the specific instances identified in Art.5(3) being examples of the generality of Arts. 5(1) and (2)?
23. It is in this context that the ECJ case of *Class International v Colgate Palmolive*, C-405/03 [2005] ECR I-8735, is of decisive importance. A container of genuine "Aquafresh" toothpaste was in a Customs warehouse in Rotterdam stored under Customs control. The defendant owners had not contracted to sell the product inwards or indeed decided what to do with it all. The ECJ held there was no infringement. I must cite a number of passages in full:

33 Article 7(1) of the Directive and Article 13(1) of the Regulation limit exhaustion of the rights conferred on the proprietor of a trade mark to cases where goods are put on the market in the Community. They allow the proprietor to market his products outside the Community without thereby exhausting his rights within it. By making it clear that putting goods on the market outside the Community does not exhaust the proprietor's right to oppose the importation of those goods without his consent, the Community legislature has thus allowed the trade mark proprietor to control the initial marketing in the Community of goods bearing the mark (see, in particular, on the subject of the Directive and with reference to the territory of the EEA, Joined Cases C-414/99 *Zino Davidoff and Levi Strauss* [2001] ECR I-8691, paragraph 33).

34 'Importing' within the meaning of Article 5(3)(c) of the Directive and Article 9(2)(c) of the Regulation, which the trade mark proprietor may oppose in so far as it entails 'using [the mark] in the course of trade' within the meaning of Article 5(1) of the Directive and Article 9(1) of the Regulation, therefore requires introduction of those goods into the Community for the purposes of putting them on the market therein.

35 The putting on the market in the Community of goods coming from a third country is subject to their release for free circulation within the meaning of Article 24 EC.

36 Entry of non-Community goods for customs procedures such as external transit or customs warehousing is distinguishable from placing them under the customs procedure of release for free circulation, which, pursuant to the first paragraph of Article 79 of the Customs Code, confers on non-Community goods the customs status of Community goods.

37 Pursuant to Article 37(2) of the Customs Code, non-Community goods subject to the external transit procedure or the customs warehousing procedure remain under customs supervision until, in particular, their customs status is changed to Community goods. In accordance with Article 91(1)(a) and Article 98(1)(a) of the Customs Code, they are not subject to import duties or to commercial policy measures. In fact, goods coming from third countries and placed under the external transit procedure generally pass through one or more Member States then to be dispatched to a third country. As for non-Community goods placed under the customs warehousing procedure, they are generally stored in Community customs territory while awaiting a final destination, which is not necessarily known at the time of storage.

38 On the other hand, non-Community goods released for free circulation become Community goods. They gain the benefit of the free movement of goods pursuant to Article 23(2) EC. In accordance with Article 24 EC and the second paragraph of Article 79 of the Customs Code, they must be covered by formalities in respect of the importation of goods and give rise to the levy of customs duties and, where necessary, the application of commercial policy measures.

39 Article 48 of the Customs Code provides that non-Community goods presented to customs are to be assigned a customs-approved treatment or use authorised for such non-Community goods.

40 Under Article 4(15) and (16), Article 37(2) and Article 182 of the Customs Code, that customs-approved treatment or use means:

- the placing of goods under a customs procedure, for example release for free circulation, transit or customs warehousing;
- their entry into a free zone or free warehouse;
- their re-exportation from the customs territory of the Community;
- their destruction;
- their abandonment to the Exchequer.

41 Article 58(1) of the Customs Code states that goods may at any time be assigned any customs-approved treatment or use irrespective of their nature or quantity, or their country of origin, consignment or destination.

42 It is therefore apparent that non-Community goods placed under the external transit procedure or the customs warehousing procedure may at any time be assigned another customs-approved treatment or use. They may, in particular, be placed under another customs procedure, where appropriate that of release for free circulation, or else be re-exported outside the territory of the Community.

43 Release for free circulation, a requirement for putting goods on the market in the Community, is therefore only one of the options open to the trader who brings goods into the Community customs territory.

44 As long as that option is not chosen and the requirements of the customs-approved treatment or use, other than release for free circulation, under which the goods have been placed are satisfied, the mere physical introduction of those goods into the territory of the Community is not 'importing' within the meaning of Article 5(3)(c) of the Directive and Article 9(2)(c) of the Regulation and does not entail 'using [the mark] in the course of trade' within the meaning of Article 5(1) and Article 9(1) respectively.

