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The choice: litigate or compromise?

In September 2010 Russia's High *Arbitrazh* Court submitted to Parliament a draft bill which provided for the creation of an Intellectual Rights Court, scheduled to arrive by 2012. In the meantime, rights holders have a range of options for enforcing their rights

"We are peaceful people, but our ironclad train is waiting in the siding." These words from an old Soviet song come to mind when discussing enforcement of IP rights. In any conflict, every effort is made to avoid enforcement and to reach amicable terms. Often, this approach works: a bad peace is better than a good war. Litigation is the ultimate measure and the most visible side of enforcement, although there are many other facets of rights protection that often go unseen.

Some actions which are considered litigious in nature in other jurisdictions are not so in Russia. Issues of invalidation of intellectual property are settled at the Chamber of Patent Disputes under the authority of the Patent Office and are treated as administrative cases. However, an applicant that loses at the Chamber of Patent Disputes may appeal the decision in court, at which point the matter becomes a lawsuit against the Patent Office. Similarly, actions before Russia's anti-monopoly regulator are administrative actions. The regulator's decisions may be appealed in court, and in such cases the issue becomes a lawsuit against the regulator.

Cases initiated through the police and Customs are also administrative cases and the IP owner intervenes as a third party. However, a civil action initiated by one person against another falls entirely within the domain of litigation.

The Russian court system consists of two practically independent branches: the common courts and the *arbitrazh* (ie, commercial) courts.

The common courts are the proper venue for disputes in which one of the parties is a natural person. Since the number of individual IP owners is small – private persons may own patents, but not trademarks – most IP disputes go before the *arbitrazh* courts. The number of IP cases has risen sharply in recent years: in 2007 the *arbitrazh* courts examined 1,831 cases, rising to well over 2,700 cases in 2008 and nearly 3,500 in 2010. These figures include administrative cases. Most related to copyrights, with trademark cases next in number. Far fewer cases concerned patents and other IP matters.

Litigation in the common courts may involve a criminal component. However, the number of criminal cases is low in comparison to more routine administrative and civil cases. This is mainly because of the damages threshold that is required in order to initiate a criminal case. For trademark infringement, the threshold value is the equivalent of $50,000.

Civil and criminal proceedings share many procedural features. However, there are certain differences when the case is heard in a common court; further differences arise in *arbitrazh* court cases. Naturally, different codes of procedure apply in the common and *arbitrazh* courts. This article considers the procedure before the *arbitrazh* courts, which are the venue for an ever-larger number of IP cases.

Where infringement is suspected, it is necessary to ascertain the facts and scope of the infringement. The fact of infringement must be properly documented.

This may be done by means of a test purchase from a shop, in which the test purchaser requests a specific document from the vendor, showing the price and name of the product. This should not strike the infringing vendor as unusual, as company accounts offices frequently require such documentation when goods are bought for office use. If the infringement takes place online, the fact of infringement is usually ascertained by a notary public.

The rights holder must then decide whether to go to court or to send a warning letter to the infringer first. Practice shows that in nearly all cases, it is advisable to send a warning letter – it is a cheap remedy and, in many cases, it works.

Often, the infringer does not realise that it is infringing other people's rights, but even a wilful infringer may make an effort to stop the infringement on receiving a warning letter. Infringers are generally more willing to cease infringement if they receive a letter from a law firm, rather than from the rights holder directly. If infringements are repeated, it is much easier to initiate a criminal case.

If a warning letter does not work, a court case may be initiated. In civil cases, plaintiffs may claim all kinds of damages; alternatively, they may seek compensation. When claiming compensation, the plaintiff is not required to prove an amount of damages. Compensation may be claimed up to the equivalent of around $170,000, but the court has discretion to adjust the sum. Infringing products, when recovered, must be destroyed by court order. A provision allowing the court to rule on the confiscation and destruction of equipment used in the manufacture of infringing products is a relative novelty in Russian law.

Injunctions can be sought from the court when filing suit. The court must decide on the injunction request no later than the following day. A party may seek to have such measures imposed until the court issues its decision. Interim orders may be made to arrest property, to impose monetary obligations or to prohibit a party from taking certain actions.

Once the suit is filed, the judge prepares the case for consideration. He or she begins by checking that it complies with the formal requirements; if there are errors, or if

insufficient information has been provided, the judge will ask the plaintiff to correct the defects. The judge sets a date for a preliminary hearing, during which the court clarifies the circumstances of the case and asks the parties to present their arguments and all evidence available to them. The court may request additional evidence and rule on whether other persons or expert opinions are needed in the case. An expert opinion can play a crucial and often decisive role in IP infringement cases.

Once the case has been prepared, the court sets a date for a hearing on the merits. *Arbitrazh* cases at first instance are usually considered by one judge. However, a party to the dispute has the right to request that the case be decided by a panel consisting of a judge and two court assessors. During the hearing on the merits, the parties set out their positions.

The court will question them and study the available evidence. It may also invite the parties to use a conciliation procedure in an attempt to reach an amicable agreement. If the court has sought expertise on the matter at issue, and if the opinion was prepared by an independent expert, the parties may ask the court to invite the expert to take part in the hearing and answer questions from the parties and the court.

At the end of the hearing on the merits, the court retires to issue a decision. The resolution itself is announced before the parties leave. This part of the decision states whether the claim has been rejected or upheld, in full or in part.

The full text of the court decision, setting out the facts, the results of the investigation and the reasoning behind the resolution, must be prepared by the court within five working days and forwarded to the parties. This is the final stage of the case at first instance.

If a party does not agree with the decision, it has the right to appeal within a month of the date on which the full text is issued. If no appeal is filed within this time, the first instance decision takes legal effect and may be enforced by bailiffs.

The appeal procedure is shorter than the first instance procedure – generally, the case is considered in a single hearing. An appeal is heard by a panel of three judges. The appellate court's resolution comes into force from the moment that it is adopted, but it may be appealed to the Court of Cassation within two months.

The cassation procedure is also short and the resulting resolution comes into force with immediate effect.

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Appeal and cassation decisions may cancel or change the decisions of lower instances. However, the Court of Cassation is limited to reviewing facts established by the courts of lower instance and the evidence provided within the scope of those hearings. New evidence can be submitted to the appellate court only if there is a good reason why it was not submitted at first instance.

About 55% of IP cases are decided in favour of rights owners. However, some IP practitioners and rights holders have expressed dissatisfaction at the judiciary's level of awareness in IP matters. Some court authorities consider that a specialist IP court should be established – at least within the *arbitrazh* system – in order to raise the quality and increase the efficiency of IP legal procedures.

In September 2010 the High Arbitrazh Court prepared and submitted to Parliament a draft bill which provided for the creation of an Intellectual Rights Court.

As a court of first instance, it would handle disputes on obtaining protection and on the validity of previously granted rights. In its capacity as a court of cassation, it would hear cases previously examined by the same court at first instance, as well as ruling on disputes relating to infringement of exclusive rights and on trademark non-use cases examined by the *arbitrazh* courts at first instance and on appeal.

Cases examined by the Intellectual Rights Court at first instance and then appealed would be considered by the presidium of the court. Other cases, such as infringement cases and trademark non-use cases examined by *arbitrazh* courts of first instance and appeal, would be considered by a panel of three IP judges. The draft bill provides that the court's staff would include technical experts.

This new 'ironclad train' of IP enforcement is scheduled to arrive by 2012. WTR