



# **POSITION PAPER ON THE EU TOOLBOX**

## **Introduction**

The European Commission has called for evidence on the EU Toolbox against counterfeit. The initiative of the EU Toolbox against counterfeiting aims to achieve guiding principles and good practices for online and offline intermediaries. The European Commission includes transport and logistics companies within the definition of online and offline intermediaries. The guiding principles and good practices could include:

- Appointing a single contact point for IP enforcement;
- Taking specific proactive and proportionate actions, and developing tools to be used voluntarily by intermediaries, with appropriate safeguards in place to facilitate cooperation and information sharing;
- Coordinating legal action with right holders against the most harmful IP infringers.

TLN and Fenex are surprised the European Commission includes transport and logistics companies within the definition of online and offline intermediaries. TLN and Fenex believe that transport and logistics companies have a very specific role in relation to the goods, which comes nowhere close to the sale of the goods itself. TLN and Fenex, however, have no objections against appointing a single contact point for IP enforcement. Though, regarding the other two initiatives, TLN and Fenex urge the European Commission not to lose sight of the role of the “logistics service provider”, which in this position paper explicitly also includes the road carrier, warehouse facility, customs representative and freight forwarder.

## **Summary**

- TLN and Fenex are willing to support the protection of trademarks of holders of IP rights, provided that the responsibilities and obligations of logistics services providers continue to be reasonable and proportionate given the position of the logistics service provider in the supply chain. They may not cause disproportionate administrative burden or unjustified damages as this would obstruct the international distribution of goods.
- A logistics service provider acts for and on behalf of its client only, without having any interest in the goods. He may only do what has been agreed upon with its client (for example, opening boxes are only allowed in exceptional situations).
- Logistics service providers handle hundreds of thousands of consignments each day on a tight schedule, for a small margin per product, for which consignments they will only have the information and instructions, related to the goods, as given by its client.



- According to national and EU case law, a service provider who merely acts on behalf of a third party “does not constitute use of a sign identical to that trade mark,” and thus the service provider cannot be held responsible for an infringement of IP rights in that regard.
- A logistics service provider is not equal to an online intermediary or a trade intermediary, nor a data resource facility.
- A logistics service provider is not a guardian of IPR. Physical controls of goods on counterfeit, must stay with national or European authorities. It will be disproportionate to burden logistics service providers to inspect goods for IPR infringement and make legally binding judgments, even if logistics service providers would have enough adequately trained employees.
- Logistics service providers take action once there is reasonable cause to suspect an infringement. Obliging the logistics service provider to proactively investigate, exchange information, supervise and implement systems for tracking IPR infringements is unreasonable, disproportionate and impossible.

### **Logistics service provider**

The logistics service provider provides fast and flexible services in order to bring goods from A to B on behalf of her client and the supply chain as a whole. The logistics service provider is not:

1. a guardian of IP rights; nor
2. a trade or online intermediary; nor
3. a data resource facility.

Distinction must be made between the different kinds of service providers. A logistics service provider is not equal to an online intermediary or a trade intermediary such as the commission agent. First of all, the logistics service provider is not a party in the actual trade of the goods and is not aware of the characteristics of the goods of its clients. Second, logistics service providers that provide on a large scale cannot easily implement notice-and-take down procedures and filter systems in their operations as intermediaries could do without experiencing a strong delay in the rendering of their services. The protection of trademarks cannot lead to a disproportionate burden, high costs or delay for logistics service providers, who provide the services on behalf of her clients for a small margin per product, with often a tight schedule.

Logistics service providers are contracted by a party to provide or organize the transport of the goods from A to B. Logistics service providers, especially freight forwarders or warehouse facilities, provide one or more other logistic services during the journey of the goods. For example customs formalities, (un)loading, storage, stock management, assembly, order han-



dling, order picking, preparation for shipping, invoicing, information exchange and management etc. All for and on behalf of its client and with regard to the goods of its clients and, very important, on the client's request.

Because of the end-users expectation nowadays, logistics service providers need to have a very tight schedule. Planners within these companies try to find the most optimal route for the goods to be at the end-users premises as quickly as possible. This means that when goods enter into a warehouse or distribution center, goods are often unloaded and directly sorted for the next destination. If the goods do not have to go on a connected vehicle, the goods are (temporarily) stored in one of the stacks of the warehouse. Warehouses come in all shapes and sizes, but most logistics service providers have very large warehouses where they have many aisles with stored goods. Some warehouses are even larger than 20 soccer fields. And since warehouses store goods 12 to 15 meters high, hundreds of thousands of goods can be stored on behalf of its clients.

Logistics service providers are not allowed to open any of these boxes or pallets on which goods are stored or packed for transport. Logistics service providers have the obligation to deliver the goods in the same condition as received. This is only different when the logistics service provider:

- agreed with its client that (for example) for auditing or inbound quality inspections boxes may be opened or that additional services to the goods have to be performed, for which opening boxes is necessary; or
- opening the boxes is necessary for saving the goods from a specific danger; or
- receives an official request by the authorities to open boxes.

