

Russia

Contributing firm
Gorodisky & Partners



Authors

Nikolay Bogdanov and **Vladimir Biriulin**

Legal framework

The following national legal acts apply to counterfeiting:

- the Civil Code;
- the Criminal Code;
- the Code on Administrative Offences;
- the Customs Code; and
- the Competition Law.

Generally recognized principles and norms of international law, as well as international treaties to which Russia is a signatory, are regarded as integral parts of the Russian legal system. If an international treaty establishes rules that differ from those stipulated by a national law, then the treaty's rules shall apply. Further, the Civil Code stipulates that international treaties apply to civil law relations directly, except where a domestic act was required to implement the treaty.

Russia is a party to the following international treaties relevant to counterfeiting:

- the Paris Convention for the Protection of Industrial Property; and
- the Madrid Agreement.

Border measures

Border measures against counterfeit goods are available in Russia on the basis of the Customs Code, the Code of Administrative Offences, the Civil Code and the Criminal Code. In particular, the Customs Code sets out administrative procedures for seizing counterfeit goods.

The rights holder may apply for its trademark to be included in the Customs Register of Intellectual Property. When applying for inclusion, the rights holder must provide:

- proof that it holds the relevant IP right;
- information about any other person authorized to use the IP right;
- sufficient information to enable Customs to identify the goods;
- a secured warranty to compensate for

- property damage in the event that goods are wrongly intercepted; and
- other relevant data.

All customs authorities are obliged to check the register regularly. There is no official fee for adding an IP right to the register. However, adding a trademark makes the owner responsible (if it supports the customs claims) for any property damage that might be caused to the declarant, owner or recipient of goods as a result of their suspension if a court rules that the goods are not counterfeit.

The maximum term of recordal of a trademark in the register is five years, with the possibility of renewal. However, Customs usually records a trademark only for one year (with the possibility of renewal).

Upon including a trademark in the register, Customs shall monitor imports of goods bearing this trademark. Where such goods are imported by an unknown importer, customs officers will:

- suspend the goods' release for 10 working days; and

- inform the trademark owner of the situation no later than the day after the suspension and give it the opportunity to take – under Customs’ supervision – tests, samples and specimens of the allegedly counterfeit goods, and to examine, photograph or otherwise collect documentary evidence.

The main purpose of authorizing Customs to suspend the release of suspect goods is to allow the rights holder to ascertain whether the goods do in fact infringe its rights and, if so, to launch an action. The rights holder can enforce its rights by applying various judicial remedies available under the law.

In the event of infringement, the rights holder may approach Customs with an application for action so that the latter can initiate administrative proceedings and sue the infringer in court, according to the Code of Administrative Offences.

Another enforcement option for the rights holder is a civil action, whereby it can seek damages and publication of the court’s judgment.

Failure to initiate legal action within the above-mentioned period (20 days maximum) will result in the goods being released. Consistent failure to respond to a notice of suspension can be grounds for excluding the trademark from the Customs Register. In this case, Customs will stop detaining and suspending the release of the counterfeit goods.

Criminal prosecution

The Criminal Code provides for criminal liability for trademark infringement. If the damage caused by the unlawful use of a trademark is significant or the infringement is repeated, criminal charges may be brought against the infringer, which may face a fine of up to \$8,000. When such activities are a result of collusion or carried out by an organized group, the punishment shall be imprisonment for up to six years and/or a fine of up to \$17,000. Within the framework of criminal proceedings, the rights holder may also claim for the reimbursement of damages.

Criminal proceedings consist of two stages: preliminary investigation, which is initiated by an application filed by the rights holder with the police, and court hearings. A sentence handed down by a court of first instance may be appealed to a higher court. The duration of criminal proceedings is hard to predict, but they usually take between two and three years.

Civil enforcement

In accordance with Article 1,484 of the Civil Code, a rights holder has the exclusive right to use its trademark in any lawful way. No other person may use signs similar to the trademark in respect of goods for which the trademark has been registered without the rights holder’s position, or similar goods if such use is likely to cause confusion.

Depending on the nature and gravity of the infringement, it may give rise to administrative, civil or criminal liability.

A trademark owner usually begins to enforce its rights by sending a cease and desist letter to the alleged infringer. However, while this is a simple and effective non-judicial measure, it is not mandatory.

