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PROTECTION OF INTELLECTUAL PROPERTY RIGHTS IN
THE RUSSIAN FEDERATION AND THE LATEST CHANGES IN LEGISLATION IN THE
FIGHT AGAINST COUNTERFEITING AND PIRACY

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In the past few years, the problem of intellectual property protection in the Russian Federation has become very topical. This is explained not only by the international impact resulting from Russia becoming one of the world “leaders” in terms of the production and sale of counterfeit goods, but also as regards the recognition of the significance of intellectual property in international trade and economic links.

It is essential to point out that, in the sphere of intellectual property protection in Russia, ever more active steps are being taken, designed to achieve a breakthrough in the situation established. Under the leadership of the Head of the Government of the Russian Federation, a special government commission has been set up and is working to oppose infringements in the intellectual property sphere. Great importance is attached to improving existing legislation which, in our opinion, will increase the effectiveness of the protection of intellectual property subject matter, thereby leading in the final analysis to a reduction in the share of counterfeit goods in a number of market segments. Special attention should be paid to

* The views expressed in the Study are those of the author and not necessarily those of the Secretariat or of the Member States of WIPO.

the definite progress made and the effectiveness of the work of the law-enforcement agencies and courts in protecting the infringed rights of rights' owners.

Legislation in the intellectual property sphere has recently been significantly updated. The administrative means of protection, including those provided for by the Customs Code and the Code of the Russian Federation on Administrative Infringements, have been amended or improved. As a result of the adoption of the new wording of the Law of the Russian Federation on Trademarks, Service Marks and Appellations of Origin, and the Patent Law, the legal means of protection for civilians are being extended, the procedures for appeal against the actions of the federal executive authority for intellectual property, concerning the refusal to register or the unlawful registration of trademarks or patents, have been amended. Significant changes have been made to criminal legislation in relation to the list of infringements for which punishment is provided and to the penalties for the infringement of copyright. The novels contain updated codes of procedure governing the settlement of cases by courts with general jurisdiction and courts of arbitration (Code of Civil Procedure of the Russian Federation, Code of Arbitration Procedure of the Russian Federation).

An analysis of the law-enforcement practice of the courts with general jurisdiction and courts of arbitration bears witness to the increasing role of legal measures for civilians for the protection of the subject matter of exclusive rights and to the recognition by rights' owners of the fact that, in the fight against infringements and piracy, a proactive, or even an aggressive, approach by rights' owners themselves in relation to infringers is of primary importance.

1. Role of the customs authorities in preventing the process of international trade in counterfeit goods

As of January 1, 2004, in accordance with the Federal Law of May 28, 2003, the redrafted Customs Code of the Russian Federation came into force and devoted broad coverage to the role of the customs authorities in preventing the process of international trade in counterfeit goods. In Article 403 of the Customs Code the protection of intellectual property is referred to as one of the functions of the customs authorities, together with the function to curtail the illegal movement of intellectual property subject matter across the customs border.

Included in the section "Customs control," Chapter 38 of the Customs Code, entitled "Measures taken by the customs authorities in relation to individual goods," governs matters relating to intellectual property.

The granting to the customs authorities of the right to suspend the release of goods on the suspicion that they are counterfeit should be related to the main novels of the Code. According to the Code, goods should be released not later than three working days after the day on which the customs declaration is adopted and other essential documents and information are supplied (Article 152). The Code provides that the period for the release of goods may be extended, where the period is extended for inspecting the goods in the case where the goods presented for inspection are not divided into packaging areas according to individual types and/or names of goods and/or information on their packaging and marking is not given in the commercial and/or transport documentation for the goods. In that regard, it is stipulated that the period for inspecting the goods shall be extended by the time required, by the person in possession of powers in relation to the goods, for dividing the consignment into individual goods (Article 359).

In the case of features being present which indicate that goods containing intellectual property subject matter, protected by the customs authorities, are counterfeit, the release of such goods may be suspended (Article 149(3)).

According to the Code previously in force, the customs authorities were assigned a maximum of ten days to verify the customs declaration. During this time, where features indicating the unlawful use of intellectual property subject matter are detected, the customs authorities were obliged to inform the Public Prosecutor's Office and preliminary inquiry authorities of these facts and, where information on the decisions taken by these authorities was not received, as in fact happened, the customs authorities released the goods in question.

The amendment of this provision was also assisted by the entry into force, as of June 1, 2002, of the Code of the Russian Federation on Administrative Infringements, which establishes liability for the unlawful use of a trademark and the infringement of copyright and related rights (Article 14.10 and Article 7.12(1)). In accordance with the standards of this Code, the customs authorities were granted the right to draw up reports on cases involving administrative infringements for the acts in question.

Article 393 of the new Customs Code defines the basic principle in accordance with which the customs authorities takes measures relating to the suspension of the release of goods on suspicion that they are counterfeit. The grounds for the suspension of the release of goods is a request by the rights' owner, i.e. in accordance with special intellectual property legislation, a request by the person owning the exclusive rights to intellectual property subject matter. Pursuant to the Code of the Russian Federation on Administrative Infringements, the legislator granted the customs authorities powers only in relation to subject matter for copyright, related rights, trademarks, service marks and appellations of origin. The adoption of measures to provide protection for patent rights is not part of the remit of the Russian customs authorities.

It is important to point out that the measures taken by the customs authorities to suspend the release of goods do not prevent the rights' owner from resorting to any measures to protect his rights, as provided for by the legislation of the Russian Federation.

