

# IP Litigation

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A special report from  
Laurence Morel-Chevillet,  
IP Senior Counsel, Bulgari S.p.A.

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# Need to know

*Russia's trademark and patent law is multi-layered and subject to international jurisdiction, in some cases. ARS Patent analyses the legal procedures, fees and potential roadblocks involved.*



Mr. Rybakov  
Senior Partner



Mrs. Bogdanova  
Partner

## Trademark litigation

**Q:** *What are the principal sources of law and regulation relating to trademark litigation?*

**A:** Russia's legal system is based on a civil law system, which is formed on the basis of codified laws, both substantive and procedural. Russia's legislation on the protection of trademark rights is grounded in the following legislative acts and regulations:

a. Civil Code, Fourth Part (230 Federal Code) entered into effect on 1 January 2008, and replaced the Trademark Law, which had been the basis for Russian trademark legislation since 1992.

Among others stipulations, Article 2 in Chapter 76 of the Civil Code provides legal grounds for the protection of trademarks, state registration requirements, and the means of registering a trademark with the Russian PTO. It also defines the scope of the trademark owner's rights, the requirements of proper use of a trademark, and establishes legal protection for infringement of exclusive trademark rights;

b. The Administrative Code (195 Federal Code) of 30 December 2001, contains provisions for administrative procedures for infringement of exclusive trademark rights;

c. The Criminal Code (63 Federal Code) of 13 June, 1996, contains provisions for criminal procedures and criminal liability in regard to the infringement of exclusive trademark rights;

d. The Arbitration Procedural Code (95 Federal Code) of 24 July 2002, provides procedural regulations for litigation in the arbitration courts. Russian arbitration courts are permanently functioning courts, which in accordance to international law, can be attributed or related to commercial courts. The majority of trademark infringement disputes are considered in arbitration courts;

e. The Criminal Procedural Code (174 Federal Code) of 18 December 2001, provides regulations for the conduct of criminal investigations, litigations, as well as prosecution of cases in criminal courts.

Even though Russia has a sufficiently rigorous legal territorial scope, Russian law does not exist outside of the system of international obligations. Russia is a part of the main international conventions, treaties and agreements on intellectual property protection.

Numerous uniform civil laws are contained in these treaties. The need for such laws arise by the Contracting

parties not because of principles of national regiments but due to direct requirements set forth by international treaties that are, as a rule, replicated in relevant articles of the Civil Code in the Russian Federation.

**Q:** *What is the order of priority of the relevant sources?*

**A:** Since the Russian legal system is not based on precedence, only the foundation of legislation must be used in the event of conflicts or disputes, which excludes instances of conflicts with other sources and the need to determine their priority. Therefore, the interpretation of laws is based precisely on the competence of the judiciary system. In practice, the methods and tactics that are used to resolve conflicts are developed by the supreme courts and are binding and obligatory for resolving disputes in courts of lower instances. As a result, in practically every lawsuit, the court bases its decision on legal statutes and legislation in the Russian Federation and on the Supreme Court's opinion of the subject.

**Q:** *To what extent are unregistered trademarks protected under Russian law?*

**A:** Russian statute of law does not provide legal protection to a trademark until it is officially registered in the Russian PTO. Russia does not have the same type of protection for unregistered trademarks such as the passing off law in the UK or Lanham Act in the US.

In accordance to Part IV of the Russian Civil Code, a civil violation of exclusive trademark rights or an infringement of trademark rights is any conduct by a business entity that actively violates exclusive trademark rights. Such conduct can be unauthorised manufacturing, use, import, export, sales, and any other commercial introduction of a trademark(s) that is identical or similar to the point of confusion with respect to the same or similar services and goods. In accordance with Russian legislation, the following are identified as features of trademark infringement:

- 1) The factual unauthorised use of a trademark that is identical or similar to the point of confusion;
- 2) The use of a trademark as part of an economic/business exchange;
- 3) The use of a trademark on goods of the same type.

A legal entity's violation of the administrative and legal norms requirements, including the norms based on Russia's law on competitiveness, qualifies as an action directed against the public's legal interest, and the state is responsible for its prosecution. Thus, the unlawful use of a trademark is not only a civil liability, but also an administrative one.

It is important that the disputing parties in an administrative offense are presently in a state of competition, particularly in one geographical area. Proof of actual physical harm is not necessary. For instance, a trademark owner could have either lost profits or the reputation of his products is damaged (for example, if his trademark is used on goods of lower quality).