Preliminary measures

The court may issue preliminary injunctive relief prohibiting the defendant from performing actions related to the subject matter of proceedings or ordering the seizure of the defendant’s property. Any petition for injunctive relief must be considered by the court no later than the day after the claimant files it. Injunctive relief may be applied at any stage of the court proceedings if failure to provide such remedies would allow significant damage to the claimant and/or complicate or make impossible enforcement of the court judgment.

Before ordering injunctive relief, the court may demand or propose that the claimant post security against possible damages to the defendant. This might include a deposit in an amount determined by the court or a bank guarantee, warranty or other financial security. The court cannot decline injunctive relief if the claimant posts security with it.

Remedies

Remedies available under Article 1,252 of the Civil Code in connection with unlawful use of a trademark include the following:

- claims for cessation of the infringement;
- claims for damages or monetary compensation;
- claims for the removal from the market and destruction at the infringer’s expense of counterfeit goods, labels and packages bearing unlawfully used trademarks or confusingly similar signs; and
- claims for publication of a court judgment in order to redress the damage done to the injured party’s reputation.

Action for damages

A rights holder may claim damages for

losses and lost profits amounting to, at least, the profits derived by the infringer from the infringing activity.

However, instead of claiming damages, the rights holder may claim:

- statutory compensation of between \$3,000 and \$200,000, as determined by the court;
- twice the cost of the counterfeit goods; or
- twice the cost of a licence fee to use the trademark.

Confiscation

According to Article 1,515(2) of the Civil Code, the rights holder has the right to claim destruction of counterfeit goods, labels and packages bearing an unlawfully used trademark or a confusingly similar designation at the infringer’s expense.

Equipment, other devices and materials mainly used or intended to violate the rights holder’s exclusive rights shall be removed from the market on the court’s decision and destroyed at the infringer’s expense, if the law does not provide for their confiscation for the state’s benefit.

Administrative proceedings

In addition to these measures and remedies, there are two further administrative routes that can be used to combat infringement.

First, unauthorized use of other person’s trademarks shall constitute an administrative offence (according to Article 14.10 of the Code of Administrative Offence) and shall entail administrative liability for the infringer.

Administrative proceedings start with the rights holder filing a petition with the police. Based on this, the police may conduct a raid on the infringer’s premises and seize any discovered counterfeit goods. They then pass samples of these to the rights holder (or its authorized local representative) so that it can confirm where the counterfeit originated from.

As soon as the police have evidence of an infringement, they prepare an administrative violation report and place all materials before the court. The administrative punishments for such offences include fines of between \$500 and \$700 for individuals, \$3,000 and \$7,000 for officials and \$1,000 and \$14,000 for legal entities, as well as confiscation of all the seized goods for destruction.

The advantages of administrative proceedings are that in most cases infringers are brought to account and the requirements for establishing their guilt are not as strict as in criminal cases, where guilt

should be in the form of direct intent. Also, administrative proceedings take between two and four months from when the petition is filed with the police to when the final decision is adopted by the first instance court. Administrative proceedings also allow for counterfeit goods to be destroyed. In addition, costs are significantly less than in the case of civil or criminal proceedings. Finally, in civil proceedings it can be difficult to ascertain the number of counterfeit goods stored and sold, and thus to determine the amount of the claimed monetary compensation. Within the framework of administrative proceedings, a rights holder may obtain a court decision which establishes:

- the fact of the infringement;
- the number of counterfeit goods; and
- the infringer's profits from selling the counterfeit goods.

All these facts allow more compensation within the framework of subsequent civil proceedings, the main goal of which will be to obtain compensation.

However, sometimes the police make mistakes when drawing up procedural documents (eg, administrative violation reports) that can lead to an infringer escaping punishment and seized goods being released. In addition, administrative procedures result only in low fines.

Illegal trademark use may also qualify as unfair competition under the Competition Law. The Russian Anti-monopoly Service is empowered to consider unfair competition cases through a special administrative procedure, which is initiated by an application filed by the rights holder. Within the framework of this procedure, the rights holder may claim only that the infringer's actions related to the illegal use of the trademark be recognized as acts of unfair competition and that the infringer cease those actions. If it decides in favour of the rights holder, the Russian Anti-monopoly Service will require that the infringer cease the infringing behaviour. Non-fulfilment of this will result in administrative punishments.