The mechanism for the participation of the customs authorities in intellectual property protection is strengthened in the Statute on the Protection of Intellectual Property Rights by the customs authorities, approved by Decree No. 1199 of the State Customs Committee of the Russian Federation, dated October 27, 2003 (registered under No. 5341 by the Russian Ministry of Justice on December 18, 2003). This Statute takes into account not only the legislation in force in the Russian Federation, but also the international agreements and other obligations of the Russian Federation, as well as international practice.

A rights' owner (or his representative), who has sufficient grounds to assume that an infringement of his rights in the aforementioned intellectual property subject matter may take place when the goods are transferred across a customs border or during the performance of other acts with the goods placed under customs supervision (transfer of goods from the border to the customs for clearance, storage in a warehouse, packaging, repackaging and so on), is entitled to submit a request to the federal executive authority, empowered to deal with customs matters, to take measures relating to the suspension of the release of such goods.

The request must contain information on the rights' owner (or his representative); intellectual property subject matter; and the period during which, in the opinion of the rights'

owner, the assistance of the customs authorities will be required in the suspension of the release of the goods.

The rights' owner shall supply information on the goods which, in his opinion, are counterfeit. This information must be sufficiently detailed for the customs authorities to be able to disclose such goods.

The rights' owner is entrusted with the obligation of providing proof that goods are being transferred across the customs border in violation of his rights to particular intellectual property subject matter. The provision of unreliable information at the time of submission of the request is one of the grounds for a refusal to take measures to protect intellectual property.

Moreover, the new Code provides that, in accordance with the procedure established by the legislation of the Russian Federation (court decision), where it is not established that goods whose release is suspended by the customs authorities are counterfeit, the rights' owner shall be liable for property damage caused as a result of the suspension of the release of the goods to the party making the declaration, the owner, recipient of the goods, importer, contract holder or other person in possession of powers in relation to such goods.

Intellectual property subject matter, in relation to which a decision has been taken to adopt the corresponding measures, is entered in the customs register of intellectual property subject matter (hereinafter the Register). No fee is charged for inclusion in the Register. The Russian State Customs Committee is granted the right to define independently the procedure for keeping the Register and publishing, in its official editions, a list of the intellectual property subject matter included in the Register.

A new standard is the requirement that intellectual property subject matter is included in the Register, only if the rights' owner meets the obligation, imposed on him at the time of submission of the request, to provide compensation for material damage by the means provided for by the civil legislation of the Russian Federation.

In accordance with the mechanism in force for the protection of intellectual property by the customs authorities, a register of intellectual property subject matter is kept permanently and updated by the Russian State Customs Committee (hereinafter – the Register). As of the end of 2003, the Register contained about 450 different forms of intellectual property subject matter. Among such subject matter, in relation to which the customs authorities carry out strengthened customs supervision, aimed at the non-admission of infringements of intellectual property rights, are the trademarks of such famous foreign companies and Russian organizations as Unilever, Pernod Ricard, Caterpillar, Philip Morris, British American Tobacco, Diagio, Martini Baccardi, Hennessy, Ferrero, Rot-Front, Krasny Oktyabr' (Red October), Russian Standard and so on.

Following the inclusion of intellectual property subject matter in the Register, the corresponding information is communicated by the Russian State Customs Committee according to the system of customs authorities (to regional customs departments, customs offices and customs posts).

The system of customs authorities currently consists of seven regional customs departments (including two regional subdivisions) with regions for activities coinciding with the territories of federal districts, about 130 customs offices and more than 500 customs posts.

If a customs authority, carrying out customs clearance and customs supervision, detects goods containing intellectual property subject matter entered in the Register and possessing the features of counterfeit goods, on a written decision by the head of the customs authority in question or the official replacing him, the release of such goods is suspended for ten working days.

No later than the day following the adoption of a decision to suspend the release of goods, the customs authorities inform the party making the declaration and the rights' owner of the suspension of the release of goods, and the reasons for and periods of such suspension. In addition, the customs authorities communicate to the party making the declaration the name (first name, surname and patronymic) and address of the rights' owner (his representative), and to the rights' owner - the name (first name, surname and patronymic) and address of the party making the declaration.

The rights' owner is given ten days to contact the authorities, empowered in accordance with the legislation of the Russian Federation, concerning the protection of his rights but, on the basis of a reasoned request, this period may be extended by a further ten days.

The Code provides for the possibility for the rights' owner and the party making the declaration (their representatives), with the written permission of the customs authorities, to place under customs supervision samples and specimens of goods, in relation to which a decision is taken to suspend their release, carry out research into them, and also examine, photograph, or by another means fix, such goods.

Moreover, at the request of the rights' owner (his representative), the customs authorities may supply additional information which may be required by the rights' owner to prove that his rights have been infringed, excluding the cases provided for by federal laws.

In cases where a report on an administrative infringement is drawn up, the customs authorities must take measures to remove goods which possess features showing that they are counterfeit. Such goods shall not accordingly be released until a court decision is taken.

The provisions of the Code of the Russian Federation on Administrative Infringements provides for administrative liability for the infringement of copyright and related rights (Article 7.12) and unlawful use of a trademark (Article 14.10), for which the customs authorities are entitled to draw up reports where infringements of the intellectual property rights in question are detected.

During the period from July 1, 2002 to the end of 2003, more than one hundred and twenty cases concerning administrative infringements were brought, relating to the unlawful movement across customs borders of goods containing intellectual property subject matter.

2. Code of Arbitration Procedure of the Russian Federation

The major part of the Code of Arbitration Procedure of the Russian Federation (new wording) has been in force since September 1, 2002, and the full text since January 2003.