In accordance with the Act of Unfair Competition, an infringement of exclusive trademark rights by a business entity is not constituted on the basis of guilt of the infringing party. In other words, it is not a requirement in Russia to determine whether an infringer purposefully infringed the exclusive rights of a trademark. It is presumed that the use of someone else's trademark is a conscious decision if it corresponds to the abovementioned signs of an administrative offense.

According to Article 180 of Russia's Criminal Code, a criminal offense is when an unauthorised use of a trademark is a repeated offense or causes substantial damage. In addition to the two specific conditions for a civil liability, a criminal offense is the use of an identical or confusingly similar trademark for similar goods without authorisation of the rights owner.

A repeated offense supposes either that one trademark is used without authorisation more than one time, regardless of how it is used, or that two or more trademarks are used without authorization, regardless of how they are used, and belong to one or several different owners.

Substantial damage can be caused to the trademark owner and the consumer. The size of damages is determined at the discretion of the court. It is based on the cost of the goods and the volume of unauthorised use of a trademark.

It is important to note that an infringer can only be an individual, who partakes in business (entrepreneurial) activity, or a head of an organisation. A crime is characterised by the intention of guilt. The offender must realize that they are using someone else's trademark without authorisation, and that they wish to commit such a crime. Substantial damage in an infringement can be inflicted intentionally or negligently.

### **Q:** *Who can sue for trademark infringement?*

**A:** In accordance with Russian national laws, only the trademark holder and the licensee who has an exclusive right to the trademark can take legal measures to protect their exclusive rights to a trademark. However, in order for the licensee to undertake legal measures, a license agreement between the trademark holder and the licensee holding exclusive rights to the trademark must be registered in the Russian PTO.

### **Q:** *Who can be sued for trademark infringement?*

**A:** Any party involved in an infringing activity can be sued for their actions, such as: manufacturers, carriers, warehouses, whole and retail sellers, advertising agencies, mass media, etc. Company directors cannot be indicted within the civil process; they can only be prosecuted in criminal law. Inducing or contributing to trademark infringement cannot serve as grounds for a legal action until it is proved that an individual is actually partaking in infringing activity.



### **Q:** *It is possible to add or subtract parties during litigation?*

**A:** In accordance with the rules of the Arbitration Procedural Code, a legal action can be filed by several plaintiffs or several defendants. This is possible if the subject of the dispute is common rights and/or is the responsibility of several plaintiffs or defendants. In addition, there can be several plaintiffs or defendants during a litigation proceeding if the rights and causes for such a proceeding are the identical or similar.

Co-plaintiffs and co-defendants may enter into a legal action at any time before a decision is reached in the first instance courts.

Replacing the original claimant by another claimant at any point before a decision is reached is not stipulated by law in the Russian Federation. However, one claimant may recant a legal action and it will not have any consequences on the consideration of the case by other claimants, as all co-plaintiffs and co-defendants act independently in a lawsuit (a legal action can be handled by one or more individuals).

A co-defendant can be changed only with the consent of the plaintiff. If the plaintiff is opposed to such an action, then the court cannot impose co-defendants. The court can only dismiss the case on the grounds of an illegitimate action lodged against the defendant.

The exception to the above stipulation is with legal actions involving government agencies. A government agency can introduce a co-defendant without the consent of the plaintiff.

When a co-plaintiff enters a legal action, the engagement of a co-defendant in a trial starts from the beginning.

### **Q:** *What are the liabilities for the violation of trademark rights in Russia?*

**A:** In accordance with Russian law, the state is responsible for protecting the interests of individuals, society, and the government. Therefore, the state applies sanctions on legal norms and determines the specific measure of a legal liability. Legal liability is associated with state coercion, which manifests in different ways in various areas of law.

Civil liability is based on the application of statutory interventions on the offender in the interests of another person (owner of exclusive trademark rights), which can lead to disadvantageous consequences in both proprietary and non-proprietary nature.

In accordance with article 1515 of the Civil Code, the following types of liabilities for unlawful use of a trademark may be demanded by an owner of exclusive trademark rights:



1. Withdrawal from circulation and the destruction of counterfeit goods, labels, and packaging products at the expense of infringer. The perpetrator is obliged to cease the manufacturing, use, import, export, sales, storage, advertisement, or any other form of use of the unauthorised trademark in commercial circulations, etc;

2. An individual who has infringed the exclusive right to a trademark when rendering services is obliged to remove the “infringing trademark” with the materials that accompany the implementation of such work or services, including advertisement, billboards, and all signs;

3. The infringer is to compensate the damages for unlawful use (without formulating an agreement with the right owner) of a trademark, if such use of a trademark has caused damages;

4. In lieu of the damages, the trademark owner may also demand statutory compensation:

- In the amount ranging from RUB10,000 to RUB5m (at the discretion of the court on the basis of the nature of the violation);
- In the amount of double the cost of the counterfeit goods, on which the trademark is unlawfully placed;

Or

- In the amount of double the cost of a license taken under comparable circumstance for the lawful use of a trademark

5. In accordance with Article 1252 of the Civil Code, an exclusive trademark owner can demand the publication of the court’s decision on the infringement committed with an indication of the actual right holder.

