

What is violation of trademark right – a violation or a crime?

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Being faced in professional activities the problems of an illegal use of intellectual property, it is impossible to pass the fact that most Russian businessmen associate possible liability for an illegal use of such intellectual property, in particular trademarks, exclusively with civil legislation. This widely held view is based on the fact that the vast majority of cases related to the actions for violation of trademarks rights are addressed within the frames of civil processes in arbitration courts. These cases receive wider mass media coverage. However, from our point of view, it is essential to bear in mind that not only civil, but and administrative and criminal liabilities are provided for these deeds in the Russian Federation.

This fact often brings up the following questions: what is the difference between civil, administrative and criminal procedures to stop violations of trademark rights? What is the difference between sanctions for infringing use of the third party's rights? What are the benefits of any way of rights protection? Is the use of a trademark without relative treaty conclusion a criminal case or administrative violation?

To answer these questions it is proposed to review provisions of the current legislation, governing the referred legal relationships at the territory of the Russian Federation.

RF Civil Code. Article 1515. Liability for Illegal Use of Trademark

The rightholder shall be entitled to claim withdrawal from turnover and destruction of infringing goods, label, product packings keeping illegally used trademark or sign confusingly similar with it at the expense of the violator. If input of such products into turnover is necessary for the public benefit, the rightholder shall be entitled to claim removal illegally used trademark or sign confusingly similar with it from the infringing goods, labels, product packings at the expense of the violator.

A person violating the exclusive trademark right while work performing or services rendering shall be obliged to remove the trademark or sign confusingly similar with it from materials accompanying such works implementation or services rendering, including documentation, advertisement, sign-boards.

The rightholder shall be entitled at his sole discretion to demand compensation from the violator instead of damages. Compensation can be:

- 1) in the amount from ten thousand up to five million rubles determined at the discretion of a court based on the nature of the violation;

2) double value of the goods illegally keeping the trademark, or double price of the right for trademark use, determined on the basis of price, usually levied for legal use of a trademark under comparable circumstances.

RF Administrative Violation Code. Article 14.10. Illegal Use of Trademark

An illegal use of the third party's trademark, service mark, appellation of origin or similar signs for homogeneous products shall imply a penalty imposed under administrative law for citizens in the amount from one thousand and five hundred up to two thousand rubles with seizure of items, keeping the illegal reproduction of trademark, service mark, appellation of origin; for officials - from ten thousand up to twenty thousand rubles with seizure of items, keeping illegal reproduction of trademark, service mark, appellation of origin; for legal persons - from thirty thousand up to forty thousand rubles with seizure of items, keeping the illegal reproduction of trademark, service mark, appellation of origin.

The Law of the Russian Federation "On competition and Restriction of Monopolistic Activities at Commodity Markets" Article 10. Forms of Unfair Competition

Unfair competition shall be impermissible, including:

sale, exchange or any other form of input goods to turnover with illegal use of the results of intellectual activity and similar means of ascertainment of a legal person, ascertainment of products, work performing and services rendering;

unfair competition related to the acquisition and use of exclusive rights for the means of ascertainment of a legal person, ascertainment of products, work performing and services rendering shall be impermissible.

Decision of the antimonopoly authority regarding violation of the provisions of para. 2 of this Article as to ascertainment of products, works or services shall be sent to the Federal Executive Authority in the field of patents and trademarks to address the issue of early termination of registration of the object of exclusive rights or recognition of the object registration as invalid in the manner prescribed by legislation regarding Trademarks, Service Marks and Appellations of Origin.

RF Criminal Code. Article 180. Illegal Use of Trademark

An illegal use of the third party's trademarks, service marks, appellation of origin or similar signs for homogeneous products if the deed was committed repeatedly or has caused large-scale damage, shall be imposed by a penalty up to two hundred thousand rubles, or in amount equal to

wage or other income of convicted person for a period up to eighteen months or compulsory labor for a period from one hundred eighty up to two hundred forty hours, or correction labor for a period up to two years

The deeds specified in the first paragraph of this Article, made by a group of persons by previous concert or an organized group, shall be punishable by a fine from one hundred thousand up to three hundred thousand rubles, or in amount equal to wage or other income of convicted person for a period from one up to two years, or by arrest for a period from four up to six months or deprivation of freedom for a period up to five years

It should be noted that definition of violations of trademark right is given in paragraph 3 of Article 1484 of RF Civil Code. Without rightholder's permission nobody shall be entitled to use signs similar with its trademark in relation to products for which ascertainment the trademark was registered, or homogeneous products, if as a result of this usage there is likelihood of confusion between them.

Thus, uniting conditions to initiate any proceedings against the violator of the trademark rights are the following: On the first hand, a study whether a sign unauthorizedly used by a third party is so similar that the consumers can take the goods of a third person for the goods produced by the trademark owner, and on the second hand, whether the said sign is used in respect of homogeneous goods.