The Russian Federation is a party to many conventions, including those defining procedural matters, the provisions of which must be taken into account in domestic legislation. The TRIPS Agreement therefore requires law-enforcement procedures to be strengthened,

allowing effective opposition to any infringement of intellectual property rights, including urgent measures to prevent infringements, and also sustaining their means of protection. The Agreement provides for separate requirements for procedures to protect rights: they must not be unnecessarily complicated or costly, or lead to an unjustifiable increase in deadlines or unsubstantiated delays. The parties to an inquiry should provide the possibility to re-examine the final administrative decisions.

Taking into account the appropriate provisions of the Code of Arbitration Procedure of the Russian Federation, together with the possibility for the court to apply traditional measures, aimed at filing a claim, Article 99 provides for the application of preliminary guarantee measures which are required, including for the protection of rights' owners, where counterfeit works distributed by infringers are discovered. So, following a request by an organization or citizen a court of arbitration is entitled to take *preliminary guarantee measures*, aimed at protecting the property interests of the requestor, *prior to a claim being filed*. Since specific documents are required for a claim to be filed, together with the payment of a State fee and the completion of other formalities, the infringing party may, during this time, conceal counterfeit copies and take other measures connected with the inability in the future to apply guarantee measures, implement a court decision or continue counterfeit activities. In this connection, it is very important for authors and other rights' owners to apply prohibitive measures to the infringing party as quickly as possible.

The request to guarantee property interests is submitted to the court of arbitration according to the place where the requestor is located or the place where the monetary resources or other property is, in relation to which the requestor applies for measures to be taken to guarantee the property interests, or the place where the requestor's rights are infringed.

Where a request is submitted for the guarantee of property interests, the requestor must not misuse the right granted to him, in particular make unjustifiable demands leading to a restriction of the rights of the debtor. In addition, a provision whereby the requestor, having succeeded in filing a claim, changes his mind thereafter and rejects his submission, is inadmissible, or where a claim is filed such a provision may be refused. To prevent this, Article 99 of the Code of Arbitration Procedure of the Russian Federation provides for the following measures.

1. Where a request for the guarantee of property interests is submitted, the requestor submits a document to the court of arbitration, confirming that a reciprocal guarantee has been provided, to the value of the sum indicated in the request for the guarantee of property interests. In cases where the document in question is not submitted, a court of arbitration is entitled to propose to the requestor that he provide a reciprocal guarantee and leaves the request for the guarantee of property interests unresolved until the reciprocal guarantee is provided.

2. In a ruling concerning the guarantee of property interests, a court of arbitration establishes a period, not exceeding 15 days from the day on which the ruling is handed down, during which the requestor must take legal action according to those same requirements in connection with which the court has adopted measures to guarantee the requestor's property interests. If the requestor has not filed a claim within the period established in the ruling of the court of arbitration concerning the guarantee of property interests, the guarantee is annulled by the same court of arbitration.

A claim must be filed by the requestor in the court of arbitration which has handed down the ruling on the guarantee of property interests, or in another court, concerning which the requestor informs the court of arbitration which hands down the ruling in question.

Where the requestor files a claim according to the requirement in connection with which the court of arbitration has taken measures to guarantee the property interests of the requestor, these measures act as measures for the filing of a claim.

3. An organization or citizen, who has caused losses through the guarantee of property interests prior to a claim being filed, is entitled to demand compensation from the requestor if, within the period established by the court the requestor has not filed a claim according to the requirement in connection with which measures were taken by a court of arbitration to guarantee his property interests, or if by means of a judicial act of the court of arbitration, which has the force of law, the claim is refused.

The State Code of Procedure of the Russian Federation does not yet contain provisions of this nature. However, such provisions must also eventually be taken into account by the State Code of Procedure.

Pursuant to Article 72 of the Code of Arbitration Procedure of the Russian Federation and the rules established for taking preliminary guarantee measures, a court of arbitration takes *measures also on the provision of proof*. The proof which needs to be provided must be indicated in the request, together with the circumstances for the corroboration of which this proof is required and the reasons motivating the request for its provision. These requirements are general. As regards cases concerning the protection of intellectual property rights, such documents must obviously be submitted to the court, confirming possession of the right to the corresponding intellectual property subject matter.

The Code of Arbitration Procedure does not provide directly for measures to supply proof, which may be designated by a court. Of the guarantee measures provided for by Article 91 of the Code of Arbitration Procedure, those such as seizure of property and the prohibition to perform specific acts relating to the subject of the dispute may be used. At the same time, the list of guarantee measures contained in the Law is not exhaustive. Other guarantee measures may also be taken by a court of arbitration, in addition to those listed in the Law (Article 91(1) of the Code of Arbitration Procedure).

Three groups of guarantee measures may be distinguished and requested, for example, by the rights' owner in relation to the unlicensed use of computer programs:

(1) investigation of personal computers for the purposes of revealing the software contained in their memory (on hard disk), copyright for which belongs to the requestor, with a subsequent printout of the dialog panels contained in the memory of the computer programs;

(2) destruction of documents confirming the right to use computer programs, copyright for which belongs to the requestor;

(3) removal of models of unlicensed compact disks, manufactured without the permission of the rights' owner.

It should be emphasized that computer technology is examined taking into account the general legislative requirements which apply to the conduct of the examination. In particular, witnesses must take part in the examination (Article 39 of the Federal Law on Executive Production). The participation of a representative of the rights' owner who has submitted the request and of a computer program specialist in the study of the software is also desirable.

