IPPro THE INTERNET

ISSUE035
18.02.2014 TUESDAY
ipprotheinternet.com

VRINGO!

An NPE or a savvy exploiter of patents it doesn't want to use?

EU PROFILE
Dealing with fakes bought and sold online

INNOVATION NATION
What is India doing to improve its IP regime?

NEW GTLDS
WHOIS and the state of play

Frustrated freight forwarders

They may not come into direct contact with goods, but they are regularly found liable for trademark infringement in Serbia if the goods turn out to be counterfeit. Bogdan Ivanišević and Ana Petković of BDK Advokati explain

Serbian courts have shown zero-tolerance for the import and export of counterfeit goods and for the subject involved, knowingly or not, in the process. The position of freight forwarders is especially tenuous. They may not come into direct contact with the goods for which they arrange transport and customs clearance, but they are regularly ordered to pay for destruction of the counterfeit goods and to bear legal costs incurred by the successful plaintiff—in both instances, jointly with the direct infringer.

Much of the law addressing the liability of freight forwarders in Serbia is judicially created. Courts have been successful in providing judicial consistency.

However, they tend to avoid difficult questions and content themselves with carrying a few phrases from one judgment to the next.

As the jurisprudence demonstrates, the activity that exposes a freight forwarder to liability is customs clearance. As stated recently by the Commercial Appellate Court in Belgrade, customs clearance "facilitates putting the goods on the market" (Case Pž. 6595/12, Tommy Hilfirger Licensing v Vox Trade & Pro Team d.o.o., judgement of 28 March 2013).

Putting goods on the market without authorisation of the proprietor of a mark constitutes unlawful use of the mark. The consignee infringes the mark directly by putting counterfeit goods on the market, while freight forwarder facilitates that infringement.

The Serbian Trademark Act lacks an explicit statutory provision dealing with the liability of intermediaries and it does not even employ the term 'intermediary'.

The courts do not use that term either, but effectively they do use the concept when they argue that the "parties participating in the infringement" include—in addition to direct infringers—those who "facilitate direct infringement" (Commercial Appellate Court, case Pž. 7310/2010, decision of 30 March 2010).

Can a freight forwarder that does not transport the goods and only works with documents (such as bill of lading and invoices) avoid liability by arguing that it did not know and had no reason to know that the goods were counterfeit? The jurisprudence is rather categorical in responding, "no".

Interestingly, a judgement of the then-Supreme Court of Serbia, of 15 March 2007, suggests that the issue of due care might matter.

The case concerned a defendant-driver of a bus operating an international line. The court found the defendant responsible for trademark infringement because he did not verify the origin of the goods which he received from an unknown person (800 units of Lacoste T-shirts) and did not check the identity of the sender. The court's reasoning could be used to advance an argument (a contrario) that a defendant might be able to avoid liability if he or she does act with due care (but nevertheless fails to establish that the goods are counterfeit).

However, the commercial courts, which adjudicate trademark-related disputes involving legal entities, seem to have ignored the opening in the Supreme Court's judgement.

Decision after the decision by the Commercial Appellate Court and lower courts has stressed that "the freight forwarder bears responsibility for trademark infringement irrespective of whether it knew of the infringement and, in general, irrespective of the circumstances under which the infringement occurred" (Commercial Appellate Court, case Pž. 9016/10, Consitex v Vox Trade & Tranšped Pro Team d.o.o., judgement of 3 November 2011, repeating the holding from a judgement by the court's predecessor, the High Commercial Court, case Pž. 3385/2006, of 26 April 2006).

The general irrelevance of the circumstance under which the infringement occurred implies that a freight forwarder is liable even if there was no reasonably ground to know that the goods were counterfeit.

The jurisprudence in Serbia seems to be stricter than what the provisions on corrective measures and costs in the EU Enforcement Directive (no. 2004/48) require.

The directive stipulates in Article 10 that destruction should be carried out, as a rule, at the expense of the infringer.

An analysis of the application of Directive 2004/48/EC, which the European Commission issued in October 2010, noted that "good faith intermediaries are normally not ordered to pay the costs of the destruction", albeit with a caveat that "there seem to be very few precedents in this respect".

What is the justification for the judicially created rule in Serbia, in which good faith and the duty of care on the part of the intermediary does not seem to matter?

A rare attempt to lay down the rationale is the first-instance judgement of the Commercial Court in Belgrade (case P 2547/10, Consitex v Vox Trade & Tranšped Pro Team d.o.o., judgement of 4 March 2010), which said that knowledge on the part of the freight forwarder is not required because the right of the trademark owner is recorded in trademark registers.

The Commercial Appellate Court confirmed the judgement and approved of the legal analysis contained there.

However, the availability of information about trademarks in public records does not address the strictures imposed by the business reality that freight forwarders confront.

If they do not transport the goods and only process customs documentation, freight forwarders are unlikely to see the goods to which the documents refer. If there is no indication that the goods are counterfeit, freight forwarders are in any event unlikely to detect something suspicious.

The rule about—effectively—no-fault liability has a footnote: innocent freight forwarders may be able to obtain compensation from the principal under whose instruction it acted (High Commercial Court, case Pž. 3385/2006, judgement of 26 April 2006, and Commercial Appellate Court, case Pž. 14458/10, Max Mara v Vox Trade & Tranšped Pro Team d.o.o., judgement of 14 December 2011).

There is no information available as to the extent to which freight forwarders make use of that opportunity. In any event, it would require initiating court proceedings against a non-complying principal and the freight forwarder, now as the plaintiff, would bear the burden of proof. IPPro

Bogdan Ivanišević
Head of IP practice
BDK Advokati/Attorneys at Law

Ana Petković
Associate
BDK Advokati/Attorneys at Law