GORODISSKY

INFORMATION BULLETIN #114 2016

G-NEWS

#3 (114) 2016, MOSCOW, RUSSIA

GORODISSKY & PARTNERS
PATENT AND TRADEMARK ATTORNEYS
IP LAWYERS

Suppression of unfair competition and unfair/ inaccurate advertising on the Internet (Advertising or unfair competition?)

Valery Narezhny
Ph.D., Counsel
Gorodissky & Partners
(Moscow)

Dmitry Sando
Russian Patent Attorney
Lawyer
Gorodissky & Partners
(Moscow)

It is not rare that leading companies encounter unfair actions of their competitors who attempt to boost their sales by using brands that do not belong to them in their advertising. Comparing their products with the products of leading companies such competitors try to convince the customers that their products are not worse than products manufactured under famous brands while these goods have certain advantages (usually, lower price is such advantage). Sometimes they go even further and straightforwardly deceive the customers by placing third party product's advertisement with their own contact information. This practice is especially common on the Internet when placing both conventional and context advertisement.

Unfortunately, the Russian law contained gaps in respect of recognizing such actions as unfair for a long time. To a certain degree these gaps were compensated by the practice of the Federal Antimonopoly Service (FAS), which, nevertheless, was unable to replace statutory regulation.

However, the situation changed a lot when so-called «fourth antimonopoly package» (Federal law dated 05.10.15 No.275-FZ) entered into force. This law, on the one hand, summarized existing practice of antimonopoly bodies and transformed it into law. On the other hand, consideration of the draft law took a long time and certain of its new provisions were taken into consideration by FAS even before the law was formally enacted. This allowed protecting the interests of fair players on the market more efficiently even from the beginning of 2015.

According to the current legal position of the courts and FAS, in case the unfair actions are performed by the competitor in the advertisement only, » page 2

such actions should be qualified in accordance with the Article 14.3 of the Code of Administrative Offences of the Russian Federation («CoAP RF») – «Violation of legislation on advertising». However, if the information which may be qualified for unfair competition is disseminated not only through advertising but also in other ways, the guilty person should be subject to administrative liability under the Article 14.33 of CoAP RF – «Unfair Competition». If the advertisement with incorrect comparison is wrongly qualified in the administrative act as unfair competition, such act may be reversed in court subsequently. Unfair players on the market who were sanctioned by FAS actively try using this to appeal such resolutions in court.

In such disputes, the important role belongs to the right holder – its position and actions. In such situations existence of a registered word trademark identical to the products' trade names provides additional protection to the right holder. By mentioning his products in their advertising, infringers inevitably infringe his trademark rights as well, which is an additional ground for bringing infringers to liability.

There is a specifically thin line in qualification of the infringements as unfair competition infringements or unfair/inaccurate advertising on the Internet. Lawyers of Gorodissky and Partners encountered this problem representing one of the biggest world manufacturers of construction equipment. Being one of the leaders on the market and manufacturing generally acknowledged high quality products our client regularly experienced situations where its competitors attempted to boost their sales by comparing their goods with the client's.

In the beginning of 2015 the client filed an application to FAS in connection with unfair actions of the competitor consisting in publishing on the competitor's website of the information containing groundless statements regarding the best quality of his products and creating false impression of his leading positions on the market.

There is a specifically thin line in qualification of the infringements as unfair competition infringements or unfair/ inaccurate advertising on the Internet.

Also, images of our client's products, exclusive rights to which belong to the client's parent company, were illegally used on the web-site. The Wayback Machine Internet archive (http://archive.org/web/) was used to prove that the said information was actually posted on the website.

The most efficient way to prove that certain information was actually posted on the Internet at a given point of time is notarial certification of the relevant web pages' content. The reason is the following: when the infringer becomes aware that the right holder is making efforts to enforce the infringed rights, in most cases the infringer removes all the compromising information from all his sources. In case it happens, it is reasonable to use the Internet Wayback Machine printouts – the courts and administrative bodies accept such notarized printouts as evidence.

The right holder made reference to the provisions of subparagraphs 1, 2, and 4 of paragraph 2 Article 5 of the Law «On advertising» which define unfair advertising as advertising that contains incorrect comparison of the advertised product with other products being in circulation produced by other manufacturers or sold by other sellers, as well as discredits honor, dignity and business reputation of a competitor.