Documents must be drawn up in as much detail as possible. So, in the computer technology examination record it is not sufficient simply to give a generic definition of the computer on which a particular software is installed, it is also necessary to specify its configuration, and indicate the number of corresponding devices. It is necessary, as a matter of course, to give the names of all the programs installed on the computers and to list all the printouts, made with the assistance of a specialist, reflecting information on the intellectual property subject matter contained in the computer memories. The examination record must also contain, as an annex, the printouts indicated and the report of the participating specialist.

The failure to observe the above recommendations leads to a refusal to satisfy the requirements of the rights' owner in relation to the infringing parties in connection with the absence of the requisite documents, as was the case, for instance, with the requirements of the company Microsoft toward the AB Enterprise Development Bank, regarding the recovery of 834 900 rubles' compensation for infringing the copyright in computer programs, the recovery of a fine from budgetary income, and the confiscation and destruction of the counterfeit computer programs, examined by the Moscow City Court of Arbitration.

3. Examination by courts of arbitration of disputes concerning intellectual property protection

As in many other countries, the legislation of the Russian Federation is based on priority being attached to civil law methods for the settlement of relations linked to intellectual property, as is explained by the private character of this institution.

The legislation envisages various mechanisms for the protection of rights by the rights' owners. The basic means of protection is the courts, by means of filing a claim with a court of general jurisdiction (if the rights' owners and/or infringers are natural persons), or with a court of arbitration examining economic disputes and other cases linked to the pursuit of entrepreneurial and other economic activities.

In 2003, 466 cases (civil law suits) were examined in courts of arbitration in the Russian Federation, linked to intellectual property, and in addition more than 170 cases invoking administrative liability for the infringement of rights to trademarks, service marks and appellations of origin.

An analysis of statistical data shows that, beginning in 1998, the number of cases in the named category increases annually by approximately ten to 15 per cent and, in 2003, by 24 per cent. Two thirds of the disputes are linked to the protection of copyright or related rights and to trademarks. If such cases were on the whole previously examined by the Moscow City Court of Arbitration, they are currently being examined by 53 (out of 82) courts of arbitration in the subjects of the Federation. Nevertheless, it should be pointed out that in many courts these are, as before, isolated disputes.

If the disputes examined by courts of arbitration are classified according to types of claim, an increase is noted in the number of cases based on requests to the customs authorities and Interior Ministry bodies invoking administrative liability in the form of fines ranging from 15 to 400 minimum wages for the infringement of copyright and rights to trademarks, and also claims filed by the owners of exclusive rights, for the recovery from infringing parties of compensation ranging from ten to 50,000 minimum wages instead of compensation for losses or recovery of income.

On the whole, the practice of courts of arbitration demonstrates that courts provide the requisite protection for infringed rights by applying *administrative* or *civil law measures*, as provided for by the legislation of the Russian Federation.

At this point, I would like to note that the *new Code of Arbitration Procedure*, which came into force on July 1, 2002, *corrected* the provision which existed at the time the previous Code was in force, which contained only one article, number 150, which envisaged a fine of up to 50 minimum wages for the infringement of copyright, thereby substantially limiting the possibilities for administrative and legal protection of rights in intellectual property subject matter. The New Code envisaged administrative liability for infringements in the field of protection for rights to intellectual property subject matter, in ten separate articles, including for the infringement of copyright and related rights, patent rights, rights to trademarks, know-how, infringements of advertising legislation and so on; in that regard, the powers of the bodies responsible for protection of the exclusive rights named were defined.

(1) It has already been noted that the existence of the intellectual property register allows the customs authorities not only to suspend the release of goods on suspicion that they are counterfeit, but also to draw up reports on administrative offences relating to the infringement of copyright and related rights (Article 7.12(1) of the Code of Arbitration Procedure), the unlawful use of a trademark belonging to another person, a service mark, an appellation of origin, or designations similar thereto for goods of the same kind (Article 14.10 of the Code of Arbitration Procedure).

So, the Kaliningrad Customs Office submitted an application to the Kaliningrad Regional Court of Arbitration invoking the administrative liability, provided for in Article 14.10 of the Code of Administrative Infringements of the Russian Federation, of the limited liability company “Yurinat-BTD” (hereinafter – the company).

As is clear from the case documentation, in accordance with a purchase-sales agreement concluded with the Lithuanian firm “Najoji Ruta,” in March 2003 according to a customs freight declaration the company imported confectionery into the territory of the Russian Federation, including “Charodeika” chocolates with fillings, weighing about 300 kilograms.

The owner of the intellectual property subject matter – the verbal trademark “Charodeika” (certificate No. 125790 issued by the Committee of the Russian Federation for Patents and Trademarks) – is the closed joint-stock company “Rot-Front.”

The company imported the goods—Charodeika chocolates with fillings—into the territory of the Russian Federation. During the customs clearance of the goods, the company did not supply a licensing agreement for the right to use the disputed trademark. The Kaliningrad Customs Office filed an administrative infringement report and the goods were seized.

Article 14.10 of the Code of Arbitration Procedure provides for administrative liability for the unlawful use of a trademark. The unlawful use of the trademark is the import into the territory of the Russian Federation of goods for the individual identification of which a trademark is registered.

In view of the circumstances, the court reached the correct conclusion that the companies' acts involved an administrative infringement, as provided for by Article 14.10 of the Code of Arbitration Procedure. The decision of the court of first instance was to impose a fine on the company of 30,000 rubles.

In addition, the court of appeal considered that when imposing the fine the court of first instance had, contrary to the law, not confiscated the goods imported by the company, since Article 14.10 of the Code of Arbitration Procedure envisages, as measures relating to the liability of legal persons, the imposition of a fine of 300 to 400 minimum wages with confiscation of the items containing the unlawful reproduction of a trademark.

