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Law. Tax

Hungarian Courts Confirm Customs Detention of “Transit” Goods Infringing Patent Rights

Summary

The Hungarian Court of Appeal is set to consider the application of Customs detention rules in a case concerning transit goods and based on patent infringement. The Court of Justice of the EU has previously confirmed in trade mark cases that goods transiting the EU cannot normally be detained as counterfeits. In the proceedings at first instance in this Hungarian case, by contrast, the patentee succeeded in securing Customs detention, an interim injunction and a permanent injunction. The court did not accept the defendants' evidence that the goods were in transit, and so left open the question of transit goods under Customs detention rules in patent cases. The appeal, in which transit issues may again be considered, is to be heard in early November.

Analysis

In April and June 2010, a large agrochemical company filed a statement of claim and interim injunction request at the Hungarian Metropolitan Court against certain distributors of agrochemical products, on the grounds of patent infringement. The defendants are a network of offshore companies with registered seats in Hong Kong, Cyprus and elsewhere.

The basis of the dispute is a shipment of 44 drums of a chemical compound which the agrochemical company believes infringes its patent. The goods were sent from China through Germany en route to supposedly Hong Kong, Ukraine or Hungary (the destination country remains unclear). The goods were transported from Germany to Hungary by the German company Blend Shipping GmbH in a so called “external good forwarding proceeding”. Based on the bill of lading the addressee of the goods was one of the Hong Kong distributors. The goods were discovered in a warehouse in Hungary and were seized by Customs based on Council Regulation (EC) No. 1383/2003. The warehouse was contracted in the name of another of the distributors (distributor “A”).

Under Hungarian law, unlicensed importation or warehousing of a patented product only qualifies as a patent infringement if the importation or warehousing is for the purpose of using, distributing or offering for sale in Hungary.

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Based on the documents reviewed by the court during the lawsuit, it was unclear which of the distributors (if any) were involved in the infringement. The documents variously referred to A, another distributor in Hungary (distributor “**B**”) and also the Hong Kong distributor. An interim injunction request was rejected with respect to B as the court did not find that B itself pursued infringing activity. However, the interim injunction request was granted with respect to A as importer, even though the goods were allegedly in transit to a non-EU destination.

In the proceedings on the merits, A argued that the goods were in transit as its intention was to transport them to Ukraine. They relied on the Nokia (C-446/09 and C-495/09) and Montex (C-281/05) trade mark decisions of the Court of Justice of the EU, to the effect that goods coming from a non-member State cannot be classified as ‘counterfeit goods’ merely on the basis that they are brought into the customs territory of the EU under a suspensive procedure (i.e. in transit). Those goods may be classified as ‘counterfeit goods’ only where there are grounds to believe that they will be put on sale in the EU.

In its judgment dated 12 March 2012, the Metropolitan Court established that the evidence submitted by the agrochemical company proved that B (by acquiring and cooperating in the importation of the goods) and A (by importing and warehousing the goods) infringed the agrochemical company’s patent. In the detailed reasoning the court ruled that there was no evidence clearly supporting that the goods were intended to be transported to a non-EU country and, therefore, did not accept the defendants’ transit argument (it held that the declaration of the defendants that they intended to transport the goods to Ukraine was not enough). Since the transit argument has been rejected by the court, it was not necessary to express its detailed opinion regarding the application of the European trade mark case law such as Montex and Nokia in this patent case.

Next Steps

The judgment of the Metropolitan Court has been appealed by the defendants. The first hearing at the Court of Appeal is scheduled for 8 November 2012. If the Court of Appeal accepts that the goods were in transit, it will have to decide what this means in cases of patent infringement.

For further information or assistance please see contacts