However, FAS has its own view on the information published on the website of the company. The specific of this view is that the said information has hardly ever been considered as advertisement. FAS is of the opinion that a company's website is a kind of its virtual territory and/or shop, and placement of an information in a shop should not be considered as advertising. At the same time, certain methods of delivering such information to end users (e.g. banners, scrolling text, etc.) specifically aimed at attracting their attention, assuming that they contain all attributes of advertisement, may be considered as advertising materials even if they are placed on the website of the company.

Therefore, after admittance of the client's claims to examination FAS noted that the above-mentioned actions should not be qualified as advertisement as they do not contain its relevant features and that information published on the website is connected with products of a specific category and a specific manufacturer, and purposes of publishing such information are different from advertising.

At the same time FAS stated that the competitor's actions might have the signs of violation of provisions of the Article 14 of the Competition Law.

Therefore, initially FAS qualified the infringer's actions (which was the administrator of the domain on which the said information was posted) as violation of provisions of paragraph 3 part 1 Article 14 of the Competition Law, according to which «unfair competition is not permitted, including incorrect comparison of the products manufactured or sold by one economic entity with the products manufactured or sold by other economic entities». At the same time, as was subsequently noted in the FAS' decision in this case, «the purpose of the infringer's actions of publishing the information in question is obtaining competitive advantages, including by defamation of its competitor in form of comparison of its products with the products of a competing entity (indirect defamation)».

The infringer initially denied the facts of infringements as well screenshots from web archive submitted as evidence by the claimant, but afterwards the infringer was bound to acknowledge them.

Also, there were some difficulties in proving the rights of the client's parent company to the images which were used by the infringer on his web-site. As is known, photos are protected by copyright. Therefore, in case of infringement of such rights, the ability to prove authorship of a certain person as well as the fact of transferring the relevant exclusive rights to these works from the authors to the company – right holder become crucial.

In the present case, additional evidence collected by the parent company with assistance of lawyers of Gorodissky & Partners allowed to establish that on the website administered by the infringer, the photos of products and employees were placed along with the means of individualization of the infringer. According to the information presented by our party, the said photos were made by the parent company's employees and the exclusive right to these photos belongs to this company.

Therefore, taking into consideration all the established facts of illegal use of the trademarks and the copyrighted works of our client, the relevant infringer's actions were additionally qualified by

FAS as infringement of p. 4 of part 1 Article 14 of the Competition Law, i.e. the sale or other way of marketing products with illegal use of the results of intellectual activity and equaled to them means of individualization of a legal person, means of individualization of goods, works, services.

From the circumstances of the case, it can be seen how the antimonopoly body differentiated the use of information on the company's website and the Internet advertisement. The infringer did not appeal this decision.

Second case of the same client was related to advertisement on the Internet.

In this case the client applied to antimonopoly authority stating that an unidentified advertiser placed a context ad in the Google advertising platform which misled the consumers by reference to the client's products while clicking this ad they were readdressed to the competitor's web-site.

This context ad was displayed to the users who searched for the client's products through the automatic search systems. It should be noted that context advertising is advertising where the advertisement is shown in connection with the content or context of a web site or with the user inquiries entered into the search system. As was discovered during the proceedings with antimonopoly authority, the advertisement had been published on behalf of the advertiser which, as our client thinks, was closely related to one of his main competitors (though there were no formal connections between them such as mutual participation or coincidence of governing body members).

In this case the said advertiser placed information, containing the name of the product, offered for sale, which was identical to the client's product name and had a reference to the client's trademark, as well as information about the website address and the phone number of his competitor.

The placed information was addressed to the general public as it was published in the Internet with the purpose to attract attention, form and support interest to the sold products – i.e. the said advertiser published an advertisement and not just information with hyperlink to the website.

FAS decided that by publishing the ad containing false information the advertiser infringed paragraph 3 of part 3 Article 5 and paragraph 7 of part 3 Article 5 of the Law «On advertising».

Specific nature of disputes related to Internet advertising is that relationships between the parties of the advertisement agreement are established and made through the electronic means of communication. The user is assigned with a unique ID (account) which is a virtual representation of the advertiser – it is used to place orders, to approve advertisement layout, pay orders etc. Therefore, the main fact at issue in disputes related to Internet advertising is establishing connection between the account and a definite economic entity. At that, infringers often took measures making identification of their accounts more difficult (e.g. they indicate private cell phone numbers and emails on public email service as contact information). Accordingly, in such cases the claimant should try to provide the antimonopoly body with all the available evidence proving the infringer's guilt, connection of his account to illegal actions or incorrect information and if they are inaccessible to the claimant – to request on discovery of such evidence or to bring to the case the corresponding third parties who may have necessary information.