In this particular case, the confiscation of the goods guarantees the non-admission into civilian circulation, on the territory of the Russian Federation, of goods bearing a trademark belonging to another person.

The court of arbitration also invoked the administrative liability for similar actions of the employer, who had attempted to import into the Russian Federation sweets produced in a neighboring country, bearing the trademark "Gusinye lapki," which belonged to another person.

In addition to the types of infringements described above, the Administrative Code also provides for liability for the dissemination of information with limited access by a person who has received access to such information in connection with the performance of employment or professional duties (Article 13.14 of the Code of Arbitration Procedure), in relation to the infringement of advertising legislation (Article 14.3 of the Code of Arbitration Procedure). In that regard, practice shows that the infringement of advertising legislation is often linked to the unlawful use of a trademark belonging to another person. The anti-monopoly authority is the body authorized to determine the application of penalties for such an infringement. As a rule, the orders of the anti-monopoly authority are sufficient for an infringement to be eliminated. In addition, *a decision of the anti-monopoly authority may be challenged in a court of arbitration*, including at the request of a rights' owner who has not received the requisite protection.

(2) The case brought by the firm "Volkswagen Aktiengesellschaft" (hereinafter – the firm), concerning the recognition as invalid of the decision of the Chelyabinsk regional department of the Ministry of the Russian Federation for Anti-Monopoly Policy and Enterprise Support (hereinafter – the anti-monopoly authority), may set a precedent.

The applicant considered that the use of the trademarks of the firm Volkswagen, VOLKSWAGEN and the logotype VW, in printed and external advertising of the limited liability company "Aspect-Motors" (hereinafter – the company), infringes the exclusive rights of the firm to the trademarks in question and constitutes unscrupulous advertising. The anti-monopoly authority did not recognize the actions of the limited liability company "Aspect-Motors" according to the distribution of the advertising which used the registered trademarks

Volkswagen, VOLKSWAGEN and the logotype VW in printed editions, and also in external advertising, in violation of Article 5(5) of the Federal Law on Advertising.

The court partially satisfied the requirements of the firm “Volkswagen AG,” having recognized as unlawful the use of the trademarks belonging to it in the advertising, as distributed by the company in printed editions, but having left the demands relating to the external advertising unsettled. In that regard, the court based itself unlawfully on the fact that the external advertising, containing information on the name and place of business of the limited liability company “Aspect-Motors,” and also the representation of the car and trademarks Volkswagen, VOLKSWAGEN and VW, is aimed only at informing an undefined group of individuals of the actual place of business of a legal entity and generating the interest of purchasers in the good produced by the firm “Volkswagen AG,” and not in the company’s activities.

The Presidium of the Higher Court of Arbitration of the Russian Federation decreed that such a conclusion is not founded on the law and contradicts the case documentation.

The firm “Volkswagen AG” is the owner of a number of trademarks: Volkswagen, VOLKSWAGEN, VW and others which are registered in accordance with the Madrid Agreement Concerning the International Registration of Marks and have been registered by the World Intellectual Property Organization.

Pursuant to Article 4 of the Law of the Russian Federation on Trademarks, Service Marks and Appellations of Origin (hereinafter – the Law on Trademarks), the owner of a trademark has the exclusive right to use and dispose of the trademark.

However, in accordance with Article 23 of the Law on Trademarks, the rights’ owner is not entitled to prohibit the use of a trademark by third parties in relation to goods which were introduced into civilian circulation on the territory of the Russian Federation directly by the rights’ owner or with his consent. Economic subjects, specializing in services applied to goods, relate to third parties. Services of this kind may be reflected in advertising on the territory of the Russian Federation.

Pursuant to Articles 5(5) and 6 of the Law on Advertising, the use in advertising of intellectual property subject matter is permitted, provided the consumer is not misled by unscrupulous advertising, including that containing insufficient information.

Thus, the use of a trademark by other persons is possible in advertising their own trade which also serves other activities in relation to goods lawfully introduced into civilian circulation, if the legislation on advertising is not thereby infringed.

Based on the logic of Article 6 of the Law on Advertising, unscrupulous advertising is not permitted, since it misleads the consumer as regards the good being advertised or the service relating to a good, by imitating (copying or imitating) a general project, text, advertising formulae or images used in the advertising of other goods, or by abusing the trust of natural persons, or as a result of their lack of experience or knowledge, including in connection with the absence of part of the essential information from the advertising.

Without defining its sphere of activity, the limited liability company “Aspect-Motors” uses (reproduces), in external advertising, an image of the car and the trademarks Volkswagen,

VOLKSWAGEN and VW in pale gray tones in the same way as the firm “Volkswagen AG” and its official dealers in their own advertising. This may mislead the consumer as regards the mutual relationship between the producer of the good – the firm “Volkswagen AG” – and the limited liability company “Aspect-Motors,” since the impression is created that the company is the firm’s official dealer. Such acts are acknowledged as an infringement of the exclusive rights to trademarks.

In addition, the Higher Court of Arbitration of the Russian Federation pointed out that the owner of a trademark is not entitled to prohibit a third person from using this trademark (in this case – the marks Volkswagen, VOLKSWAGEN and VW) for the purposes of informing the public of the fact that he is repairing or taking care of the goods with this mark, introduced into economic circulation by its owner or with his consent, if the trademark is not used in such a form and by such a means that they could have created the impression that special trade relations exist between the third party and the trademark owner (the reseller’s enterprise belongs to the marketing network of the trademark owner).

To conclude the review of the application of administrative liability measures to infringers, I will quote a few other statistics from the Higher Court of Arbitration of the Russian Federation.