45 The trade mark proprietor cannot therefore oppose that introduction pursuant to those provisions or make it conditional on the existence of a final destination already specified in a third country, possibly pursuant to a sale agreement.

46 That conclusion is not called into question by Article 58(2) of the Customs Code, under which the choice by the trader concerned of customs-approved treatment or use is not to preclude the imposition of prohibitions or restrictions justified on grounds of, inter alia, the protection of industrial and commercial property.

47 The saving provision in question is only for cases in which the customs-approved treatment or use would adversely affect industrial and commercial property rights. Placing non-Community goods under a suspensive customs procedure does not make it possible for them to be put on the market in the Community in the absence of release for free circulation. In the field of trade marks, such placing of original goods bearing a mark is not therefore, per se, interference with the right of its proprietor to control the initial marketing in the Community.

50 The answer to the first part of the first question and the second and third questions must therefore be that Article 5(1) and (3)(c) of the Directive and Article 9(1) and (2)(c) of the Regulation must be interpreted as meaning that a trade mark proprietor cannot oppose the mere entry into the Community, under the external transit procedure or the customs warehousing procedure, of original goods bearing that mark which had not already been put on the market in the Community previously by that proprietor or with his consent. The trade mark proprietor cannot make the placing of the goods at issue under the external transit procedure or the customs warehousing procedure conditional on the existence, at the time of the introduction of those goods into the Community, of a final destination already specified in a third country, possibly pursuant to a sale agreement.

24. That is a clear decision to the effect that a trade mark owner's goods which are "non-Community" goods, are to be regarded as not having entered the EU. For trade mark infringement purposes. Although there is physical presence there is no "import" within the meaning of the Directive. [34] is quite explicit on the point: "using [the mark] in the course of trade' therefore requires introduction of those goods into the Community for the purposes of putting them on the market therein."
25. [44] is equally explicit: "As long as ... the requirements of the customs-approved treatment or use, other than release for free circulation, under which the goods have been placed are satisfied, the mere physical introduction of those goods into the territory of the Community is not 'importing' ... and does not entail 'using [the mark] in the course of trade'.
26. So also is [47]: "Placing non-Community goods under a suspensive customs procedure does not make it possible for them to be put on the market in the Community in the absence of release for free circulation. In the field of trade marks, such placing of original goods bearing a mark is not therefore, per se, interference with the right of its proprietor to control the initial marketing in the Community".
27. Mr Fernando submitted that *Class* is distinguishable. It was concerned with goods under actual Customs control, whereas 8PM use "inward processing." The difference, he submits, is that the goods acquire something of a British flavour or appearance by having a Royal Mail stamp on the box.
28. However I think that that the different Customs procedure used by 8PM is a distinction without a difference. Just as in *Class*, the goods are not "released for circulation" and do not become "Community goods." There is no interference with the proprietor's right of first marketing in Europe. That is the touchstone identified by the Court in *Class*.
29. I should elaborate on this. It is necessary to refer to the Customs Code (Reg. 2913/92) and its implementing Regulation (2494/93). We were given copies as they have been amended and it was agreed we should work from those. I will be a brief as I can.
30. The Code provides definitions of "Community Goods" and "Non-Community Goods" in Art. 4:

"(7) 'Community goods' means goods:

- wholly obtained in the customs territory of the Community under the conditions referred to in Article 23 and not incorporating goods imported from countries or territories not forming part of the customs territory of the Community. Goods obtained from goods placed under a suspensive arrangement shall not be deemed to have Community status in cases of special economic importance determined in accordance with the committee procedure,
- imported from countries or territories not forming part of the customs territory of the Community which have been released for free circulation,
- obtained or produced in the customs territory of the Community, either from goods referred to in the second indent alone or from goods referred to in first and second indents.

(8) 'Non-Community goods' means goods other than those referred to in subparagraph 7."

It is not now disputed that the consignments concerned never become "Community goods" within the meaning of (7). So, by (8) they are "non-Community" goods.

31. The Code then provides a definition:

"(15) 'Customs-approved treatment or use of goods' means:

- (a) the placing of goods under a customs procedure;
- (b) their entry into a free zone or free warehouse;
- (c) their re-exportation from the customs territory of the Community;
- (d) their destruction;
- (e) their abandonment to the Exchequer."