Whereas if there is no full convergence, i.e. identity of signs, the similarity that can lead to confusion by consumers of goods from various manufacturers, in many cases is not demonstrable so experts shall be engaged to resolve these issues. Establishing the fact that the use of sign ascertaining the goods can lead to confusion by consumers of the specified goods with goods of the similar trademark owner is a prerequisite for qualification of violation in any of the processes, whether civil, administrative or criminal proceeding.

Parties to dispute regarding trademark rights violation, as a rule, are legal persons or sole proprietors. This is because a trademark by definition is a sign used for ascertainment of products or services of certain manufacturer. At the territory of the Russian Federation properly registered legal persons or sole proprietors are entitled to produce goods and render services. It is clear that persons whose rights violated and violators are usually business units, legal persons or sole proprietors registered in the established manner. The peculiarity of the subjects in administrative proceeding is that an official can be considered as violator of trademark rights.

It is obvious that procedures of adjudication differ substantially in the various processes. The shortest term of adjudication is established in the Administrative Violation Code, it is limited to 15 days from the date of production before court.

Given that, as stated above, persons engaged in business activities are entities of legal relationships, disputes on civil actions, related to violation of trademark rights shall be within the

jurisdiction of arbitration courts. According to practice, investigation of such category cases in the arbitration court of primary jurisdiction takes, in average, from three months up to six months if forensics examination is prescribed.

In the event of criminal case initiation, proceedings generally take at least a year with consideration the period of investigation.

Moreover, it should be noted that the fact-finding in one of the processes can be used in proceedings for the case in other process. For example, if repeated violations can be proved during investigation of trademark rights violation in the administrative proceeding, it is an objective basis for criminal practice initiating.

Some features are presented in the table for comparison.

	Legal entity	Objective Aspect of Violation	Money Compensation	Goods Withdrawal from Turnover	Additional Sanctions
<i>RF Civil Code</i>	Legal person or sole proprietor	<ul style="list-style-type: none"> The sign used is similar to the third party's trademark 	<p>The following sums to be charged for the plaintiff:</p> <ul style="list-style-type: none"> – in the amount of losses including loss of profit or – from 10000 to 1000000 rub. or – doubled price of goods or – doubled price of trademark legal use 	Withdrawal from turnover and destruction	
<i>RF Administrative Code</i>	Legal person or official or sole proprietor	<ul style="list-style-type: none"> The sign used is similar to the third party's trademark Fault 	<p>Penalty</p> <ul style="list-style-type: none"> – for deeds committed by sole proprietor – from 1000 to 2000 thous. rub. – for deeds provided for by officials – from 10 000 to 20 000 rub. – for deeds committed by legal entities – from 30 000 to 40 000 rub. 	Seizure and destruction	
<i>Russian Soviet Federative Socialist Republic Law "About competition..."</i>	Legal person or sole proprietor	<ul style="list-style-type: none"> Competitive relations available: similar business area and territory 	Not provided for	Not provided for	

<p><i>RF Criminal Code</i></p>	<p>Physical person</p>	<ul style="list-style-type: none"> • Guilty intent, • Repeated and/or of large-scale damage* 	<p>Penalty. - up to 200 000 rub. - for deeds committed by a group of persons - from 100 000 up to 300 000 rub.</p>	<p>Not provided for</p>	<p>Correctional labour for the period up to two years. For deeds committed by a group of persons - - arrest for the period from four up to six months or deprivation of freedom for the period up to five years</p>
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* *The term “large-scale damage” defined in the note to article 169 of the Criminal Code means that the damage with an amount exceeding 250 thou. rub. is a large-scale damage.*

When compared, possible amounts of fines imposed on a violator shows that only within a civil process a rightholder can claim payment of damages caused by a violator of a trademark, while the sum of compensation can amount to one million rubles. In addition, when a claim for compensation is applied, no support documents to confirm the specified sum are required, but the claim for damages is required to be proved.

Referring to the practice of administrative cases on trademarks, it is clear that this category of cases are most often connected with violation of trademark owner's rights to import goods into the Russian Federation from abroad.

According to para. 1, article 393 of the Customs Code, by the application of a holder of exclusive rights to the trademark, the customs authorities take measures relating to suspension of goods release. It is obvious that the suspension of goods import based on commencement of an administrative case is a sanction itself because it not only takes the goods from marketing for a certain period of time, but also can shorten the shelf life or cause damage of the goods not to be long-term stored. Thereby, the violation can be qualified only by a court.

As mentioned above, according to the article 14.10 of the Administrative Code an illegal use of the third party's or similar trademarks for homogenous products causes penalties imposed under administrative law with seizure of items keeping an illegal reproduction of a trademark.

There is no doubt that the amount of the penalty specified in article 14.10 of the Administrative Code is not very large sum for those importing goods into the Russian Federation. A much greater loss to them is the seizure of imported goods. In most cases, such measures lead to weakening of a company, which delivers goods to the Russian Federation, and in some cases it can lead to bankruptcy of the company.