If a trademark was unlawfully used, but damage was not occurred then there is only a threat of harm to the rights holder. In accordance with Article 1065 of the Civil Code, the state regulates the grounds for prohibiting the perpetrator from performing certain acts, and resembles preventative nature, as a means of protecting civil rights

Administrative liabilities are those which are public in nature, and the state is responsible for determining administrative liabilities. According to Russia’s law “On Protection of Competition”, perpetrators are accountable for both administrative and civil law charges.

Article 34 in Part II of the Russian Constitution establishes the constitutional prohibition of unfair competition, under which economic activity aimed at monopolisation and unfair competition is forbidden.

In Article 14 “Prohibition of Unfair Competition” of the Law “On Protection of Competition” (Number 135 – Federal Code of July 26, 2006), it is stated that:

1. Unfair competition is prohibited, including: misrepresenting the nature, method, and place of production, as well as consumers’ characteristics, quality and quantity of goods, or its producers;

2. The sale, exchange, or other introduction of goods into the public circulation is prohibited, if it is illegal to use such intellectual property and related means of individualization of goods and services;

3. Unfair competition is prohibited in regard to acquisition and use of exclusive rights in the means of individualization of a

legal person, or means of individualization of products, jobs, or services.

In accordance with Article 14.10 of the Code “On Administrative Offenses”, unlawful use of a trademark has the following repercussions:

- Russian citizens - the imposition of a fine from RUB1,500 to RUB2,000, with the confiscation of goods that have the illegal reproduction of a trademark;
- Government officials – the imposition of a fine from RUB10,000 to RUB20,000, with the confiscation of goods that have an illegal reproduction of a trademark;
- Legal persons- the imposition of a fine from RUB30,000 to RUB40,000, with confiscation of objects, which have an illegal reproduction of a trademark.

According to Russia’s Law on Competition, in addition to administrative charges, infringers also face charges in accordance to civil law.

As in administrative liability, the state is responsible for the prosecution of the crime and accountable for determining criminal liabilities.

In accordance with Article 180 of the Criminal Code “On Illegal use of trademarks”, the punishment is a fine of up to RUB200,000, infringer’s salary, or other source of income for the period of 18 months, or by mandatory volunteer work for a period of 180 to 240 hours, or correctional labour for up to two years.

If the same act is committed by a group of individuals in conspiracy or by an organised group, it is considered a more serious criminal offense. The sanction includes imprisonment for a period of up to six years with a fine up to RUB500,000, or the perpetrator’s salary or other source of income for the period of three years.

## Patent litigation

**Q:** *What are the principal sources of law and regulation relating to patent litigation?*

**A:** The most important source of law for patents in Russia is the Civil Code of the Russian Federation. In the Civil Code all principal rights and legal regulations are disclosed in detail. According to the Russian Constitution, all international treaties and other international legal acts in which Russia is a member are implemented in the Russian legislation and have an influence in Russian national legal acts.

All of Russian patent legislation is federal and no regional legislation may be issued. In the Russian court system precedents may not be considered as a source of law until the Russia’s highest court issues a special directive for courts of lower instances.

**Q:** *How is patent infringement assessed?*

**A:** Equivalents are very often taken into consideration in patent infringement lawsuits due to Article 1358 of the Russian Civil Code stipulating the use of equivalents as an infringement. It should be noted that the current Russian legislation does not contain a legal definition of the ‘equivalents’ concept. A legal definition of the ‘equivalents’ concept was last mentioned in the subordinate legislation issued in 1974. Consequently, reference to such legislation may be considered improper. Therefore the application of the ‘equivalents’ concept by Russian judges is rather diverse.

**Q:** *When are disputes heard by the national patent office?*

**A:** The Patent Disputes Chamber of the Russian PTO only hears dispute appeals against the refusal to grant patent or appeals against a patent grant.

**Q:** *Are validity and infringement trials heard together?*

**A:** According to Article 1398 of the Russian Civil Code, a patent may be recognised during the term of its validity as invalid in whole or in part in the following cases:

- (i) failure to correspond to patentability conditions (novelty, inventive level or industrial applicability);
- (ii) the presence of features in the claims of a granted patent that were absent on the filing date of the application;
- (iii) the grant of a patent in the presence of several applications for identical inventions having the same priority date; and
- (iv) the incorrect indication of inventor or patent owner.

