

Contributing firm
Gowlings International Inc



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Legal framework

Russia is a civil law country. Its legal system is based on codified laws – substantive and procedural. The basic laws relating to anti-counterfeiting issues are as follows:

- Part IV of the Civil Code (230-FZ) of December 18 2006 entered into force on January 1 2008. It replaces the Trademark Law which was the basis for Russian trademark legislation from 1992. Part IV Chapter 76 § 2 “Right to a Trademark and a Service Mark”, among other clauses, provides for the legal regime of trademarks, their registrability requirements and the procedure for registration with the Russian Trademark and Patent Office. It also defines the scope of the trademark owner’s rights, the notion of ‘trademark use’ and establishes civil remedies for trademark infringement.
- The Competition Law (135-FZ) of July 26

2006 provides for protection against unfair competition activities, including unauthorized use of trademarks.

- The Customs Code (61-FZ) of May 28 2003 provides a mechanism to prevent illegal traffic of counterfeit goods into Russia at the customs borders.
- The Administrative Code (195-FZ) of December 30 2001 provides for an administrative procedure and administrative sanctions for trademark infringement.
- The Criminal Code (63-FZ) of June 13 1996 provides for the criminal procedures and criminal liability for trademark infringement.
- The Arbitration Procedural Code (95-FZ) of July 24 2002 provides procedural rules for litigation in the arbitration courts. Russian arbitration courts are permanently functioning courts similar to commercial courts. The arbitration courts handle the majority of trademark infringement disputes.
- The Criminal Procedural Code (174-FZ) of December 18 2001 provides procedural

rules for criminal investigation and litigation in the criminal courts.

While Russian law also provides protection against copyright and patent infringements, this chapter focuses on trademark infringements only.

Border measures

Under Russian law, Customs has no *ex officio* powers. Chapter 38 of the Customs Code provides for a mechanism to inspect imported goods at the customs border for infringement of trademarks protected in Russia.

To initiate customs inspection, the trademark owner must forward an application to the Federal Customs Service of the Russian Federation requesting it to undertake protective measures and temporarily to suspend circulation of allegedly counterfeit goods. The following information should be attached to this application:

- full corporate details, address and corporate status of the trademark owner and its representative;

- a power of attorney in the name of the representative, if any;
- a list of valid trademarks in Russia along with copies of registration certificates;
- a list of specific goods covered by the trademark registrations in relation to which Customs should initiate its checks;
- a list of authorized dealers and importers of the trademarked goods in Russia;
- specific information about allegedly counterfeit goods;
- information on reported cases of trademark infringement;
- the term requested for the recordal (maximum five years with possibility of renewal);
- an undertaking by the trademark owner to reimburse any damage suffered by parties as a result of unlawful customs suspension; and
- a document confirming that the trademark owner has secured its undertaking by way of a bank guarantee or insurance of liability for the amount of Rb500,000 (approximately \$20,000).

Customs must consider the application within one month of filing. This term may be prolonged for another month in the event that additional documents or information are required.

Assuming that the information submitted complies with the Customs Code and the Federal Customs Service requirements, the trademark will be included in the Register of Intellectual Property Objects with the Federal Customs Service. This is available for public inspection.

Under the Customs Code, if the customs inspection reveals suspicious goods, the goods are detained for 10 days. Simultaneously with the detention, Customs informs both the importer and the trademark owner or its representative indicated in the register of the detention. Within a 10-day period, which can be extended only once for a further 10 days, the trademark owner:

- has a right to examine the goods, including the right to obtain samples and pictures; and
- must inform Customs as to whether the goods are counterfeit.

If the goods are counterfeit, the trademark owner must initiate legal proceedings against the importer. Failure to initiate legal proceedings within the above-mentioned period results in the release of the goods.

The customs recordal will be effective only if a trademark owner appoints:

- a local representative to liaise with

various customs contact points on a day-to-day basis; and

- an expert who is officially authorized to conduct an expert examination of alleged counterfeits on behalf of the trademark owner, define whether the detained goods are counterfeit and provide Customs with a written expert opinion within the applicable timeframes.

Failure to provide responses to customs requests connected with the detention of allegedly counterfeit goods may serve as grounds to withdraw the trademark from the register and to stop customs detention.

Criminal prosecution

Article 180(1) of the Criminal Code provides that unauthorized use of a trademark or a designation confusingly similar to it for similar goods, if such activities have been committed repeatedly or have resulted in substantial damage, is a criminal offence.