Involvement of Google LLC (Russia) to the present case, who is the advertisement distributor and who has the necessary information regarding the advertiser's actions, played the key role in this situation.

The above mentioned ad was placed through Google AdWords service which allows any user to publish in the Internet any ad not contradicting the law. The ad was disseminated on the grounds of standard-form agreement of Google AdWords service (public offer) between Google LLC (Russia) and the advertiser (by implicative actions such as accept, payment of invoices, etc.). According to the information provided by Google LLC (Russia), the advertiser's account was used more than 3 000 times in the AdWords service.

In our opinion the most important evidence that allowed establishing a link between the advertiser and the published context ad is the payment orders provided by Google LLC (Russia), which the advertiser regularly paid to Google LLC (Russia) for publishing the ads.

According to paragraph 3 of part 3 of Article 5 of the Law «On advertising» an advertisement should be deemed inaccurate if it contains untrue information on the assortment and the list of equipment of goods, as well as the possibility of purchase of them in a certain place and within a certain period of time.

Furthermore, according to paragraph 7 of part 3 of Article 5 of the Law «On advertising», an advertisement should be deemed inaccurate if it contains untrue information on the exclusive rights to the results of intellectual activity and equaled to them means of individualization of a legal entity and means of individualization of the goods.

According to point 16 of informational letter of the Presidium of the Supreme Arbitration Court of the Russian Federation dated 25.12.1998 No.37 «Review of practice of considering disputes, connected with enforcement of the advertising legislation» information which is obviously associated with certain product by the customer should be considered as advertisement of this product.

Meanwhile it should be noted that word designation containing the product name and used in the advertisement at issue was confusingly similar to the client's trademarks. While disseminating this advertisement, the infringer had no authorization from our client to use the word designation similar to the registered trademark.

As a result, FAS decided that the advertiser violated paragraph 3, 7 of part 7 of Article 5 of the Law «On advertising». Commercial Court of Moscow upheld that decision.

The above cases were considered under the operation of the «old» version of the Competition Law, i.e. before the enactment of the so-called «fourth antimonopoly package», which considerably expanded the legislative regulation of suppression of unfair competition.

Thus, in accordance with the Federal Law of October 5, 2015 № 275-FZ the Competition Law was supplement by the Chapter 2.1. «Unfair Competition», which prohibited, in particular, the following 7 forms of unfair competition: 1) discredit, 2) deception, 3) the acquisition and use of exclusive rights to means of individualization of a legal entity, means of individualization of goods, works or services, 4) illegal use of the results of intellectual activity, 5) the creation of confusion, 6) illegal receipt, use or disclosure of information constituting commercial or other legally protected secret and 7) incorrect comparison. This list is open, because along with the mentioned kinds of unfair competition other its forms are also prohibited.

We believe that offenses more specifically provided in the Competition Law would strengthen the enforcement practice while maintaining previously developed approaches in the differentiation of advertising and unfair competition. This will allow more effective protecting of the rights of good faith competitors and rights holders.

Events (conferences, seminars, news)

15 JULY 2016 // MOSCOW

Gorodissky & Partners keeps being a leader in electronic filings of patent applications – 2737, and trademark registrations – 900 in a mid-year 2016. Totally Gorodissky & Partners filed 3637. Other Russian patent and trademark attorneys filed not more than 500. According to the Russian PTO, more than 13 000 new patent and utility model applications, as well as trademark applications were filed electronically in the first half of 2016. For the same period of the last year, only 5561 were filed.

22-24 JUNE 2016 // ST.PETERSBURG

Valery Djermakian, Ph.D., Counsel, and Vladimir Mescheriakov, Counsel (both of Gorodissky & Partners, Moscow), gave presentations on «Use of invention (device) with «external» signs in patent claims» and «The updated Russian PTO; first reformatory steps» at the Annual Collegial Readings «Intellectual Property: theory and practice» held by St.Petersburg Collegiate of Patent Attorneys and Peter the Great St. Petersburg Polytechnic University in St Petersburg. The Conference covered various theoretical and practical issues of IP protection and IP rights enforcement.

