

NO IMPORT OF PIRATED PRODUCTS PURCHASED OVER THE INTERNET

On 8 November 2011, the Danish Maritime and Commercial Court made a ruling of general public importance in a case regarding the import of pirated products for private use. A private person had purchased a copy of a Rolex watch through a Chinese internet store. The rights holder demanded that the private person recognise that the Danish Tax and Customs Administration's confiscation and destruction of the watch was legitimate.

The Danish Maritime and Commercial Court sided with the rights holder in this matter – that is, the customs officials were allowed to confiscate and destroy the watch without compensation, even though the purchase in itself was not illegal for the buyer.

Paradoxically, a buyer would be allowed to buy a copy of a Rolex watch on a vacation in Hong Kong and bring it to Denmark in his luggage, subject to the maximum amount allowed for customs.

The case in brief

On 27 January, a private person (in the following referred to as the "Buyer") purchased a copy of the watch "Rolex GMT Master II 50th with Asian 3186 Movement" through an internet store located in China for an amount corresponding to DKK 2,007. At that time, a corresponding original watch cost DKK 42,300. The watch was shipped from Hong Kong and was subjected to customs control while in transit. The Danish Tax and Customs Administration suspended the release of the watch citing the fact that the watch was probably a trademark infringement or pirated.

During the case, it was considered that the watch was a slavish copy of a Rolex. Against this background, Rolex S.A. Manufacture des Montres Rolex S.A. (in the following referred to as "Rolex") requested the Buyer's consent for the destruction of the watch. However, the Buyer rejected this request as he claimed that the watch had been purchased lawfully. Subsequently, Rolex took legal action against the Buyer demanding that the Buyer recognise that the Danish Tax and Customs Administration's confiscation and destruction of the watch was legitimate.

The legal background

A number of EU regulations apply when import of a product in the EU (in the following referred to as the "Community") from a country outside of the EU is attempted.

According to article 91 in regulation no. 450/2008 of 23 April 2008 on the Community customs code, the customs authority is entitled to withhold goods *"...brought into the customs territory of the Community shall, from the time of their entry, be subject to customs supervision and may be subject to customs controls. Where applicable, they shall be subject to such prohibitions and restrictions as are justified on grounds of, inter alia, certain intellectual property rights ... Non-Community goods shall remain under customs supervision until their customs status is changed, or they are re-exported or destroyed"*.

Furthermore, it ensues from article 2(1), subparagraph a in regulation no. 1383/2003 of 22 July 2003 on the measures to be taken against goods which infringe intellectual property right (in the following referred to as the "Regulation") that *"For the purposes of this Regulation, "goods infringing an intellectual property right means": counterfeit goods, namely: (i) goods, (...) 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."* In addition, pirated goods are defined in article 2(1), subparagraph b as *"goods made without the consent of the holder of a copyright"*.

In article 3(2) of the Regulation, there is an exception to article 2, according to which goods stored in travellers' personal luggage are exempted if the circumstances are of a nature where it appears that the goods will not be subject to commercial trade.

Article 10 of the Regulation prescribes that national laws apply when determining whether an intellectual property right infringement of has taken place according to the Regulation.

Therefore, article 10 leads back to Section 4(1) of the Danish Trade Marks Act, according to which the holder of a copyright may prohibit others' commercial use of marks which are identical to the trademark or where there is a risk of confusion. In accordance with Section 4(3) of the Danish Trade Marks Act, it is particularly considered commercial use when goods are offered for sale, imported, exported or used for an advertising purpose bearing the mark in question.

Furthermore, article 10 leads back to Section 2(1) of the Danish Trade Marks Act, according to which the copyright implies the exclusive right to control of the work, including the right to manufacture copies and to make it available to the public. Under Section 12(1) of the act, anyone is allowed, based on a legal model, to produce, or to have produced, single copies for private use of a published work, provided that this does not take place with a commercial purpose.

If an infringement of intellectual property right has taken place under national legislation, article 16 of the Regulation orders a prohibition on imports, exports or storage of the product.

The ruling of the Maritime and Commercial Court

The court found that the watch was a slavish copy of a Rolex watch for which Rolex holds the copyright and the trademark right for the Rolex label on the watch. Therefore, the court found it to be proven that the watch was pirated and trademark-infringed.

The watch was discovered at customs while in transit, for which reason the case fell within the Regulation. The court noted that pirated and trademark-infringed goods in minor shipments of a non-commercial nature are also covered by the Regulation's field of application.

The court found that the watch had been manufacture *commercially* as the watch, with the Rolex label on it, had been sold on a website where watches may be bought online. If the watch had been *manufactured* in Denmark, it would have infringed Rolex's copyrights and trademark rights, as Rolex had not consented to the manufacture.

In the case, it was undisputed that the Buyer had purchased the watch for *private use* with the result that the Buyer himself had not violated the Danish Copyright Act or the Danish Trade Marks Act by ordering or receiving the watch. However, this was irrelevant for the ruling under the Regulation, which is only dependent upon whether the *manufacture* has violated Danish intellectual property rights, seeing as the purpose of the

Regulation is to prevent the import of trademark-infringing or pirated goods and their transition to free sale within the Community.

By doing so, the court has made use of the so-called "*hypothetical manufacture test*" – i.a. recognised under English law – according to which the court carries a hypothetical assessment of whether a product may be *manufactured* legally in Denmark without violating the Danish copyrights and trademark rights.

Finally, the court found that the Regulation's exemption clause regarding goods which are imported by travellers as personal luggage could not be stretched to also cover shipments received from third countries.

Against that background, the court found that the Danish Tax and Customs Administration's confiscation and destruction of the watch according to article 16 of the regulation was legitimate, and the Buyer ordered to give up the watch to the treasury without compensation.

Consequences of the ruling

As a result of the ruling, there is no longer a difference between a commercial or a private purchase of pirated goods online. Therefore, it is illegal to purchase shipment goods which violate a copyright or a trademark right from a non-EU country, unless the product is brought home in one's personal luggage and the circumstances are of a nature where it appears that the goods will not be subject to commercial trade.

Thus, the ruling has prescribed stronger boundaries for when it is legal to import copied goods. The court has established that the only option for importing copied goods purchased outside of the Community is when the copied product is brought home in one's own physical luggage and when the total purchase value is lower than the maximum amount allowed for customs.

A significant number of cases at the Maritime and Commercial Court regarding the purchase of trademark-infringing and pirated goods over the internet have been postponed in order to await the ruling in the case. The ruling will provide the parties in the postponed cases with a better basis for assessing the chances of being successful in their actions and thereby also a better basis for reaching a settlement.

Should you have questions or wish further information about the judgement, you are welcome to contact partner Christoffer Galbo (cga@mwblaw.dk), attorney Henrik Syskind Pedersen (hsp@mwblaw.dk) or junior associate Sofie-Amalie G. Brandt (sab@mwblaw.dk).

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