The sanctions include:

- a fine of up to Rb200,000 or an amount equivalent to the relevant person's income for a period of up to 18 months;
- compulsory work for between 180 and 240 hours; or
- corrective labour for a term of up to two years.

Article 180(2) of the Criminal Code provides that the unauthorized use of a protection mark (ie, ® or ™) in respect of a trademark which has not been registered in Russia is also a criminal offence, if such activities have been committed repeatedly or have resulted in substantial damage. The sanctions include:

- a fine up to Rb120,000 or an amount equivalent to the relevant person's income for a period of up to one year;
- compulsory work for between 120 and 180 hours; or
- corrective labour for a term of up to one year.

Article 180(3) of the Criminal Code provides that activities mentioned in Articles 180(1) and (2), which have been committed by a group of individuals in conspiracy or by an organized group, is a more serious criminal offence. The sanctions are:

- imprisonment for a period of up to six years with a fine of up to Rb500,000; or
- an amount equivalent to the relevant person's income for a period of up to three years.

The Criminal Code provides that "substantial damage" occurs when any one

of the following exceeds Rb250,000:

- the total price of the counterfeits;
- the damage incurred by the trademark owner; or
- the income obtained by the infringer.

Criminal cases are launched and investigated by the Ministry of Interior and then tried by the criminal courts. Criminal charges may be brought against an individual or a top official of a legal entity involved in unauthorized activities. Investigation usually takes from two to three months from the date the proceedings are instituted. In exceptional cases, this term may be prolonged by up to 12 months. The term for consideration in the court, including the appeal stage, is not less than four months.

A key point in relation to criminal prosecution is that successful investigation and completion of the proceedings is possible only if the trademark owner actively participates from the institution of the proceedings up to the court ruling. Counterfeits may be seized during investigation of the case based on a petition of an investigator, which has been approved by the courts. The trademark owner has no opportunity to withdraw a criminal action, for example, in the event of settlement with the infringer.

Civil enforcement

Under Article 1515 of the Civil Code Part IV, the goods, labels or packaging bearing unauthorized reproductions of the trademark or a designation confusingly similar to it are considered counterfeit.

The trademark owner may demand that:

- the infringing activities be stopped, damages recovered, counterfeits be withdrawn from the market and subsequently destroyed; or
- the infringing signs be removed from the counterfeits at the infringer's expense.

The trademark owner may also demand, in lieu of damages, statutory compensation:

- from Rb10,000 up to Rb5 million;
- double the price of the counterfeits; or
- double the costs of a licence taken under comparable circumstances for the lawful use of a trademark.

The amount of statutory compensation does not depend on the actual damages incurred.

Under the Arbitration Procedural Code, the arbitration court has the authority to grant preliminary injunctions. This includes, in particular, seizure of funds or assets, including alleged counterfeits, owned by the

infringer and prohibition against certain activities. The statement of claim must be filed with the court within 15 days of the motion's grant. Failure to file the statement of claim within this term results in the withdrawal of the preliminary injunction.

The Arbitration Procedural Code provides that the court cannot refuse and must grant a preliminary injunction when the claimant posts a deposit with the court. The court determines the amount of the deposit, which cannot be less than 50% of the value claimed. The most recent court practice, though, shows that the courts do not grant preliminary injunction motions in trademark infringement cases.

The consideration of cases in the arbitration courts, including appeals to the Court of Appeals and to the Cassation Court, may take eight to 12 months.

Court decisions and other court documents are available only to the parties to the dispute. Access by third parties to these documents is not possible, although some court decisions are now available on legal databases.

Other points to bear in mind are as follows:

- There is no full recovery of legal fees;
- The parties face no disclosure obligations. The procedure does not include a discovery stage;
- No mandatory alternative dispute resolution procedure exists in the Russian legal system;
- Disputes are tried and resolved based on the evidence submitted by the parties. Evidence should be disclosed to other parties at the preliminary hearings. Evidence can be also submitted at the first instance trial. Submission of evidence at the Court of Appeals and the Cassation Court is possible only if a party can prove that submission in the lower courts was impossible for reasons beyond its control; and
- Affidavits are not acceptable as evidence.

