

Administrative proceedings are one of three ways to enforce trade mark rights in Russia. **Svetlana Vasilieva** and **Mikhail Stetsenko** of **PTG** explain how recent developments have made them increasingly important

## The advantages of administrative proceedings

The international media covering Russia's economy quite often dwell on the topics of taxation, corruption and capital flight as issues of major concern to investors in the country. However, numerous recent surveys among foreign investors in Russia suggest that another topic should be included in the list of hot issues and that is the protection of intellectual property which, along with tax and customs legislation, can be named as one of the key challenges investors face. The industries that are most affected by counterfeiting in Russia include fast-moving consumer goods – such as cosmetics, clothing, food, drinks, alcohol, tobacco and pharmaceuticals – as well as automotive.

No doubt over the past 10 years Russia has made good progress in developing its practices of IP protection, though further improvement needs to be made in this direction.

### Ways to protect IP rights

As in some other countries, legislation in Russia provides for civil, administrative and criminal penalties to protect intellectual property, each proceeding having advantages and disadvantages (criminal proceedings will not be covered in this article, as they are more complicated and are not used in many cases). While civil proceedings are mainly aimed at compensation of damages and reestablishment of the rights owner's good reputation, administrative measures aim at the prevention and restraint of violations. In some cases the rights owner can use a combination of civil and administrative proceedings as well.

### Features of administrative proceedings

The advantages of applying administrative measures include:

- Speed of examination of the rights owner's application and the administrative procedure itself (terms/timeframes set by law: one month for an investigation by the administrative body with a prolongation for another month if needed and 15 days for the launch of the proceedings by court).
- Possibility to arrest goods bearing signs of counterfeits (the administrative body can apply the seizure of infringing goods at the stage of the investigation).
- Facilitated evidence collection (the administrative body as the applicant will also be collecting evidence).
- Extra ways to restrain violations (inclusion in the Customs Register).

Thus, in general we could say that the administrative procedure is characterised by a greater efficiency and lower consumption of costs and resources. It must also be noted that in some cases the rights owner may not participate in court hearings, being the third party with no independent claims.

### Administrative bodies

There are special state bodies responsible for the protection of rights owners, consumers and other parties concerned. Russia has no uniform patent courts system

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### Mikhail Stetsenko



Mikhail Stetsenko has extensive hands-on legal experience in the prosecution, maintenance and protection of IP rights in Russia and abroad. He also specializes in the various issues related to the development of corporate brand strategy, IP licensing agreements and IP rights deals. Mikhail often speaks at professional conferences and seminars on IP rights protection.

like Germany does (though there is discussion at the government level about setting up teams of judges to be exclusively involved in IP issues). All administrative cases on trade marks are considered by arbitration courts along with other claims.

Today these bodies are authorised to commence administrative proceedings on IP matters:

- Chamber of Patent Disputes under the Federal Service for Intellectual Property, Patents and Trade Marks (Rospatent). The body considers objections to Rospatent's decisions to

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refuse the legal protection, objections against the grant of legal protection, statements to end legal protection and statements to recognise a mark as a well-known trade mark.

- Special departments for crime control on the consumer market under the Home Affairs Ministry.
- Federal Antimonopoly Service (FAS Russia), which is competent for violations of antimonopoly legislation and trade mark rights.
- Federal Customs Service (FCS Russia), which investigates trade mark violations that have occurred as part of export-import transactions.
- Federal Service for Supervision in the Sphere of Consumer Rights Protection and Human Well-Being (Rosпотребнадзор), which deals with trade mark violations relating to infringement of the Law On Protection of Consumer Rights.

Thus, the rights owner can apply to different bodies to protect his trade mark rights, depending on the objectives and the character of the violation.

Special mention should be made of the Customs Register of Intellectual Property Objects maintained by FCS Russia. Registration of your intellectual property in the Customs Register (which is free of charge) will allow the tracking of possible infringements of IP rights throughout Russia at any attempt to import goods to Russia without authorisation from the rights owner. The Customs Register has proved to be an efficient tool to protect IP rights, and its popularity is growing.

### Administrative legislation and penalties

Russian legislation provides for various forms of administrative penalties, depending on the substance of the trade mark violation. In particular:

- Under Article 14.10 of the Administrative Code, illegal use of trade marks results in administrative liability. Administrative sanctions include: a fine of between Rb30,000 (\$850) and Rb40,000 (\$1,150) (for legal entities) and the confiscation of the goods bearing the unauthorised reproduction of the trade mark.
- Article 14.33 of the Administrative Code provides for administrative liability for actions involving unfair competition practices – a fine of between 1% and 15% (for legal entities), but not less than Rb100,000 (\$2,850) of the revenues of the violator on the corresponding commodity market.
- Articles 14.2, 14.4, 14.7 of the Administrative Code provide for different sanctions for violations of consumer

rights in retail. Legal actions are commenced by Rosпотребнадзор.