Having examined more than 170 cases in 2003 concerning administrative liability for the infringement of rights to trademarks, the Court of Arbitration recovered about 500,000 rubles’ worth of fines.

(3) A special role in the practice of the Court of Arbitration is played by *cases linked to the sphere of registration of certain forms* of intellectual property subject matter. This relates primarily to cases of appeals, in accordance with court procedure, against acts of the State authority responsible for the registration of industrial property subject matter – Rospatent. Decisions concerning registration, the refusal to register and the annulment of registration may be appealed firstly, in accordance with administrative procedure, in the Patent Disputes Chamber forming part of the structure of the federal executive authority for intellectual property, and subsequently also in accordance with court procedure. The procedure previously in force for appeals against acts, which envisaged a two-stage appeal process, firstly in the Appeal Chamber and subsequently in the Higher Chamber of Patents, has been amended, in connection with the entry into force of new wording in the Patent Law and the Law of the Russian Federation on Trademarks, Service Marks and Appellations of Origin. On January 1, 2004, the Patent Disputes Chamber launched its operations. Such matters, with the participation of Rospatent, are examined by the Moscow City Court of Arbitration (based on Rospatent’s place of business); thus, the structure of courts of arbitration actually contains a specialized court (which naturally also examines other cases), on the creation of which rights’ owners often insist.

As an example of a dispute involving Rospatent, the case brought by the company “Jan-Becher Karlovarska Becherovka, A.G.” may be cited, concerning the recognition as invalid of the decision taken by Rospatent concerning the premature termination of legal protection for the trademark of this company combined with the verbal designation “JB,” in connection with the non-use of the trademark for a period of five years.

During the examination of the dispute it was established that the Higher Chamber of Patents prematurely terminated the validity of the protection of the trademark in question, since the rights’ owner did not prove the fact of direct use of the mark on Russian territory. The

courts of arbitration of first instance and appeal agreed with the decision taken by the Higher Chamber of Patents and refused to satisfy the company's demands.

However, the Presidium of the Higher Court of Arbitration of the Russian Federation recognized as invalid the decision taken by Rospatent, since it established that the Czech company sold the Russian legal entity its products, intended for sale on the Russian market. In accordance with the conditions of the contracts concluded between these firms, the seller (rights' owner)'s obligations also included the supply of goods on Russian territory, since the contracts were concluded on the conditions of Incoterms Delivery Duty Unpaid (DDU), CIP and CIF Moscow. This demonstrates the fact that the rights' owner supplied to Russia the good bearing the disputed trademark and, similarly, introduced its products into economic circulation on the Russian market.

In addition, with the knowledge of the rights' owner goods with the disputed trademark were sold by numerous small wholesalers. Thus, a good with a combined trademark including the designation "JB" was present and was sold on the Russian market in adequate quantities, while the rights' owner met all the essential, from the point of view of international standards, requirements for the support of active registration of his trademark in Russia. He cannot be accused of inaction or of the fact that, on the Russian market, the good with the disputed trademark was generally not available, or that the good with the disputed trademark was present, but was introduced into economic circulation without his consent.

The approach reflected in the decision taken by the Patent Disputes Chamber, and also supported by the judicial acts of the courts of first instance and appeal, appears to be excessively formal, does not reflect the aims of legal regulation in the field of trademarks and contravenes the provisions of Article 22 of the Law on Trademarks.

In our view, the deprivation of registration in relation to a trademark used on the Russian market, and which has sufficiently strong distinguishing capacity and is recognized by the consumer, is not compatible with the basic aims of intellectual property law (in particular, support for effective means of individualizing products), opens the way to possible abuses by third parties through the dishonest registration of designations belonging to other people, and also creates fertile ground for unfair competition as a result of the possibility that it misleads consumers in relation to the manufacturer of the goods and its features.

(4) As already noted, substantive changes were made to the Law of the Russian Federation on Trademarks, Service Marks and Appellations of Origin in December 2002. Individual amendments were made in connection with the practice, developed by courts of arbitration, of applying and interpreting the standards contained in this Law. Article 4 of the Law, which discloses the concept of the infringement of an exclusive right, now reads as follows.

An infringement of an exclusive right of a rights' owner (unlawful use of a trademark) is recognized as the use without his permission, in civilian circulation on the territory of the Russian Federation, of a trademark or designation similar thereto to the point of confusion in relation to goods, for the individualization of which the trademark is registered, or goods of the same kind, including the placing of a trademark or designation similar thereto to the point of confusion:

- on goods, labels or the packaging of such goods, which are produced, offered for sale, sold, demonstrated at exhibitions and fairs, or in some other way introduced into civilian circulation on the territory of the Russian Federation, or are stored and/or transported for this purpose, or imported into the territory of the Russian Federation;
- during the performance of work or services;
- on documentation linked to the introduction of goods into civilian circulation;
- in goods offered for sale;
- on the Internet, in particular in a domain name and for other means of address information.

Goods, labels and the packaging for such goods, on which a trademark or a designation similar thereto to the point of confusion is unlawfully used, are counterfeit.

The characterization of acts, relating to the use of trademarks belonging to other parties in a domain name, as infringements of the exclusive rights of the owners of the trademarks was not immediately accepted by the courts. Firstly, as a result of the lack of a direct instruction in the law, the court of arbitration refused to allow the “Eastman Kodak company” to protect the “Kodak” trademark against use in the domain name of one of the Russian entrepreneurs. Besides, the registrar in the R4 Zone considered such use to be admissible. The Presidium of the Higher Court of Arbitration of the Russian Federation was obliged to interpret the standard contained in the Law (old wording), having recognized these acts as an infringement, as “a further introduction into economic circulation of a trademark without the permission of the rights’ owner.” As a result, the new wording of this standard contains a direct prohibition of the use of a trademark on the Internet in the domain name of a person who does not have rights to this trademark.