### **Case law**

The EU Toolbox relates to the legal issue of the responsibility and possible obligations of the logistics service provider concerning the trade by the shipper or another third party in counterfeit goods and other goods subject to piracy of IPRs. The topic is not new, as it appears from national case law and the European Court of Justice that owners of intellectual property rights, such as trademark owners, more often take legal action against logistics service providers, for infringements made by their clients, the shipper. Logistics service providers can't be held responsible for infringements because this is largely beyond his control. Generally, courts agree.

In the Netherlands, there have been several cases in which a trademark owner tried to burden a logistics service provider with farfetched supervision obligations and even claims that the logistics service provider should be considered the party infringing its trademark rights due to the trade in (allegedly) infringing parties by its clients. See for example *Top Logistics vs. Bacardi*<sup>1</sup> in which case the European Court of Justice decided in favour of the logistics service provider that "its provision of a warehouse service for goods bearing another's trade mark

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<sup>1</sup> ECJ EU 16 July 2015, ECLI:EU:C:2015:497, *Top logistics vs. Bacardi*, under 45.



does not constitute use of a sign identical to that trade mark for goods or services identical or similar to those in respect of which the mark is registered. Inasmuch as such a service provider permits such use by its customers, its role cannot be assessed under Directive 89/104 but must be examined, if necessary, from the point of view of other rules of law”.

Another case is *Frisdranken Industrie Winters*<sup>2</sup>, in which the European Court of Justice decided “that a service provider who merely fills, under an order from and on the instructions of a third party, cans already bearing signs similar to trade marks and therefore merely executes a technical part of the production process of the final product without having any interest in the external presentation of those cans and in particular in the signs thereon, is not itself ‘using’ those signs, but is only creating the technical conditions necessary for the third party to use them.” This has also been repeated in *Coty Germany vs. Amazon*<sup>3</sup> “a person who, on behalf of a third party, stores goods which infringe trade mark rights, without being aware of that infringement, must be regarded as not stocking those goods in order to offer them or put them on the market for the purposes of those provisions, if that person does not itself pursue those aims.”

### **Not a guardian**

The logistics service provider is not a guardian for the rights of other parties. The logistics service provider is a performer of services on behalf of its client only. In that capacity, he may only do what has been agreed upon with its client, for which services he has offered a certain price. Logistics service providers do not play any role in the sales transaction. Logistics service providers will only have the information and instructions, related to the goods, as given by its client.

In case of an increase of obligations to be performed by the logistics service provider based upon new legislation, the logistics service provider will face many challenges.

If a physical check will become obliged the logistics service provider needs many more employees (maybe double? triple? more?) to check all the hundreds of thousands of goods. These employees also have to be able to perform the specific obligations following the new legislation.

A physical control of the goods on counterfeit, must stay with national or European authorities. It will not be possible for the employees of the logistics service provider to know the products concerned and know when certain goods are counterfeit or not or whether the goods infringe any other intellectual property rights. This type of control cannot be part of the obligations of a commercial business.

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<sup>2</sup> ECJ EU 15 December 2011, ECLI:EU:C:2011:837, *Frisdranken Industrie Winters*, under 30.

<sup>3</sup> ECJ EU 2 April 2020, ECLI:EU:C:2020:267, *Coty Germany vs. Amazon*, under 53.



Establishing the legitimacy of the underlying sale is the work of trained Customs staff working within the boundaries of established procedural standards and rules, or the rights holders themselves with whom, as in much international legislation,<sup>4</sup> the burden of proof of detained counterfeit goods lays.<sup>5</sup> In fact it is often only the rights holder who can actually confirm the illegitimacy of the goods.

When acting on behalf of their principals, logistics service providers are often required to provide Customs with information for risk assessment, which is performed by Customs itself and may entail action decided upon by Customs or other competent authority; logistics service providers may have to execute Customs decisions but they cannot take them in lieu of the Customs.

From another point of view it is also unrealistic to try to commit logistics service providers to tasks they are unable to perform. Even when they can physically check the goods (and have enough qualified employees), they cannot be charged with making an informed, legally binding judgement on the authenticity of those goods. This inability to inspect or decide upon the legitimacy of the goods makes it impossible to attach any IPR related liability to logistics service providers, as they have no way, practically or legally, of assessing the risk.

Indeed much international law gives rights holders the chance to actively promote the detection of any Intellectual Property Rights infringement. The WTO TRIPS agreement<sup>6</sup> gives rights holders the ability to apply for the service of Customs in tracking down and holding specific shipments of products that they think may infringe their copyright. The same applies in the current European legislation<sup>7</sup> whereby a Rights Holder registers the Intellectual Property Rights of the product. For this 'service' it would seem right that, as most current legislation requires, rights holders pay for the service of storing those materials/goods that infringe on their Intellectual Property Rights or, eventually, destroy them. The logistics service provider, who receives no benefit from the detention, destruction or storage of those goods, should certainly not be made to pay for this destruction or storage, for there is no connection between the logistics service providers and the infringement of the IPR's.

As it happens IPR holders may try to defend their interests at the border, if they suspect their IPR's are at stake in a transaction they are not part of by requesting Customs enforcement actions.

