

G-NEWS

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GORODISSKY & PARTNERS
PATENT AND TRADEMARK ATTORNEYS
IP LAWYERS

Use or Abuse? Supreme Court takes a new look at abuse of trademark rights



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Recent years have seen a growing number of cases involving claims of protection of exclusive rights to trademarks filed by persons who register those trademarks in large numbers and do not use them for their intended purpose.

Often, these companies are operating to extract profits by selling registered trademarks containing as protected elements or consisting only of a high-profile and attractive words from the commercial standpoint [e.g. «football», «health», «sports» for the goods other than the literal meaning of the words], as well as through the identification of businesses using their unregistered trademarks or similar designations, and by claiming compensation or compulsion to conclude a contract of assignment of the exclusive right to the trademark or onerous license agreements.

Formerly, the courts considering such cases, as a rule, used a formal approach: the person in whose name the trademark was registered, cannot be denied protection until the recognition of such a trademark be held invalid in the manner provided in Article 1512 of the Russian Federation Civil Code (hereinafter Civil Code), or termination of the legal protection » page 2

of trademark in the manner prescribed by Article 1514 of the Civil Code. Until recently, the use by the courts of the provisions of Article 10 of the Civil Code, which establishes the abuse of rights as a basis for rejecting the claim, much less direct application of the provisions of Article 10bis of the Paris Convention (1883), was a great rarity.

In recent times, the CJSC «Business Association of Afghan Veterans «MIR» and «New technologies» LLC became notorious in this capacity. A total of several thousand trademarks were registered in respect of a variety of the goods and services in the name of these companies. The majority of their trademarks are the popular, of the general use and «attractive» verbal or combined designations.

It is also noteworthy that in 1996, in the name of «Business Association of Afghan Veterans «MIR» the word trademark «BARBIE» was registered, the legal protection of which was subsequently terminated prematurely by the decision of the Chamber for Patent Disputes.

In addition, those companies own a huge number of domain names, which are not fancy designations either but are common Russian words, for example: профи.рф (profi.rf), марина.рф (marina.rf), айсберг.рф (iceberg.rf), россиянка.рф (rossiyanka.rf), суперзвезда.рф (superzvezda.rf), золушка.рф (zolushka.rf), царь.рф (tsar.rf), презент.рф (present.rf), etc.

The CJSC «Business Association of Afghan Veterans «MIR» and «New technologies» LLC, have been the plaintiffs in a large number of cases related to the recovery of compensation for the illegal use by third parties of their trademarks. In a number of cases, the plaintiffs and respondents entered into settlement agreements with the condition of a subsequent assignment of the

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disputed marks, while in some other cases the courts satisfied the claims for compensation. The problem was that the courts formally approached the consideration of the cases and after finding similarity between the registered trademark and the used designation as well as the homogeneity of the goods, did not find grounds for denying claims.

The balance was tipped in the judicial practice when these companies filed a claim against one of the largest domestic manufacturers of ice cream – the OJSC «Belgorod Cold Storage» as well as against the largest foreign producer of candy products «Perfetti Van Melle» whose interests were represented by the lawyers of «Gorodissky and Partners». The rights holders referred to the illegal use by the producer of the designations «АФРОДИТА» («APHRODITE»), «Птичка» («Birdie»), «Ноктюрн» («Nocturne»), «Праздничное» («Festive»), «ФУТБОЛ» («FOOTBALL»), which are registered trademarks, and demanded that infringement be stopped and a monetary compensation be paid.

The commercial courts, having examined cases nos. A08-8801/2013, A08-8802/2013 A14-10317/2014, A14-10319/2014, A14-10320/2014, handed down judgments refusing the right holders to grant their claims citing inter alia, Article 10 of the Civil Code. The courts quoted Paragraph 62 of the old Resolution of the Plenum of the Supreme Court and the Supreme Commercial Court No. 5/29 of March 26, 2009 «On Some Issues Arisen in

Connection with Enactment of Part IV of the Civil Code» and pointed out that a person shall be denied protection of his rights to a trademark on the basis of Article 10 of the Civil Code if according to the documents on file and on the basis of the specific factual circumstances, the actions leading to the state registration of the trademark can be qualified as abuse of rights.

In addition, the court may recognize as unfair the actions of the right holder of the trademark rights aimed at creating obstacles to the use of identical or confusingly similar designations, i.e., the actions to protect the violated exclusive rights to a trademark in the absence of its actual use by the right holder himself.

The court shall take into account the purpose of registration of the trademark, if there is real intention of the right holder to use it, the reasons for non-use. If it is established that the right holder did not register the trademark with the purpose of using it directly or through third parties, but only to prohibit third parties to use the appropriate designation, that person could be denied protection of such a right.

These judgments were upheld by the appellate court. Besides, during one of the hearings of the court of appeal, the right holders were invited to submit written explanations of the circumstances of registration of the disputed trademarks and the reasons for their non-use from the date of registration – i.e., for more than 18 years! No explanation was provided by the plaintiffs.

The right holders did not agree to the judgment and filed appeals to the IP Court.

The arguments, set out in the cassation complaint of the right holders, reproduced the provisions of the «Report pertaining to the misconduct, including competition, acquisition and use of the means of individualization of the legal entities, goods, services and companies» No SP-21/2 of March 21, 2014 approved by the Presidium of the IP Court, according to which finding bad faith only at the stage of use of a trademark is not an independent ground for contesting the grant of legal

protection of the trademark. On its own, the non-use of a trademark by the right holder, including actions to «accumulate» trademarks, is not evidence of abuse of law and/or unfair competition according to that report. The right holders argued that there was no evidence proving the intent of the plaintiff to harm the respondent in the registration of the trademark.

