

# Slaying the counterfeiting dragon

**Russian law enforcement has stepped up its efforts to fight counterfeiting over the past few years, with trademark owners able to draw on a range of enforcement options**

There is a tale in Russian folklore about a dragon with three heads that spit fire. Every time one head is cut off, it grows back again. This allegory is an apt analogy for counterfeiting. It seems that the presence of counterfeit goods on the Russian market in recent years can be explained by imperfect laws and their lax enforcement. Ten years ago, both the Russian people and the authorities had very little IP awareness. However, as time passed the law enforcement system came of age and now intellectual property is one of the most important legal issues in Russia. Russian law enforcement has made remarkable progress over the past few years. One of the most important measures to be implemented was the introduction of an IP department at every customs office.

Nonetheless, counterfeiting is still flourishing – even in countries which have long-established legal and enforcement systems. Counterfeit goods originating in Russia are not a big problem, because they are produced only in small quantities. It is thought that perhaps 80% of the counterfeit goods found in Russia come from other countries. Customs thus has a crucial role to play, because the majority of counterfeit goods enter the country across national borders.

Customs has also witnessed a shift in the structure of counterfeiting traffic. Whenever a trademark is entered in the Customs Register, this bars the way for counterfeit goods. When handling incoming goods, Customs will check the cargo declaration and the computer system will immediately block further processing if the goods are linked to the Customs Register. If the trademark is not in the register, then the customs officer must manually check the trademark against the Patent Office's database to find the necessary information.

Customs officers often do not have sufficient knowledge to interpret the information in the Patent Office database; nor do they have sufficient time to keep the seized goods under their control. In 2009 Russia joined the Customs Union (Russia, Kazakhstan and Belarus), which sets the terms for responding to trademark owners' claims at 10 days if the trademark is in the register and seven days if it is not. This term can be extended for a further 10 days in both cases if there are reasons to justify it. If the trademark is not in the register, the procedure is *ex officio*.

Customs officers have noted that the flow of declared goods under a counterfeit trademark has noticeably decreased. In attempting to get their goods across the border, counterfeiters now tend to declare the goods by name only, without any indication of the trademark, or to declare goods other than those which are actually in the consignment. The volume of goods passing through Customs is huge and customs officers cannot examine every box in each consignment. Customs officers frequently use x-ray equipment to scan goods inside a truck, but if the goods are carried by railway and the cargo train has many cars, the officers will check only randomly selected cars. To avoid any bias, the railway cars to be searched are chosen by computer. Customs officers believe that they can check only one car out of 10. This means that there is ample opportunity for counterfeiters to smuggle goods through the border. Unless a technological breakthrough is made that allows Customs to search all railway cars, it appears that opportunities for counterfeiters to smuggle their goods shall remain.

As a result, the focus of Customs has been gradually shifting towards the internal market for counterfeit goods. Goods that are

both counterfeit and smuggled may give rise to criminal prosecution of the infringer.

Customs has specialist departments which conduct post-clearance checks, meaning that it has the power to check goods after they have been delivered to the consignee in Russia. Nonetheless, a problem can occur here as infringers often import only small amounts of infringing goods. The cost and work involved in taking action against an infringer are the same for the rights holder regardless of the size of the consignment. The rights holder will thus assess information provided by Customs from a business perspective, and if it feels that the consignment will not cause much damage to its business, it may avoid taking action and allow the counterfeit goods into the market. Sometimes rights holders set a threshold on the number of counterfeit goods they will tolerate before they consider initiating a court case. This encourages infringers to import numerous consignments of goods just below this threshold to avoid court, as Customs cannot initiate a case in the absence of interest from the rights holder.

If a rights holder's trademark is in the Customs Register and the rights holder persistently refuses to prosecute infringers, the trademark is at risk of exclusion from the register by Customs. So far, however, there have been no such exclusions. Customs puts a lot of effort into controlling incoming goods, which often results in no action being taken.

The sequence of actions for post-clearance checks is the same; first Customs draws up a report, prepares a court action and then files it in court. Before preparing a report, the rights holder should confirm that infringement has indeed taken place. If the rights holder cooperates, a court suit follows. The parties present in court should

be Customs and the infringer; the rights holder is not usually required to attend. If the suit has been prepared properly and the rights holder has supplied the information required to prove that the goods are counterfeit, then the case will proceed to a satisfactory outcome. This course of action is cheaper for the rights holder, because the bulk of the work is done by Customs.

As a result of the proceedings, the infringer will be fined (in favour of the state) and the goods must be destroyed. Once the judgment has been issued, it goes to the court bailiff, who turns the goods over to the Foundation of State Property. One of the obligations of the foundation is to dispose of property which for different reasons becomes state owned.

The counterfeit goods are always destroyed. The foundation sets up a special commission, composed of around 12 people, who prepare a report identifying the goods intended for destruction. Counterfeit goods found on the domestic market are treated in the same way. The limitation is that the goods should be of a foreign make. If the counterfeit goods have been made in Russia, then the police and the infringer will attend court; again, the trademark owner is not necessarily required to attend.

As another option, the rights holder may file a civil suit against the infringer. This may be a favourable option for the rights holder if the amount of goods is considerable and it can claim damages or compensation. Damages need not be proved in court and may be claimed to a figure of twice the value of the counterfeit goods (rather than the original goods).

Compensation can be paid for the illegal use of trademarks only. Amendments to IP law have been proposed which would place the illegal use of patents on the same footing as trademarks. **WTR**



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