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<sup>4</sup> Including EU Council Regulation (EC) No 1383/2003 and the implementing legislation Commission Regulation (EC) No 1891/2004

<sup>5</sup> See the decision in the case of *Her Majesty's Revenue and Customs v Penbrook Enterprises Ltd* [2008] NIMag2 in applying EU law [http://www.courtsni.gov.uk/NR/rdonlyres/493D2227-67DD-4D8E-8F74-0666B8CDA6F/0/j\\_j\\_2008NIMag02.htm](http://www.courtsni.gov.uk/NR/rdonlyres/493D2227-67DD-4D8E-8F74-0666B8CDA6F/0/j_j_2008NIMag02.htm)

<sup>6</sup> [http://www.wto.org/english/docs\\_e/legal\\_e/legal\\_e.htm#TRIPs](http://www.wto.org/english/docs_e/legal_e/legal_e.htm#TRIPs)

<sup>7</sup> REGULATION (EU) No 608/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 12 June 2013 concerning customs enforcement of intellectual property rights and repealing Council Regulation (EC) No 1383/2003



### **Not a trade or online intermediary**

Distinction must be made between the different kinds of service providers. The logistics service provider does not have any say in the products concerned, nor any knowledge thereof. The logistics service provider is completely dependent on its client for information and instructions regarding the goods. The logistics service provider is not a party in the chain of sale of the goods, nor does he direct or indirect market the goods. Therefore, the logistics service provider cannot be fully aware and guaranteed of the trade history of the goods at issue.<sup>8</sup> Furthermore, the logistics service provider never takes decisions pertaining to the commercial transaction between seller and buyer. The seller and/or buyer give instructions to the logistics service provider, which then will be performed by the latter. Therefore the logistics service provider is not the same as a trade or online intermediary.

Unlike an online intermediary, the logistics service provider does not have the ability to implement an automatic filtering system. ICT systems of logistics service providers are set to find the quickest connections to get the goods from A to B, to be able to follow the goods itself during transport (track and trace), and to communicate with their clients, carriers, customs authorities (in order to file declarations) etc. These ICT systems are not concentrated on the goods itself, but on its route/services.

Furthermore, so called notice-and-take-down-procedures are not feasible or (very) expensive for logistics service providers who operate on large scale. For example, on a daily basis they handle hundreds of thousand units (under customs status T1 or T2). Requiring a logistics service provider to check each individual product of the often tens of thousands of products that the logistics service providers encounter daily and to remain in close collaboration with trade mark owners, will be costly and require more time and fte's. In the current market where employees are scarce, this seems impossible. Also, since trade mark owners are the only ones directly and financially benefiting from this investment, it seems only fair that they refund logistics service providers for their investment. However, trade mark owners are generally not the clients of the logistics services providers, so it will be very hard to let the beneficial party pay the price for the investments and rendered services. As a final note, even if costs would be refunded, the extra services performed by the logistics service provider will lead to delays. Logistics service providers will then likely find themselves lacking in their services towards their clients and obstruct the international supply chain.

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<sup>8</sup> We note that in the (parallel)trade of goods, reliable paper trails are hardly provided since elected distributors of the distribution system of a trademark owner, who sell their product legally to distributors that do not belong to the trade mark owner's distribution network, are often not willing to disclose their identity for the fear of facing sanctions or reprisals of the trade mark owner.



### **Not a data resource facility**

The logistics service provider cannot be required to provide data on trademarks. Logistics service providers often have a non-disclosure clause or agreement in the contract with their clients. Furthermore, the logistics service provider does not have any knowledge of the products concerned. The logistics service provider is completely dependent on its client for information and instructions regarding the goods. Other than for customs declaration purposes, this information will often be provided in a generic format. No reference to the actual IPR owner is normally made other than at best the mentioning of the brand in the name of the product. However, in many cases, only the brand itself does not give an immediate indication of the party owning the brand. Logistics service providers will only have nominal information on the company, the type of goods and its destination. However, even when you have more data for the use of customs declarations, all arguments still stand.

### **Conclusion**

Although TLN/Fenex find that trademarks should be protected and that the battle against counterfeit is an important one, the role of logistics service providers is not to (help) trace any infringements. A structural and regular task of a logistics service provider will simply be too time consuming, for which activities qualified employees are necessary. In the current times, employees are scarce. All arguments also remain for the logistics service provider providing customs services.

Furthermore, requiring a logistics service provider to implement certain ICT-solutions in order to collect data, will be too costly. The benefitting party is not a contracting party of the logistics service provider. Therefore, it will be very difficult to make sure the logistics service provider is refunded for his investment.

Once there is reasonable cause to suspect an infringement, a logistics service provider will comply with any formal request of an official authority. Furthermore, a logistics service provider will also perform his legal duties, when he suspects an infringement of IP-rights. A logistics service provider itself, cannot infringe any IP-rights, since he acts solely on behalf of his clients, as long as he does not have any reasonable doubt of an infringement. The logistics service provider cannot be made responsible and liable for situation beyond its control.

Legislation protecting the owner of IPR should have a low impact on logistics service providers and may not cause disproportionate administrative burden or unjustified damages as this would obstruct the international distribution of goods.