### Applying to law-enforcement bodies

Under the Russian law, an application from the rights owner or his authorised representative must be examined by the law-enforcement body within 30 days. If signs of violation are discovered, the corresponding protocol is issued and administrative proceedings are initiated.

The application should contain the following data: information about the rights owner and the violator, the evidence and the description of the violation with the reference to the relevant laws and/or regulations, the proof of the trade mark rights, the subject matter of the claim filed, as well as some other information if necessary.

### Customs Register

The Customs Register is another good tool to protect your trade mark rights, as it is one of the most effective measures to suppress the turnover of counterfeit goods which are imported to Russia. Based on the trade mark data enclosed in the Customs Register, the Customs authorities initiate legal proceedings on their own every time counterfeit products are detected and arrested.

To include the trade mark in the Customs Register, the rights owner has to submit the data on its legal status, the extract from the trade mark register, the information on the trade mark use, the authorised importers and licence-holders (if any), the distinguishing features of the original products, as well as on possible violators. The rights owner will also have to sign a third-party liability insurance deal, the sum of the deal being very low (around US\$50 per mark per year).

Please keep in mind that applying to any law-enforcement bodies in Russia to protect your rights in the administrative order is not subject to any state duties.

### Recommendations on judicial practice

Russia has now built quite a significant judicial practice on administrative trade mark cases. Though there are some differences in how courts approach trade mark cases in different regions of Russia, in general we can say that if the rights owner puts forwards reasonable claims and submits good-quality evidence, he can well count on efficient, fair and quick settlement of the dispute by the court.

The rights owner should pay particular attention to the process of evidence collection, as it is crucial to submit good evidence proving the fact of violation. Regular monitoring of the market, gathering information about violations and prevention of infringements is another important part of the process (this is very frequently the most difficult and costly stage for the rights owner).

### Customs and *Porsche v Genesis*

Over the past few months, the attention of market participants, law-enforcement authorities, rights owners, lawyers and many others interested in trade mark protection issues in Russia has been drawn to the *Central Excise Customs and Porsche Russland v Genesis* case at the Russia Supreme Arbitration Court. This is in many respects a groundbreaking case on the trade mark Porsche Cayenne to bring a parallel importer to administrative responsibility for trade mark infringement.

The ruling by the Supreme Arbitration Court introduced a

radical change in the trade mark law enforcement practice with a possible far-reaching effect on the Russian imported goods market, as in fact it excluded administrative responsibility of parallel importers bringing original goods to Russia without any authorisation from the rights owner.

In fact this is the first time that the Supreme Arbitration Court has rejected the claim of the state body to bring a parallel importer to administrative responsibility. It is interesting that the defendant lost the case in the two earlier instances and the overall practice was not in favour of parallel importers.

The Russian Civil Code (Article 1487) establishes the so-called national principle of exhaustion, according to which trade mark rights are exhausted if they are commercialised in the country by the owner of the trade mark or another person acting with the owner's consent. However, the administrative legislation does not provide for any liability for such violations (as the Arbitration Court stated) unless the products in questions are counterfeits (Article 14.10 of the Administrative Code).

Thus the ruling by the higher court might result in a situation whereby it will be impossible to find parallel importers liable under Article 14.10 of the Administrative Code.

### Improving IP protection

The developments discussed allow us to say that administrative proceedings remain an effective way to protect trade mark rights where counterfeit goods are involved. However, bearing in mind the latest ruling of the Supreme Arbitration Court in the Porsche Cayenne case, if the goal of the rights owner is to prevent parallel imports, he might prefer using civil measures to protect trade mark rights.

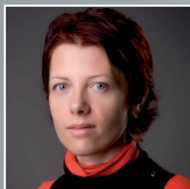
Using the combination of the two penalties in trade mark cases will add to the success of trade mark rights protection.

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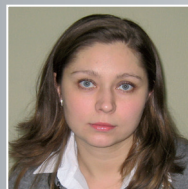
In general we would like to stress that Russia has now developed a strong practice of penalties for illegal usage of trade marks, violations of antimonopoly legislation and consumer rights, as well as for the unauthorised registration of IP objects (the so-called piracy or takeover of brands, domain names and other IP objects). The country is steadily moving towards further improvement in the sphere of protection of IP rights.



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