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# FCJ: Goods Placed in "Internal" Transit Proceedings Do Not Infringe a Patent Right

Thorsten Bausch (Hoffmann Eitle) · Friday, February 27th, 2015

by Anja Petersen-Padberg

The Federal Court of Justice decided in the “Electric Kettle” case (25.06.2014, docket X ZR 72/13) that the placing of goods in transit proceedings does not infringe a patent right in Germany as the country of transit. The court stressed that it is of no relevance whether the goods were placed in so-called “T1” external transit proceedings or in “T2” transit proceedings where goods are declared to be released for free circulation on the market of the European Union and are forwarded without sealing. Patent infringement may only be assumed if the goods are subject to a sales transaction in the transit country or if the goods are imported for this purpose. This must be examined on a case-by-case basis. An identical standpoint was taken in the previous instances.

This clear FCJ decision is in line with the decisions of the European Court of Justice on “suspensive proceedings” under the Community Customs Code, including external and internal transit and warehouse proceedings, i.e. the decisions “Class International” (note 47), “Montex” (notes 21, 23) and “Nokia-Philips” (note 55) concerning trademark and community design rights. It is further in line with the FCJ decision “Diesel II” concerning trademark rights.

The facts of the case are the following:

Plaintiff is the owner of a European patent relating to an electrical connector which can be used in wireless electrical devices. Suspecting patent infringement, Bremerhaven Customs Authorities suspended the release of almost 16,000 electric kettles based on Plaintiff’s application according to the Border Measure Regulation EC/1383/2003.

The Defendant, a German subsidiary of a Polish company, had bought the goods in China and sold them to the Polish parent company. In Bremerhaven, the goods had to be reloaded from a large container vessel to a smaller one which could operate in the Baltic Sea. The Defendant decided to declare the goods for “internal” transit proceedings since the declaration for “external” transit proceedings would require another declaration to Polish Customs. In “internal” transit proceedings, goods are declared “to be released for free circulation on the European market” and may be forwarded unsealed. The Defendant furthermore applied for exemption of the goods from German value added import tax since the goods were not meant for sale in Germany. The Defendant had paid import tax (2.7 % of the value of the goods) and he could therefore freely dispose of the goods.

Patentee filed a provisional injunction and argued that “internal” transit proceedings must be distinguished from so-called “external” transit proceedings in which the truck or vessel transporting the goods would be sealed. Release of the goods for free circulation in internal transit proceedings must be understood as a patent-infringing “bringing onto the market”. The Regional Court Hamburg followed these arguments and granted the provisional injunction. However, upon appeal, the Higher Regional Court Hamburg revoked the provisional injunction and decided that placing the goods in internal transit proceedings is not “putting on the market” and therefore not a patent-infringing action.

In main proceedings, the first instance court, i.e. the Regional Court Hamburg also denied patent infringement. The second instance of the main proceedings, i.e. the Higher Regional Court Hamburg – the patent had been revoked in the meantime – confirmed the finding of the previous instance and rejected appellant’s claim to damages and a rendering of accounts (16.05.2013, docket 3 U 37, 1).

The HRC Hamburg decided that “putting on the market” is defined as “placing the product in the course of trade”, i.e. meaning that the product must be effectively transferred to a third person, except for transfers within a company group.

The mere effect that goods became “Community goods” and that the importer could freely dispose of them does not have the effect that the goods were imported “to be put on the German market”. Only if those goods are subject to commercial transfer to a third party while they are placed under the transit procedure can patent infringement be assumed. The Higher Regional Court explicitly mentions ECJ decisions “Montex” and “Diesel” and that those decisions of the European Court of Justice on goods in transit which are concerned with trademarks are also to apply to other intellectual property rights.

The HRC further decided that Plaintiff had not presented any evidence that the goods were subject to an act of a third party. The mere abstract danger that the Defendant might put the goods onto the German market is not sufficient to assume patent infringement. Also other indications presented by the Plaintiff, such as German language parts in the manual, etc., do not prove that the goods were “imported to be marketed in Germany”. Rather, according to information in the customs documents and other circumstances, such as the Polish language on the packaging, it was to be assumed that the goods were meant for the Polish market.

Finally, the sale of the goods of the German subsidiary to the Polish parent company is not a patent-infringing “putting on the market” since it is a transfer within a company group, and not to a third party.

The Higher Regional Court did not permit an appeal to the FCJ since the legal situation was sufficiently clear. The Plaintiff appealed the denial of leave to appeal.

The FCJ rejected the Plaintiff’s appeal. The FCJ decided that according to court decisions and literature, it is sufficiently clear that the mere transit of goods infringing an intellectual property right cannot be considered as importation of the goods to be marketed. It is of no relevance whether the goods were placed in so-called “T1” external transit proceedings or in “T2” internal transit proceedings where goods are declared to have been released for free circulation on the market of the European Union. A patent-infringing act may only be assumed if the goods are subject to sales in the transit country or if the goods are imported for this purpose. This must be

examined on a case-by-case basis.

As can be seen, also under consideration of the more detailed decision of the Higher Regional Court Hamburg, Plaintiff had to present evidence or indications of at least a concrete danger that the goods were to be sold on the German market. Whether this evidence is sufficient to assume a (danger of) a "sales transaction" to a third person must be decided on a case-by-case basis. Indications or evidence could be, for instance, if the transport route does not match the alleged destination, if the customs documents were amended after the goods were detained, if the goods are sold to a customer of the European Union or if the goods are being offered for sale or advertised to the customer, with the exception of an offer or sale to a company group member.