Anti-counterfeiting online

The same provisions that apply to trademark infringement in the real marketplace also apply to e-commerce. Moreover, the Civil Code provides that a rights holder has the exclusive right to use its trademark on the Internet, including in a domain name. Therefore, rights holders can prevent third parties from acts of trading (ie, advertising, offering for sale and selling)

counterfeit goods through the Internet, as well as from cybersquatting.

Online investigation strategies

As a first step in online anti-counterfeiting actions involving domain names in the country-code top-level domain '.ru', it is recommended that rights holders secure evidence of infringement. The most common means of doing this is through notary verification of the website's contents.

The next step is to identify the infringer, the domain name administrator and the operator of the business carried out on the website. This can be done by forwarding an attorney request to the website administrator or the domain name registrar.

Internet service provider liability

In a decision of December 23 2008, the High Arbitration Court of the Russian Federation held that internet service providers (ISPs) will not be held liable for information placed on a website if they neither initiated the placement nor selected a recipient and it does not affect the information's integrity.

The court also noted that courts should consider whether an ISP:

- cooperated with any request to suspend an infringing content provider's services; or
- identified the person who placed the infringing content on the Internet.

Preventive measures/strategies

Rights holders should ensure that their rights are not vulnerable – namely, that the trademark is duly registered and properly used. This is essential since an infringer's most likely counter would be to challenge these rights – for example, by filing an action for cancellation for non-use. It is advisable that rights holders use local IP counsel and private investigators to secure evidence of the trademark's proper use and evidence of any unauthorized use.

Control of contractual relationships with third parties

Since trademark use by a licensee or by another person authorized by the rights holder is considered to be proper use, it is advisable that rights holders oblige licensees and distributors to provide them with documents showing use of the trademark.

It is also a common practice in contractual relationships to oblige a licensee or a distributor to inform the rights holder of any actual or suspected infringement of the trademarks or any passing-off or illegal use of the trademarks by a third party.

Precautionary marking

The Civil Code stipulates that a rights holder may use a precautionary sign by its trademark indicating that the sign used is a trademark registered in Russia. This may take the form of:

- a letter "R" or a circled letter "R" (®); or
- a word sign "trademark" or "registered trademark".

The Civil Code also stipulates that a franchisee must inform customers that it is using a trademark by virtue of the franchise contract. However, the enforceability of the exclusive rights, particularly the right to recover damages in any action of infringement, shall not be affected by whether any precautionary sign was affixed on the subject products. [WTR](#)

Biographies

Gorodissky & Partners

Gorodissky & Partners
 B Spasskaya Str, 25, bldg 3
 Moscow 129090
 Russia
Tel +7 495 937 6116
Fax +7 495 937 6104
Web www.gorodissky.com



Vladimir Biriulin

Partner

biriulinv@gorodissky.ru

Vladimir Biriulin graduated from the Moscow State Linguistic University in 1969 as an interpreter of Spanish, English and French, and from the Moscow University of Law in 1981 as a lawyer. He subsequently studied at the Central Institute of Intellectual Property (Moscow).

From 1973 to 1998 he worked at a major IP firm. In 1998 he joined Gorodissky & Partners, becoming partner in 2001.

Mr Biriulin counsels clients on Russian and foreign IP law, international IP treaties, conventions and agreements, technology transfer and licensing, IP infringement, unfair competition and copyright, and also litigates IP cases. He lectures regularly at conferences and seminars both in Russia and abroad, and is often published in IP magazines.

He is a member of the AIPPI, INTA, AIPLA and ABA.



Nikolay Bogdanov

Partner

bogdanovn@gorodissky.ru

Nikolay Bogdanov is a Russian patent and trademark attorney. He graduated from the Moscow Institute of Electronic Engineering, the Russian Institute of Intellectual Property (Moscow) and the Russian Academy of State Service under the President of the Russian Federation.

He started his career in the Russian PTO as a patent examiner and, 17 years later, became deputy general director of the Russian PTO. He has contributed to the development of Russian IP law and regulations, drafting the treaties on patent harmonization under WIPO. He has also participated in inter-governmental negotiations, including those on accession to the WTO.

Mr Bogdanov joined Gorodissky & Partners in 2004, and has participated in numerous cases relating to patent and trademark prosecution and enforcement. He counsels domestic and foreign clients on the full range of IP issues. He is a member of the AIPPI, has authored several publications and is a frequent speaker at domestic conferences.