

GORODISSKY

# The matter of 'Prior Use'

**The prior use of a designation does not provide any advantage in Russia, in terms of registration of this designation as a trademark.**

This means that the prior use of a designation by one company (hereinafter – the brand user) does not preclude another company either from registering the said designation as a trademark nor from using the designation without having it registered as a trademark. However, if the prior use of a particular designation meets particular criteria, it can be relied on in order to challenge further registrations as well as to prohibit the use of same/similar designations by other companies. Furthermore, the said remedies lay in the area of the Competition law rather than the trademark law. If the brand user does not hold any trademark or IP right to its brand, the only option left is to appeal to the Competition Law.

**In this paper, we consider two commonly encountered situations where it is possible to oust others from exploiting the brand by resorting to the Competition Law.**

The first one is where the prior use is claimed to prevent another company from using the brand. In such a situation the adverse company does not assert any IP right to the brand and defends its right to use the brand by alleging that it is not protected as a trademark or as a copyrighted item and, therefore, it is free for use by anyone.

The adverse party's bad faith in using the brand consists of exploiting well-known and recognisable among consumers brand to get extra profit without investing significant funds and time into the promotion of its own brand. The second situation differs from the first one in the fact that the adverse company asserts the rights to the brand in bad faith. Such a situation may happen when the adverse party registers the designation as a trademark, which was already present on the market and used by one or many companies.

## In Russia...

In Russia, the Competition Law extends to any

Anton Melnikov, LL.M, Senior Lawyer, Gorodissky & Partners Russia

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act of unfair completion and provides special remedies a company may rely on in both situations where it is necessary to enforce its rights to a brand not protected as a trademark or as a copyrighted item.

## Prior use versus same/similar designations not registered as a trademark.

We will consider one of the recent cases decided by the Russian Federal Antimonopoly Service (hereinafter – FAS) and later affirmed by courts. The circumstances of the case are as follows.

Kikkoman Corporation (hereinafter – Kikkoman), a Japanese company, initiated an unfair competition case against TD SANBONSAI LLC (hereinafter – SANBONSAI), a Russian company, claiming that SANBONSAI's copying Kikkoman's original bottle of 150 ml. amounted to an act of unfair competition.

The design of the said bottle was originally created by the famous Japanese designer Kenji Ekuin in 1961. Further, the IP rights to the design were assigned to Kikkoman which widely used this bottle around the world as well as on the Russian market for a long time.



It is a crucial fact that Kikkoman Corporation did not have any effective IP rights to the said bottle design in Russia which could be relied on in lawsuits against the infringer: the design was not registered as a trademark nor as an industrial design; it was not protected by copyright either. TD SANBONSAI LLC used the Kikkoman bottle for the same product on the Russian market. The Russian distributor of Kikkoman Corporation – Mistral Trading LLC got aware of the use of the Kikkoman bottle by SANBONSAI in Russia in several cities, brought charges claiming unfair competition and won the case before FAS (2015 -2016) by proving unfair competition on the side of SANBONSAI.

The principal issue of such cases is of what criteria should the prior use meet to support unfair competition charges and get such companies like SANBONSAI prohibited from further using other's brands in bad faith. FAS applied the provisions of the Competition Law, in particular, Paragraph 2 of Article 14.6 states that:

*“unfair competition by an economic entity actions (inactions) that could create confusion with activities of an economic entity-competitor or the goods or services put on the market by the economic entity-competitor is prohibited, including copying or imitating appearance of the goods put on the market by a competitor, goods packaging, label, name, color range, the brand style in general (in the totality of branded clothing, salesroom, shop-window dressing) or other elements individualizing the competitor and (or) its goods”.*

By the Decision on the Kikkoman case (№ 08/90596/16 dated December 27, 2016) FAS found the Defendant liable of violation



of the Competition Law since its bottle design was confusingly similar to Kikkoman's bottle, originally created by the famous Japanese designer. In particular, in its Decision FAS stated that:

*“Having assessed the entire evidence available on the case file, the FAS Commission comes to the conclusion that the actions of Trading House “SanBonsai” related to marketing the soy sauce in 150 ml packages (containers), which are similar to the design of bottles of “KIKKOMAN” soy sauce in their appearance (design), may lead to confusion in the soy sauces market in the Russian Federation, are aimed at obtaining advantages in carrying out the business and may cause losses to the Claimant”.*

FAS also held that the Defendant's actions constitute an act of unfair competition because:

1. Marketing the infringing bottle which is confusingly similar to the Kikkoman bottle may mislead consumers regarding the features of the goods;
2. The said circumstances evidence that the actions of SANBONSAI may indeed cause losses to Kikkoman because confusion in the market may result in shrinking consumers' demand for the original sauce.