If grounds (i), (ii), or (iii) occur, a demand to revoke the patent should be filed with the Patent Disputes Chamber of the Russian PTO. If ground (iv) occurs, the grant of the patent may be disputed in civil court, namely the civil court in Moscow where the Russian PTO is located.

Currently, validity and infringement trials may never be heard together. Patent validity may be disputed in the Patent Disputes Chamber of the Russian PTO within the scope of a so-called administrative proceeding. Infringement trials may be heard in a civil or criminal court. Moreover, filing an opposition to revoke a patent will not suspend ongoing court proceedings, in particular, the issue of an injunction.

**Q:** *Are there provisions to curb groundless threats of patent infringement proceedings?*

**A:** Many defendants in infringement lawsuits consider plaintiff's claims as groundless. But fortunately we do not have the problem of, for instance, patent trolls in Russia. Patent infringement lawsuits are still not so common and widespread in Russia and there are no cases known with a great financial claim.

**Q:** *How long does it typically take to get to trial from the start of proceedings?*

**A:** A patent infringement trial has only one judge. Documents are the most welcomed form of evidence. Affidavits and live testimony are rarely accepted by a judge, though not forbidden. Cross-examination of witnesses is theoretically available but not used in practice. When deciding the fact of infringement judges mostly rely on independent technical experts' conclusion. In some cases, upon agreement of both parties, two assessors may be invited to join the judge. Although assessors look like a jury, it is not a jury in the classical sense since the assessors make a decision together with the judge. Assessors usually have a business, law or financial educational background and experience, so they are not very useful in the consideration of infringement cases that are particularly technically complex.

It is difficult to indicate a typical timetable because the duration of a trial critically depends on a number of forensic examinations. The procedure can be very lengthy if at least one of the parties is a foreign legal entity.

It typically takes one month from the filing of a suit until the first hearing. After one more month, the hearing takes place. An examination occurs after the hearing, and may last up to two months and may be repeated. After the examination, a cross-examination of the examiner occurs. The court decision may be appealed within one month and a hearing usually takes place in a month or two. Most typically trials last about one to two years.

**Q:** *What costs should one expect to incur?*

**A:** All court fees shall be paid by the plaintiff until an official decision is made by the courts. Court fees for non-property plaintiff claims are equal to several hundred euro and material claims are calculated on the basis of the percentage of a claimed amount. Forensic examination costs are approximately EUR2,000. Lawyers charges may be between EUR10,000 and EUR30,000. Appeal proceedings may add an additional EUR3,000-10,000.

A preliminary injunction can be obtained with a high probability rate from the court to secure damages in the form of either distaining a product allegedly infringing a patent or demanding an alleged infringer to place a monetary deposit into an account of the court. If the plaintiff places a counter security on the court's account, the injunction will be practically unavoidable.

**Q:** *What are the emerging trends in Russian patent law?*

**A:** In the near future, it is expected that the court practice will change. In 2013, it is believed that a new special court will appear in Russia, the Court for Intellectual Property Rights. This court will consider only patent and trademark validity disputes. However, it is anticipated that infringement cases will also be in the competence of this court. In the near future, it is very likely that it will be possible to combine validity and infringement cases in one hearing.

**Mr. Rybakov**

*Senior Partner of ARS-Patent's St.Petersburg office*

Mr. Rybakov has been the firm's Director since 1994 and has a broad experience in the spheres of mechanics, physics, electronics, transportation, metallurgy and construction. His patent practice focuses on filing and processing domestic and international patent and utility models applications, licensing, etc. He participated in developing strategies for the litigation and the protection of intellectual property and is an author of a number of professional publications. Mr. Rybakov has also been repeatedly selected as "Lawyer of the Year" in IP area, and included in the "Russia's Best Lawyers®" edition published by Best Lawyers, USA in 2009-2011.

**Mrs. Bogdanova**

*Partner*

Mrs. Bogdanova has been working in the sphere of legal protection of intellectual property since 1994. She is a specialist in the field of industrial designs and trademark registration in the Russian Federation and the CIS States, as well as in matters relating to copyright, infringement, and unfair competition issues and defending the interests of trademark and industrial design owners before the Chamber of Patent Disputes of the Russian Patent and Trademark Office, customs authorities, arbitration and anti-monopoly bodies.

**Contact:**

Address: Office 12, Shvedsky per., 2,

St.Petersburg, 191186, Russia

Tel: 7 812 600 67 07

Fax: 7 812 325 98 15

Website: www.ars-patent.com