Anti-counterfeiting online

Unauthorized internet commerce

Under Part IV of the Civil Code, unauthorized use of a trademark or a designation confusingly similar to it in association with similar goods on the Internet in domain names and email addresses constitutes trademark infringement. In addition, if the court finds that such use of the trademark in the domain name constitutes trademark infringement, the Domain Name Registrar may cancel the domain name registration, in accordance with the Registrar's Rules. The

trademark owner will then have the right to register the domain name.

Internet security and online investigation strategies

There are specialized local investigation agencies offering services in the area of internet security and online investigations. Such services may include:

- online monitoring of trademark use;
- collection of information online; and
- identification of actual websites and domain name owners.

Preventive measures/strategies

Administrative procedures

Russian administrative procedures operate in parallel to criminal and civil law procedures. The administrative procedure provides remedies for violations of law. Administrative sanctions are generally less severe than criminal penalties; they are applied to both individuals and legal entities, while criminal penalties apply only to individuals.

Administrative sanctions: Under Article 14.10 of the Administrative Code, unauthorized use of a trademark or a designation confusingly similar to it for similar goods results in administrative liability. Administrative sanctions include:

- a fine of between Rb1,500 and Rb40,000; and
- the confiscation of the goods bearing the unauthorized reproduction of a trademark.

These sanctions are applicable both to individuals and legal entities. The sanctions for legal entities are harsher than those for individuals.

The investigation of an administrative case usually takes up to two months. The courts then consider the case. It takes up to eight months to obtain a final court ruling, including appeals to the Court of Appeals and to the Cassation Court.

Anti-monopoly procedure: Under Article 14 of the Competition Law, acts of unfair competition, including those involving the unauthorized use of intellectual property, are prohibited. A trademark owner may petition the Federal Anti-Monopoly Service, which is a governmental authority supervising competition in the market.

The essential requirements for anti-monopoly proceedings are:

- competition between the trademark owner and the infringer in the same segment of the Russian market; and

- infringement of the trademark rights.

In the event that the Federal Anti-Monopoly Service considers the infringer's activities as unfair competition, it issues a ruling prohibiting such activities. The Federal Anti-Monopoly Service ruling may be appealed to the arbitration courts.

The Federal Anti-Monopoly Service procedure usually takes up to six months.

Use of local counsel and investigators

The use of local counsel experienced in IP matters is highly advisable for handling counterfeiting matters, especially when dealing with law enforcement agencies.

In practice, the initiation of any anti-counterfeiting proceedings requires the collection of evidence of the infringement and the infringer before filing a claim. Therefore, the assistance of experienced investigators is essential in the majority of anti-counterfeiting matters.

Controlling contractual relationships with third parties

Contractual partners should be chosen very carefully. It is advisable to state explicitly in licensing and manufacturing agreements that the trademark owner has a right to control its counterparty's activities at any time and to terminate such agreements in the event of any IP rights infringement.

Effective use of technology, authentication and monitoring

It is advisable, when appropriate, to have simple and detailed guidelines explaining differences between genuine and counterfeit products. This is very helpful in dealing with law enforcement and customs authorities.

Local marketing or specialized investigation agencies are recommended to monitor the market, including online commerce.

Cooperation with national anti-counterfeiting agencies

National anti-counterfeiting agencies do not exist in Russia. There are, however, specialized departments on IP rights and hi-tech infringements within the Ministry of Interior and its regional offices.

The Federal Customs Service along with many local customs offices also have specialized departments dealing with IP rights infringements. [WTR](#)

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Marina I Drel joined Gowlings International Inc in 1999 as head of the Moscow litigation and enforcement practice. She is a qualified Russian barrister and solicitor. She is a graduate of the Faculty of Law at Moscow State University where she obtained her PhD and a graduate of Canada's Dalhousie University where she received her LLM.

Ms Drel's broad practice and legal experience include advice to and legal representation of multinational corporations in courts of general jurisdiction, arbitration courts and administrative proceedings in the areas of intellectual property and advertising. Ms Drel has particular experience in infringement and counterfeiting issues. She is regularly recognized as a leading practitioner of IP law by publications such as *PLC Which Lawyer?* and *Chambers Global Guide*.



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Dmitry S Semenov is an associate with Gowlings International Inc. He practises primarily in the area of copyright and trademark law.

Mr Semenov has extensive experience in assisting Russian and foreign clients, both corporations and individuals, with copyright protection; this includes the successful management of anti-piracy campaigns and copyright litigation.

Mr Semenov graduated from Moscow State University in 1998 and received his LLM in 2000 from the Russian School for Private Law of the RF Private Law Research Centre.