It is worth noting that the fact that the Kikkoman product and its unique shape were well-known among Russian consumers and professionals significantly helped to plead the case before FAS.

In addition to the Competition Law, FAS also quoted Article 10bis of the Paris Convention for the Protection of Industrial Property, prohibiting “any competition act violating fair customs in industrial and trade matters”.

As a result, FAS ordered SANBONSAI to stop marketing the infringing bottle and imposed fines on SANBONSAI and its CEO. The FAS decision (№ 08/90596/16 dated December 27, 2016) on Kikkoman case was affirmed by the Moscow Commercial Court (case № A40-21129/2017) as well as by the 9th Court of Appeals.

Therefore, prior use can be relied on against the bad faith use of one's brand if the following circumstances are proven:

1. The claimant has widely used the brand in question for a long time on the Russian market;

2. Wide and long-term use has made consumers associate the brand with a particular company or features of the respective product/service;

3. The infringing brand is confusingly similar to the claimant's brand;

4. The adverse company does not have any legal grounds for using a similar brand/design (such as trademarks, copyright);

5. The adverse company uses a similar brand/design in bad faith as such use may mislead consumers regarding the manufacturer/features of goods.

## Prior use versus a registered trademark

The second situation may take place when an infringer registers the brand as a trademark which has been previously used on the market by one or many companies for a long time. In such a case, the prior use may also play a significant role in challenging the registered trademark.

This situation differs from the first one in that the prior use is claimed against the registered trademark rather than against the bad faith use of another's brand. Therefore, the adverse party acting in bad faith can rely on the registered trademark in a dispute with the brand user.

Similarly to the first case, here the brand user needs to rely on the Competition Law and claim unfair competition associated with the registration/use of the trademark.

Article 14.4 of the Competition Law prohibits unfair competition associated with acquiring the rights, among others, to trademarks. Article 1512 of the Russian Civil Code establishes that a trademark can be canceled in case the antimonopoly authorities hold that registration of the trademark was made in violation of the Competition Law.

FAS occasionally delivers its decisions on similar cases, one of which we consider here. The circumstances of the second case are to some extent similar to the first one and differ in that the adverse company registered the brand as a trademark in its name and relied on it in the dispute with the brand user. HOLMER Maschinenbau GmbH (hereinafter – HOLMER GmbH) has imported into Russia HOLMER designated agricultural machinery since 2002. Holmer Rus LLC (hereinafter – Holmer Rus), a Russian company, has registered various HOLMER trademarks in its name. HOLMER GmbH initiated an administrative case against Holmer Rus claiming that the registration of HOLMER trademarks was made in violation of the Competition Law.

Likewise, the brand user, HOLMER GmbH, did not have any effective IP right to the said brand in Russia which could be relied on against the HOLMER trademarks registered by Holmer Rus.

The case was considered by the Office of FAS (hereinafter – OFAS) in the Lipetsk region. OFAS agreed with HOLMER Maschinenbau GmbH and held Holmer Rus LLC responsible for unfair competition. OFAS' decision was also affirmed by the Commercial Court of the Lipetsk region (court case number A36-10122/2017), Court of Appeals and Court of Cassations.

The court practice on similar cases has elaborated criteria on when the prior use can be relied on in cases against a trademark registered in violation of the Competition Law:

1. The claimant has used the brand/designation in question for a long time on the Russian market before the priority date of the litigious trademark;
2. The trademark in question is confusingly similar to the claimant's brand/designation;
3. The litigious trademark was registered/used to oust competitors from the market; OFAS' decision holding Holmer Rus liable in committing an act of unfair competition constituted the legal ground for Rospatent to annul the registration of the litigious trademark.



## To conclude...

In conclusion, it is worth noting that the prior use does really matter when a brand user needs to protect its brands not enjoying protection as a trademark or copyrighted item. At the same time as the remedies in question lie in the area of the Competition Law, the claimant should prove unfair competition to protect its brand by means of the Competition Law that requires extra proofs/efforts in comparison with the enforcement of trademark rights.

*Either way, it is recommendable that the business should register its trademarks in advance rather than fight against the unfair competition which results in wastage of time and money.*