32. (a) of this definition requires one to know what is meant by "a customs procedure." That is defined:

"(16) 'Customs procedure' means:

- (a) release for free circulation;
- (b) transit;
- (c) customs warehousing;
- (d) inward processing.
- (e)"

33. The Code then goes on to deal with "customs supervision":

"Article 37

1. Goods brought into the customs territory of the Community shall, from the time of their entry, be subject to customs supervision. They may be subject to customs controls in accordance with the provisions in force.

2. They shall remain under such supervision for as long as necessary to determine their customs status, if appropriate, and in the case of non-Community goods and without prejudice to Article 82(1), until their customs status is changed, they enter a free zone or free warehouse or they are re-exported or destroyed in accordance with Article 182."

34. Title IV of the Code deals with "Customs-approved Treatment or Use." Chapter 1 starts with a heading "General." Art. 58 provides

"1. Save as otherwise provided, goods may at any time, under the conditions laid down, be assigned any customs-approved treatment or use irrespective of their nature or quantity, or their country of origin, consignment or destination.

2. Paragraph 1 shall not preclude the imposition of prohibitions or restrictions justified on grounds of public morality, public policy or public security, the protection of health and life of humans, animals or plants, the protection of national treasures possessing artistic, historic or archaeological value or the protection of industrial and commercial property."

35. Section 3 of Title IV deals, under heading A, with "Provisions common to several procedures". Art 84 provides that the term 'procedure' as applying to non-Community goods, applies to, amongst other things, "external transit", "customs warehousing" and "inward processing in the form of a system of suspension."
36. So both the procedure in *Class* and the procedure used by 8PM are treated the same – they are both "procedures."
37. Art. 85 provides that any procedure with economic impact is conditional upon authorization by customs authorities and Art 86 provides for a requirement of necessary guarantees and customs supervision and monitoring. There are, as one would expect, sanctions for breach of the authorization conditions (I use American spelling). Though no member of the EU uses that, EU legislation is apt to do that, I suspect because American spelling is the default for Word.
38. The Code then goes on to deal with "external transit" setting out conditions for transit of "Non-Community" goods. There is then provision about "customs warehouses" (the toothpaste in *Class* was in such a warehouse). It may be noted that such a warehouse need not be owned or run by Customs for there is provision for private warehousing.
39. The Code then, at Art.114 onwards, provides for "Inward Processing". Art 114 provides:

1. Without prejudice to Article 115, the inward processing procedure shall allow the following goods to be used in the customs territory of the Community in one or more processing operations:

(a) non-Community goods intended for re-export from the customs territory of the Community in the form of compensating products, without such goods being subject to import duties or commercial policy measures;

(b) goods released for free circulation with repayment or remission of the import duties chargeable on such goods if they are exported from the customs territory of the Community in the form of compensating products.

2. The following expressions shall have the following meanings:

(a) suspension system: the inward processing relief arrangements as provided for in paragraph 1(a);

...."

The procedure used by 8PM and approved by Customs comes under 114(1)(a) being for "non-Community goods intended for re-export."