Another article of the Law in question (Article 46. Liability for unlawful use of a trademark and an appellation of origin) has been substantially amended.

In its previous wording, the Law did not allow courts of arbitration to take a decision on the destruction of a good bearing a trademark belonging to another person. It was merely possible to oblige the infringing party to destroy the image of the trademark belonging to someone else. Protection is now carried out by removing, at the expense of the infringing party, from the counterfeit goods, labels or packaging of the unlawfully used trademark or designation similar thereto to the point of confusion, or destroying, at the expense of the infringing party, the counterfeit goods, labels or packaging, where it is not possible to remove therefrom the unlawfully used trademark or designation similar thereto to the point of confusion, apart from where these counterfeit goods, labels or packaging are used as State income or are transferred to the rights’ owner, at his request, as compensation for losses or for the purposes of their subsequent destruction.

A demand of this kind may be made in connection with the unlawful use of a registered appellation of origin or designation similar thereto to the point of confusion.

In addition, although previously compensation could be recovered against losses only in accordance with the Law of the Russian Federation on Copyright and Related Rights, pursuant to Article 46(4) the rights’ owner and owner of the certificate for the right to use an appellation of origin, instead of the requirement to recover the losses caused, are now entitled to demand from the person who has unlawfully used a trademark or appellation of origin the payment of

monetary compensation, as determined by the courts, ranging from 1000 to 50,000 minimum wages, as established by federal law.

The statistics of courts of arbitration show that this liability measure is, more often than not, applied by courts in connection with the infringement of copyright and related rights (including the rights to computer programs and databases). However, we forecast a sharp increase in cases with such demands being made to those infringing rights to trademarks, since in relation to such disputes the rights' owners do not need to prove their losses from the unlawful activities of an infringer, something which has always led to difficulties; it is necessary to prove only the actual infringement. Courts meanwhile may experience difficulties in determining the amount of monetary compensation, since the level is set between 1000 and 50,000 minimum wages and the criteria which must be used by courts are not defined by the law. The legislator has, as previously, left these matters to the courts' discretion.

In 2003, courts of arbitration recovered 542 million rubles in favor of rights' owners in cases linked to the infringement of rights to intellectual property subject matter, thereby satisfying fewer than half the claims filed.

Of course, if we compare the number of all cases settled by courts of arbitration (more than 900,000 in 2003), with the number of cases linked to intellectual property protection (fewer than 1000 cases), we are struck by the huge difference between these figures. It should meanwhile be recalled that courts of arbitration may not force rights' owners to protect their rights, but the practice of courts may force them to believe in the effectiveness of the application of civil law measures for intellectual property protection, as applied by the courts.

(4) As part of a number of methods governing relations linked to intellectual property, criminal legislation plays a special role.

The importance of the criminal prosecution of parties committing infringements in the fight against counterfeiting should not only not be underestimated, but also its role should be reassessed.

The criminal law in force in the Russian Federation protects the following: copyright and related rights (Article 146 of the Criminal Code); patent law (Article 147); trademarks, service marks and appellations of origin (Article 180); and know-how protected as part of trade secrets (Article 183).

In addition, it should be pointed out that acts linked to unfair competition, to which criminal liability previously applied, as provided for by special criminal provisions (Article 182 of the Criminal Code of the Russian Federation – knowingly false advertising and Article 200 – deception of consumers), in connection with the repeal of the corresponding rules of the Criminal Code of the Russian Federation, should be characterized in accordance with Article 159 of that Code (fraud).

In the RSFSR Criminal Code of 1960, only two articles were devoted to the protection of intellectual property. Article 141 of that Code provided for liability for the infringement of authors' and inventors' rights, and Article 155 for the unlawful use of trademarks.

A comparative analysis of the previous and current legislation demonstrates that it is not a question of simply extending the list of acts subject to criminal punishment in the sphere

of legal relations examined but, to a greater extent, one of qualitative substantive amendments to criminal legislation.

So, the description of a punishable offense contained in Article 141 of the RSFSR Criminal Code, which envisaged criminal liability for the infringement of authors' and inventors' rights, was narrower in comparison with the article now in force and was aimed at protecting only copyright, basically to combat plagiarism.

Article 155 of the RSFSR Criminal Code, which provided for liability for the unlawful use of a trademark belonging to another person, did not contain any references to service marks or preventive marking.

In all the articles devoted to IP protection contained in current criminal legislation, the principle of liability under criminal law is clearly established – in cases of major damage (or where the magnitude of the act is specified). A similar principle, which limits the application of criminal punishment, stems directly from the private nature of the institution of intellectual property.

The legislator has established a special procedure for launching a criminal prosecution only on a complaint by the injured party (Articles 146(1) and 147(1) of the Criminal Code of the Russian Federation). Exceptions are made only in those cases (Articles 180 and 183, Articles 146(2) and 147(2) of the Criminal Code of the Russian Federation), where an infringement committed relates to rights to industrial property subject matter, introduced into circulation and with special economic significance, and for infringements of a commercial nature, mainly proprietary copyright and related rights, including those committed by a group of persons such as that organized, on a particularly large scale, by an individual using his professional position.