24 JUNE 2016 // ST.PETERSBURG

Vladimir Biriulin, Partner, Head of Legal Practice, Evgeny Alexandrov, Partner, Ph.D., Head of Legal Department, Valery Narezhny, Ph.D., Counsel, and Sergey Medvedev, Ph.D., LL.M., Senior Lawyer (all of Gorodissky & Partners, Moscow), spoke on IP rights protection, licensing agreements and technology transfer, tax benefits for innovative companies and other topical issues related to IP at the Seminar «IP Protection issues» held by Gorodissky and JETRO in St. Petersburg.

21-22 JUNE 2016 // MUNICH

Dmitry Klimenko, Russian & Eurasian Patent Attorney, Ph.D. (Gorodissky & Partners, Moscow), was speaking on «Enforcing Patents in Russia and CIS» at the 15th International Forum on Pharmaceutical Patent Term Extensions held by C5 Group in Munich, 2016. The Forum explored a range of topical issues affecting pharmaceutical lifecycles, such as obtaining Supplementary Protection Certificates in Europe and ways to extend patent terms around the world.

26 MAY-27 MAY 2016 // LONDON

Ilya Goryachev, Lawyer (Gorodissky & Partners, Moscow), spoke on «Cyber-security, domain names and brand-protection: new challenges for IP» at the Global Brand Protection Innovation Programme held by «World Business Intelligence» company in London (Great Britain).

21-25 MAY 2016 // ORLANDO

Team of 12 Partners, Trademark/ Patent attorneys and IP Lawyers of Gorodissky & Partners from Moscow, St.Petersburg and Kiev offices of the firm attended the 138th Annual INTA Meeting held in Orlando and hosted more than 10 000 delegates from 150 countries. On May 22-24 our clients and other attendees of the Conference could visit our Hospitality Suite to discuss with Attorneys and Lawyers of Gorodissky the recent changes in Russian IP legislation and enforcement practice as well as their pending cases. About 700 guests attended the traditional Reception hosted by Gorodissky & Partners on May 22 at the Hyatt Regency Orlando.

Photo: The Gorodissky team

129090, **MOSCOW**, RUSSIA
B. Spasskaya str., 25, bldg. 3
Phone: +7(495) 937-61-16 / 61-09
Fax: +7(495) 937-61-04 / 61-23
e-mail: pat@gorodissky.ru
www.gorodissky.com

197046, **ST. PETERSBURG**, RUSSIA
Kamennoostrovsky prosp., 1/ 3, of. 30
Phone: +7(812) 327-50-56
Fax: +7(812) 324-74-65
e-mail: spb@gorodissky.ru

350000, **KRASNODAR**, RUSSIA
Krasnoarmeiskaya str., 91
Phone: +7(861) 210-08-66
Fax: +7(861) 210-08-65
e-mail: krasnodar@gorodissky.ru

620026, **EKATERINBURG**, RUSSIA
Rosa Luxemburg str., 49
Phone: +7 (343)351-13-83
Fax: +7 (343)351-13-84
e-mail: ekaterinburg@gorodissky.ru

603000, **N. NOVGOROD**, RUSSIA
Il'inskaya str., 105A
Phone: +7(831) 430-73-39
Fax: +7(831) 411-55-60
e-mail: nnovgorod@gorodissky.ru

607328, **SAROV TECHNOPARK**, RUSSIA
N.Novgorod region, Diveevo, Satis Parkovaya str., 1, bldg. 3, office 14
Phone / Fax: +7 (83130) 67475
e-mail: sarov@gorodissky.ru

443096, **SAMARA**, RUSSIA
Ossipenko str., 11, offices 410-412
Phone: +7(846) 270-26-12
Fax: +7(846) 270-26-13
e-mail: samara@gorodissky.ru

420015, **KAZAN**, RUSSIA
Zhukovskogo str., 26
Phone: +7 (843) 236-32-32
Fax: +7 (843) 237-92-16
e-mail: kazan@gorodissky.ru

614000, **PERM**, RUSSIA
Petropavlovskaya str, 41, of. 215
Phone: +7(342) 259-54-39
Fax: +7(342) 259-54-38
e-mail: perm@gorodissky.ru

690091, **VLADIVOSTOK**, RUSSIA
Oceansky prospect, 17, office 1003
Phone: + 7 (423) 246-91-00
Факс: + 7 (423) 246-91-03
e-mail: vladivostok@gorodissky.ru

01135, **KIEV**, UKRAINE
V. Chornovola str., 25, office 3
Phone: +380(44) 278-49-58
Fax: +380(44) 503-37-99
e-mail: office@gorodissky.ua
www.gorodissky.ua