Imbalanced punishments introduced by the specified regulation of the Administrative Code, a relatively small penalty and seizure of imported goods make us suggest that in Article 14.10 of the Administrative Cod the legislator could specified the different wordings regarding penalties and seizure not just by accident. Namely, **an illegal use of the third party's or similar signs** for homogenous products results in penalties imposed under administrative law with seizure of items **keeping an illegal reproduction** of a trademark. Can this regulation legitimately be applied taking into account the "verbal pettifoggery", i.e. penalties applied for use of identical or similar signs with seizure **only** for use of identical signs? An analysis of court practice shows a possibility to use only penalties without seizure of goods.

When case number A2I-6560/03-S was heard by the Arbitration Court of Kaliningrad Region dated August 8th, 2003, it was found out that OOO "K." imported perfume and cosmetic products with trademark «NIVEA» in number of 41 526 pieces of various items with total amount of EUR 1 994 873 from Lithuania to the Russian Federation. According to trademark

certificate No. 137829 dated February 15th, 1996, the trademark “NIVEA” is registered as Class 3 in the International Classification of Goods and Services: cosmetics. The owner of the trademark is the company “Beiersdorf Aktiengesellschaft” (Hamburg, Germany). According to a license agreement registered in Rospatent, the licensee within the Russian Federation is “Beiersdorf” Ltd. Co.

The Kaliningrad’s customs office drew up a protocol about an administrative violation for which liability is provided for by article 14.10 of the RF Administrative Code- an illegal use of the third party’s trademarks. Based on investigation of case papers and founding out the fact of using the third party’s trademark, a court thought fit to impose a penalty in amount of 30 000 rub. and not to apply seizure of goods as OOO “K.” was brought to administrative responsibility for the first time. Though it is not the only judgment of a court when penalties without seizure of goods were imposed, for justice' sake, we’d like to note that the judgment was appealed, and during a new trial the same court decided to seize the items keeping an illegal representation of a trademark. However, as an appeal procedure took quite a long time, the Court of Cassation of the Arbitration Court delivered a final judgment not to seize the goods keeping an illegal reproduction of trademark “NIVEA”, pointing out that the RF Administrative Code does not provide for a possibility to impose an additional punishment in more than a year after commitment of an administrative violation and a primary punishment imposed.

Opinions of courts considering that one of two punishments (a penalty) under article 14.10 of the RF Administrative Code is lawfully imposed, may be also legitimate even in the light of duration of proceedings. As you know, a trial for administrative cases in an arbitration process is a very short-time, in particular, 15 days. Moreover, as noted above, quite often an examination is required to establish confusing similarities of signs and homogeneity of products. Thus, sanctions with seizure of goods (which later to be destructed) may undoubtedly be assigned to cases where the goods bear the third party’s trademarks, i.e. there is an illegal reproduction of a trademark. In the case of similar signs, for example, the complex combination of signs, and when such a similarity is not clear, the measures related to seizure of goods would be more relevant to provide for in action proceeding on the grounds specified in the Civil Code or when a criminal case is investigated.

Criminal responsibility for an illegal use of a trademark also assumes a penalty to be imposed up to 300 000 rubles for deeds committed by a group of persons while seizure of goods is not provided for by the Criminal Code. Moreover, for deeds committed by a group of persons deprivation of freedom up to 5 years is provided for.

According to article 180 of the RF Criminal Code an objective aspect of a crime is a repeated or causing a large-scale damage illegal use of the third party’s trademark or similar

signs for homogenous products. The repeated use can be qualified if, for example, advertisements were placed twice with proposals for the sale of goods with an illegal use of the trademark.

The term “a large-scale damage” is defined in a note to the article 169 of the Criminal Code, that says a large-scale damage to be a damage with an amount exceeding 250 000 rub.

An objective aspect of a criminal violation is a guilty intent when a guilty is aware of illegality of its actions and wishes to commit them. With respect to cases where a person is incriminated to use illegally a trademark, its guilt is almost presumed because, as you know, information on registered trademarks is published in a special bulletin, and with up-to-date means of communication, any person interested in the information on registered trademarks can get it. In addition, when such cases are investigated, an obvious fact that not all persons using signs to customize their products and services are able to determine, whether the sign they use similar **to be confused** by consumers of goods. It should be noted that a similar approach is used for administrative violations relative to trademarks.

Moreover, the term of “group of persons acting by previous concert” and “organized group” can be applied to a head of an enterprise and a person who placed an advertisement of goods on the Internet at the company's website.

Based on mentioned above, attachment of criminal liability is rather a real threat relative to violations that, as said in the beginning, in the vast majority cases are dealt with by civil procedures.

In most countries criminal liability for an illegal use of a trademark is also provided for. The most severe punishment in the People's Republic of China, where the commission of the crime in particularly serious circumstances leads to deprivation of freedom up to 7 years. However, in Britain and some U.S. states violation of rights for a trademark is treated as civil violations and does not constitute a criminal case.

Summing up, we would like to express our hope that the practice will go towards the application of strict law regulations relating to seizure of goods or deprivation of freedom of violators only in the cases of intentional “falsification” of goods when the confusing of products is clear not only for professionals engaged as experts, but for any Russian consumer.

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