40. Supplementary details about the procedure are contained in the Implementing Regulation. Art 531 provides that "Non-Community goods may undergo the usual form of handling listed in Annex 72." Annex 72 includes packing and unpacking goods (Art. 16) and "any usual form of handling ... intended to ... prepare them for distribution ... provided that these operations do not change the nature or improve the performance of the goods."
41. It is now conceded that what 8PM does is permitted by this. Mr Fernando at one point suggested otherwise, but in the end it turned out his objection was based on an earlier form of the Implementing Regulations.
42. In the result, it is clear that 8PM's acts are all in relation to goods subject to Customs control and that none of the goods ever become "Community Goods." They are never in free circulation and it follows that the marks are never used in the course of trade in the EU. Legally they are no more "imported" than the goods in *Class*.
43. Rather recognising his difficulty about "import" Mr Fernando focussed his argument on "export". Quixotically he argued that even if the goods had never been "imported" within the meaning of the Directive, they were nonetheless "exported" within that meaning. He accepted that he faced the difficulty that the Court in *Class* clearly took the view that physical export from Rotterdam to a third country would not count as "export" for the purposes of trade mark infringement. But he said, there was room for taking a different view where the goods were given an impression of having come from within the EU, as he contended, could be proved on the facts.
44. I reject that. As I have said the clear and precise touchstone identified by the ECJ in *Class* is whether or not there is an interference with the right of first marketing within the EU. The genuine goods of a trade mark owner which never become Community goods do not interfere with that right.
45. I regard the contrary as unarguable. The point is *acte clair* so it need not be referred and there is no point in having a trial of the factual issues I have identified above – they are all irrelevant.
46. The two other ECJ cases cited to us, *Rioglass*, C-115-02, [2003] ECR I-12705, and *Montex v Diesel*, C-281/05 are entirely consistent with this. I will deal with them briefly because, in my opinion, *Class* alone makes the point clear. *Rioglass* was prior to *Class*. Motor car windows bearing the trade marks of a number of French motor car makers were lawfully made in Spain. Under a customs suspensive procedure they were being exported to Poland (then not in the EU). French Customs seized them whilst in transit in France. The Court held that there was no infringement of trade mark, saying:

[25] With respect to trade marks, it is settled case-law that the specific subject-matter of a trade mark is, in particular, to guarantee to the owner that he has the exclusive right to use that mark for the purpose of putting a product on the market for the first time and thus to protect him against competitors wishing to take unfair advantage of the status and reputation of the trade mark by selling products illegally bearing it (see, in particular, Case 16/74 *Centrafarm* [1974] ECR 1183, paragraph 8, Case 102/77 *Hoffmann-La Roche* [1978] ECR 1139, paragraph 7, and Case C-349/95 *Loendersloot* [1997] ECR I-6227, paragraph 22).

[26] The implementation of such protection is therefore linked to the marketing of the goods.

[27] Transit, such as that in issue in the main proceedings, which consists in transporting goods lawfully manufactured in a Member State to a non-member country by passing through

one or more Member States, does not involve any marketing of the goods in question and is therefore not liable to infringe the specific subject-matter of the trade mark.

[28] Furthermore, as Advocate General Mischo noted at point 45 of his Opinion, that conclusion holds good regardless of the final destination of the goods in transit. The fact that the goods are subsequently placed on the market in a non-member country and not in another Member State does not alter the nature of the transit operation which, by definition, does not constitute a placing on the market.

So, no placing on the market, no infringement. The touchstone is clear.

47. In *Montex* (post-*Class*) Montex sold jeans in Ireland where the mark Diesel was not protected. The jeans were made by the manufacture of pieces in Ireland (including pieces with the mark on), exporting them under a customs seal procedure to Poland where they were made up and returned, again under customs seal procedure, to Ireland. The goods were seized in transit by the German Customs. The Court held that there was no infringement. It said:

[17] The Court has held, on the one hand, that the external transit of non-Community goods is based on a legal fiction. Goods placed under this procedure are subject neither to the corresponding import duties nor to the other measures of commercial policy; it is as if they had not entered Community territory. (Case C-383/98 *Polo v Lauren* [2000] ECR I-2519, paragraph 34).

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

Exactly the same applies to the goods handled by 8PM.

48. So again the Court focussed on the control over initial marketing:

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

And:

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

49. Mr Fernando submitted that all this was limited "to a situation such as that in issue in the main proceedings", namely goods under Customs seal. But that cannot be right – if so there would no point in referring to the right of control of initial marketing in the Community.
50. The Judge thought the point arguable. He thought that the giving of an impression to consumers in the US that goods emanate from England, if it could be proved, might make a difference. That made the case arguably different from "the more ordinary transshipment cases envisaged by the ECJ in *Class*." With respect that overlooks the fundamental reasoning in *Class* and the other two cases, founded as it is on the proprietor's right of control over the initial marketing of the goods within the European Union.
51. When we gave the parties the result we discharged the injunction, and invited them to agree if they can the

terms of the undertakings proffered by the defendants. All further questions about the appropriate order were adjourned. If the parties can agree it, so much the better. If not they should submit their contentions in writing within 7 days of this judgment being handed down. The Court will either make its final order on that basis, or, if it thinks a hearing is necessary, arrange one.

Sir William Aldous:

52. I agree.

Lord Justice Rix:

53. I also agree.