In conventional terms, the most frequently “operational” article in criminal law in the sphere of intellectual property protection is Article 146 of the Criminal Code of the Russian Federation (infringement of copyright and related rights). Throughout the period of its validity, growth in the detection of crimes in the given category has been observed. In comparison with the level for 1997, the number of crimes recorded, as provided for by Article 146 of the Criminal Code of the Russian Federation, increased more than threefold in 2003.

As regards proving the criminal liability of a guilty person in accordance with Article 146(2) and (3) of the Criminal Code of the Russian Federation, importance is no longer attached to whether major damage has been caused by a crime. It is sufficient for the acts of the guilty party to have been performed on a large (more than 50,000 rubles) or especially large scale (more than 250,000 rubles). In addition, Article 146 of the Criminal Code of the Russian Federation has been updated with new types of crimes. Apart from the attribution of responsibility for carrying out unlawful use of subject matter for copyright and related rights, the acquisition, storage and transportation of counterfeit copies of works or phonograms for sale purposes, performed on a large scale, have become offenses punishable under criminal law.

Decree No. 421 of the Government of the Russian Federation, dated July 12, 2003, introduced amendments and updates to the Rules on the Sale of Individual Types of Goods and the Regulations on the Licensing of Activities for the Reproduction (Manufacturing of Copies) of Audiovisual Works and Phonograms on Various Types of Carriers. According to this

document, the sale of copies of audiovisual works and phonograms is henceforth prohibited, in the case of retail trade outside fixed trading areas: at home, in a place of work or study, on a means of transport, in the street, with the use of stands and stalls, and in other places; other guarantees of the protection of the rights of intellectual property owners are established.

In the first half of 2003 alone, for the first time in the past five years an increase in the detection of crimes in accordance with Article 180 of the Criminal Code of the Russian Federation has been observed. During this period, 210 crimes were recorded in accordance with this article of the Criminal Code, which is 32 more than for the same period in 2002. In that regard, 62 such crimes can be attributed to the newly adopted Article 180(3) of the Code.

The trend in the rate of detection of crimes in the intellectual property sphere is on the whole upward. However, the growth in the indicators of the recording of crimes conceals absolute values which are not very inspiring and do not yet correspond clearly to the actual level of crimes committed (taking into account their latent nature); this demonstrates the inadequate familiarization of both law enforcers and the subjects of IP rights in these spheres with these types of crimes.

The conclusion reached is also borne out by the fact that the recording of the crimes analyzed is far from being complete with the detection and proof of criminal liability of the guilty parties.

I would also like to quote a number of figures and examples where the battle against “pirates” has ended with the criminal prosecution of Russian entrepreneurs.

According to the data of the Central Department to Combat Economic Crimes of the Ministry of Internal Affairs of the Russian Federation, during the first quarter of 2003, 43,000 enterprises were inspected, the unlawful activities of 104 of them were suspended, and counterfeit products were removed to a value of 265.8 million rubles, as well as equipment and material values to the tune of 11.5 million rubles.

In Moscow, the unlawful activities of the management of the limited liability company “Triada-Multimedia,” which organized the production and sale of major consignments of counterfeit compact disks, were curtailed. In Lobna (Moscow region), production equipment for the manufacture of compact disks was discovered. 600,000 disks, 650,000 polygraph units and packaging equipment were removed, to the overall value of US\$1 million.

In the case in question, the Public Prosecutor’s Office took criminal action in accordance with Article 146(2) of the Criminal Code of the Russian Federation.

In May 2003, during the investigation of the criminal case brought by the Public Prosecutor’s Office in accordance with Article 146 of the Criminal Code of the Russian Federation, the unlawful activities of the limited liability company “YUVK-STIMUL,” which dealt with the manufacture of counterfeit DVDs, were curtailed.

As a result of the searches made on the premises of the above company, 800 DVDs were removed containing signs of counterfeiting, together with 90 matrices for manufacturing DVDs, photographic films and templates for printing polygraph folders.

As part of the investigation of the criminal case brought by the Savelov Interregional Moscow City Public Prosecutor's Office, in accordance with Article 146 of the Criminal Code of the Russian Federation the unlawful activities of the limited liability company "Astiko-Center," which dealt with the manufacture of counterfeit compact disks, were established.

Two production lines for music compact disks were discovered on the production premises and, in the warehouses, 500,000 counterfeit compact disks, polygraphs, equipment and ordinary materials. Investigative and operational measures are currently being taken.

Already in 2004 the Moscow Tagan Regional Court has sentenced the managers of the company "Alpha Computers" to six months in prison and fined them one million rubles, to be paid to the company Microsoft.

The investigation into the case of the managers of the company "Alpha Computers" established that the accused were engaged in dishonest business; they repaired computers and installed pirate software on them. The managers of "Alpha Computers" were convicted in accordance with Article 146 of the Criminal Code of the Russian Federation ("Infringement of copyright") and received a six-month sentence, and a fine of one million rubles to be paid to Microsoft and 100,000 rubles to be paid to the State.

According to the information provided by the company Microsoft, in the case involving the limited liability company "Alpha Computers" it was the first time in the former company's history that it had managed to ensure that the accused parties received not only a substantial fine, but also a "realistic sentence." The vast majority of cases have been brought, as a rule, against stallholders who were distributing pirate compact disks. The usual punishment in such cases was fixed sentences or smallish fines. Now, with the insertion of serious amendments in Article 146 of the Criminal Code of the Russian Federation, the conduct of the company's anti-piracy activities has become much easier.

Conclusion

In conclusion, it should be pointed out that this paper does not cover all the latest amendments to the legislation in force in the Russian Federation in the sphere of intellectual property protection, and cites only individual examples of the fight against counterfeiting and piracy.

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