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Manufacturing the ACTA Fiction

Daan de Lange (Brinkhof) · Tuesday, May 4th, 2010 · Landmark European Patent Cases

There have been some interesting developments lately on the international IP piracy front relating to the so-called manufacturing fiction and the Anti-Counterfeiting Trade Agreement (ACTA). These will also have an impact on patent cases. I will summarize the main points.

On 4 November 2009 the District Court of Antwerp, Belgium referred in a patent dispute a question to the European Court of Justice (the ECJ) for a preliminary ruling on the correct application of the EU anti-piracy regulation. The Antwerp court was joined a couple of day later by the UK Court of Appeal which asked similar questions on 9 November 2009 in a trademark case. The two cases are now joined and pending before ECJ under case nrs. C-495/09 and 496/09. What are they about? The questions of the Belgium court and the UK court refer to different version of the anti-piracy regulation (nr. 3294/94 and 1383/2003) but essentially deal with the same issue. The issue is whether the anti-piracy regulation can be applied to goods from outside the EU which are transported via the EU to a destination again outside the EU.

In 2006 the ECJ decided (in the Montex/Diesel case, nr. C-281/05) for trademarks that a trademark holder can only prohibit the transit if it is clear that the goods are being put on the market in that state of transit. It is irrelevant whether those goods have been manufactured in the country of origin lawfully or not. So the ruling seemed clear. There is no infringement if it is not clear that the goods will be put on the market in the EU. An IP holder cannot block transshipments.

Not for the Dutch courts however. Before the Montex-case in a number of patent cases they had developed a particular interpretation of the anti-counterfeit regulation, on which basis an IP holder could oppose transshipment (the so-called ‘manufacturing fiction’). It was argued that the Montex-decision was a mere trade mark decision which had no bearing on cases where the IP holder would rely on the anti-counterfeit regulation. In 2008 the summary proceedings judge in The Hague rendered a decision (again in a patent dispute) according to these lines. So in The Netherlands on the basis of the anti-counterfeit regulation a patentee can act against goods that fall under the scope of protection of its patent, even if the goods are not put on the market in The Netherlands. The infringing act is so to say ‘given’ by applying that manufacturing fiction.

This decision from The Hague was a reason for the Belgium and UK court to consider that the issue whether transit is permissible is not yet an ‘acte éclairé’ (an issue which has already decided upon). The Belgium and UK court found that the question required a decision by Europe’s highest court. On it’s turn, the Dutch courts now stay proceedings in transit cases until the ECJ has spoken, as appears from a 20 January 2010 decision by the District Court of The Hague

(Cybergun/Wargaim). The ECJ is expected to render a decision somewhere in the first half of 2011.

The outcome? I expect that the ECJ will overturn the Dutch practice and confirm Montex, but it might try to seek an intermediate solution, such as allowing an action in the transit state based on imminent threat of infringement in the country of destination. If the ECJ will merely confirm its Montex-decision, it could mean that EU customs cannot block goods in transshipment, although these goods will be considered counterfeit in the country of destination. The IP holder might have to initiate proceedings in that country of destination. Especially if that country has only weak IP protection this might not be realistic. This shows that, at least for 'classical' counterfeit and piracy (famous trademarks and copyright) a global approach is required to deal with it properly.

At the moment some industrialized countries (including the U.S., the EU and Japan) are taking up that challenge. They are negotiating an Anti-Counterfeiting Trade Agreement (ACTA). The negotiations are behind closed doors, but after some leaks a consolidated draft text for public release was recently published by the EU Commission (the text can be found [here](#)). From this draft it appears that the ACTA will deal with both general enforcement measures and customs measures. To compare it with the current EU legislation: it will be a sort of combination of the anti-piracy regulation and the Enforcement Directive (Directive 2004/48). The ACTA will also deal with the entire spectrum of IP rights as defined in the TRIPS agreement: copyrights, trademarks, designs and patents.

If this current blueprint will be pursued, this broad scope might well be ACTA's very weakness. There is big difference between for example fake sneakers and trade in generic medicaments. While the former will generally be perceived as a (semi-criminal) infringing act, the latter can be a perfectly legitimate enterprise conducted by big and reputable pharmaceutical companies. The concepts 'real' and 'fake' which underlie the notions of counterfeit and piracy do not equally apply to patents. In most patent cases a bona fide non-infringement or invalidity defense is possible. Also the territorial scope differs. Famous marks and copyrighted works enjoy protection in virtually the entire planet. Fakes will consequently infringe everywhere. So why not act then in the country of transit if the goods will eventually infringe in the country of destination? This is much less the case with patent rights. What infringes in one country does not so in the other. What purpose is then served when a patentee can act in the transit country against goods that do not infringe in the country of destination, nor in the country of origin?

The different IP rights require different legal regimes. It should be wise to exclude patents from the ACTA and to limit the agreement to genuine counterfeit and anti-piracy. To begin with the ACTA should contain a general definition of these key notions, which is now surprisingly lacking. In June 2010 new rounds of negotiations are scheduled. Time will tell what happens with the ACTA and the international effort to stop counterfeit.

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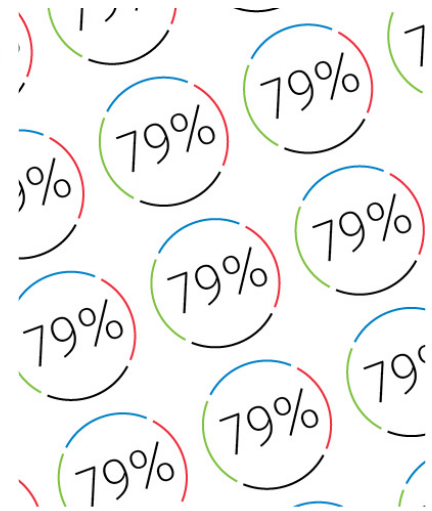
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