With regard to a patent-infringing "offering", an offer made in Germany to a customer in a patent-free country also constitutes patent infringement under German law. However, it can be discussed whether this understanding of "offering" (and also the conclusion of a sales contract on goods in transit in Germany to be delivered to a patent-free country) obstructs the right to free transit (Art. V GATT) of a party not having its place of business in Germany, since these acts must be considered as a part of free transit to be ignored under patent law. Therefore, in my opinion, only offering to a customer or a sales contract with customers in Germany which would imply a placing of the goods onto the market should be considered as patent infringing "putting onto the market" (see also FCJ, "Diesel II" and ECJ, "Class International", note 56 with regard to trademarks). If the importer has a place of domicile/business in Germany, this rule is, however, not to apply. In this case, i.e. if profits are made in Germany with the goods, the mere offering of the goods in transit to a third party constitute patent infringement. The understanding of "offering" with regard to sales in patent-free countries and the related question of the effect of a disclaimer with regard to sales in Germany at trade fairs is in dispute in German literature. With regard to trademark rights, the 1st Senate of the FCJ denied a trademark infringing offering of goods at a trade fair, if sales in Germany were not intended(FCJ, 22.04.2010, docket I ZR 17/05 "Pralinenform II"; ibid, 23.10.2014, docket I ZR 133/13 "Keksstangen", see a post on this decision here, by contrast with regard to patents: HRC Duesseldorf, 27.3.2014, docket I 15 U 19/14, defendant presented goods at a sales fare (without any disclaimer with regard to the German territory), the court assumed a patent infringing "offering".

In the "Electric Kettle" case, the FCJ had not to decide on goods in transit to be exported to a country of destination where patent protection exists (such as the situation that had to be decided by the FCJ in "Taescher Pertusin II", of 15.01.1957 – I ZR 56/55 or by the Regional Court Hamburg of 30.04.2009, 315 O 72/08 in "Datentraeger", or with regard to trademarks by the FCJ in "Clinique Happy", 25.04.2012, I ZR 235/10). In all these cases, the court helped the patentee, mainly by applying general civil law.

Regarding the daily practice under the Regulation EU/608/2013 on Border Measures, it has become obvious that due to the conflicts between the European Commission and India and Brazil with regard to generic medicines in transit resulting in the instructions as laid down in preamble 11 of the Regulation, i.e. customs must examine whether there is "a substantial likelihood of diversion of the goods in transit onto the market of the European Union", customs authorities in many Member States have generally become very reluctant to take action on goods in transit, even though they are explicitly allowed to do so according to Art. 1 of the Regulation. For more information on this point and on the new Regulation in general, see Véron/Cottier, Concise Commentary on International and European IP Law, Regulation on Customs Action EU/608/2013, published last year by Kluwer.

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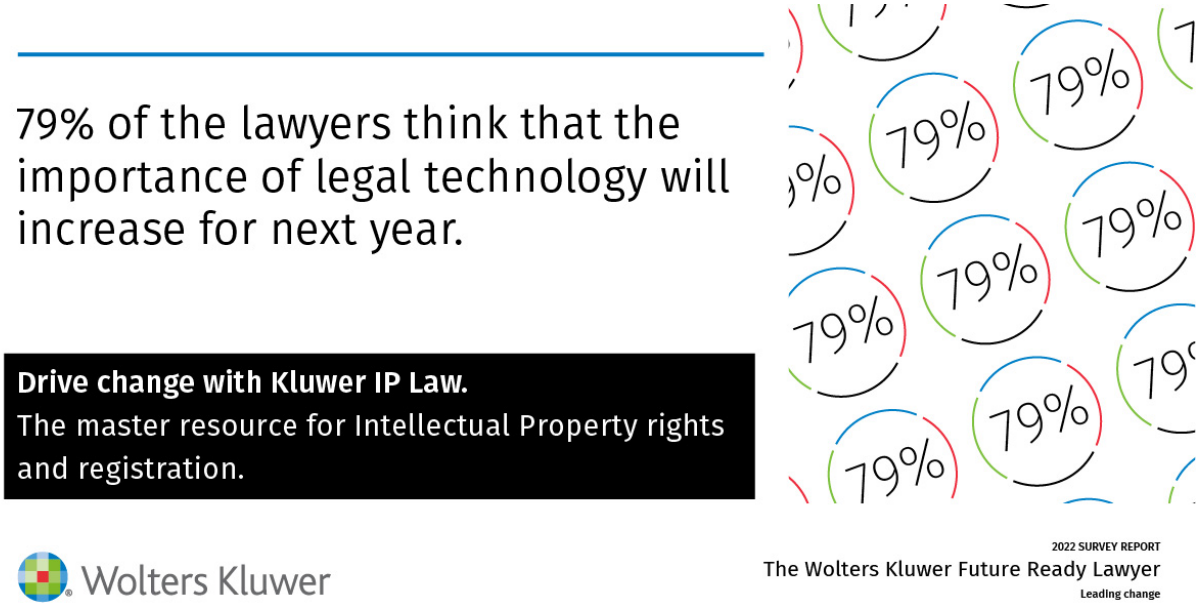


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