Unexpectedly, the IP Court heard the arguments of the right holders and pointed out that in order to establish the fact of abuse by the plaintiffs of their rights the lower courts should have cleared up the purpose of registration of the trademark, find out if there was real intention to use it, and the reasons for non-use. Since there was no information in the judgments of the courts whether the right holders had the «real intention to use the disputed marks,» those cases should be referred for a new trial to clarify these issues.

The judgments of the IP Court were paradoxical to a large extent and left open the question of exactly which evidence should be presented in the materials of the case so that the court could establish the purpose of registration of the trademarks, which had taken place more than 18 years ago. It is obvious that such approach would imply the need to prove «negative facts» by the respondents should they assert that there was no objective of legitimate use of trademarks by the plaintiffs when they registered the trademarks. The plaintiffs, in turn would also fail

to present evidence of their real intention to use the controversial marks because of the absence of such evidence.

The OJSC «Belgorod cold storage» appealed against the judgment of the IP Court in the Supreme Court which considered the complaint and, in fact, made clear its position in this category of disputes. The Supreme Court overturned the judgments of IP Court and upheld the decisions of the courts of first and appeal instances by Decrees Nos. 310-ES15-2555 of July 23, 2015 and 31-ES15-12683 of the January 20, 2016.

The Supreme Court stated in those Decrees:

1. A trademark serves to individualize the goods (Articles 1477, 1481 of the Civil Code), and is one of the means of protection of industrial property, aimed at protecting the result of production.

2. The Court may refuse protection of a person's rights to a trademark on the basis of Article 10 of the Civil Code, Article 10.bis of the Paris Convention for the Protection of Industrial Property, if on the basis of actual circumstances of the dispute, it would establish abuse of rights by the right holder to the trademark (the fact of unfair competition).

3. Given the general requirement established by the Civil Code to use registered trademarks, the actions of the right holder to the trademark, which are aimed at creating obstacles to the use of identical or confusingly similar trademarks in the absence of its actual use by the rightholder, are unfair and are not subject to judicial protection, because the plaintiff, who did not make any efforts during the statutory period to use the trademark, has no right to claim infringement. An attempt to get such protection in the absence of a decent interest of protection (for example, in case of imitation of violation of right) is definitely the abuse of right by the plaintiff.

At the same time, the Supreme Court considered it proven that the disputed trademarks had not been used by the right

holders from the date of their registration, and the right holders themselves had never been ice cream producers or persons operating on the market. These findings are also supported by the judicial acts of the IP Court according to which legal protection

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of the trademarks was terminated prematurely since the right holders did not provide any evidence of their use.

In view of the above, the panel of judges of the Supreme Court determined that the plaintiff's actions showed abuse of rights so that commercial courts of first and appeal instances correctly refused the plaintiff legal protection.

This attitude of the Supreme Court fully confirmed the legal position of «Perfetti Van Melle» in matters which were concurrently dealt with which allowed the company to defend successfully its rights against the claims of the unfair right holder of the trademark «ФУТБОЛ» («FOOTBALL»).

The findings made by the Supreme Court will without any doubt be able to influence positively the judicial practice in similar cases and stop illegal activities of the companies, amassing trademarks without the real purpose to use them.

GORODISSKY'S NEW PARTNER

DECEMBER 2015

EVGENY ALEXANDROV, Ph.D., TRADEMARK ATTORNEY, CHIEF OF LEGAL DEPARTMENT BECAME A PARTNER



Evgeny commenced practicing IP law in one of the Moscow law firms in 2002. Then in 2005 he joined Gorodissky & Partners and nowadays is a Head of the Gorodissky's team of lawyers. His practice focuses on patent and trademark rights enforcement, copyright and neighbouring rights, software and domain names, IP deals, anti-counterfeiting and unfair competition. Evgeny successfully represented clients in a number of landmark cases relating to illegal registration of world-famous trademarks, infringement of patent rights, parallel import, violation of IP rights on Internet, including domain names which were considered in the Russian PTO, IP court, commercial and common courts, administrative and law enforcement bodies. Evgeny's clients are across a wide range of industries like: construction materials, food and drinks, pharmaceuticals, electronics, automotive engineering, advertising. He regularly lectures on patent and trademark litigation in Russia and the Russian IP system at different national and international forums and often publishes articles in the Russian and foreign magazines and Internet portals.

Evgeny Alexandrov is listed in the «IAM Patent 1000 – The World's Leading Patent Practitioners» and «The Best Lawyers» among world most prominent figures in litigation area in Russia. He is a member of AIPPI, AIPLA, INTA and the Russian Chamber of Patent & Trademark Attorneys.

Events

(conferences, seminars, news)

3-4.12.2015 // BERLIN

Sergey Medvedev, PhD, LL.M., Senior Lawyer (Gorodissky & Partners, Moscow) gave a presentation «Plain Packaging – the Russian Legal Perspective» at the Section «The Spillover Effects of Plain Packaging» and also spoke on «Protection and Enforcement of Designs in Russia» at the Section «Industrial Design Protection: Neglected Member of the IP Family or Unsung Hero?». Albert Ibragimov, Russian & Eurasian Patent Attorney, Regional Director, Maria Andrushina, Patent Agent (both from Gorodissky & Partners, Kazan), Oleg Zhukhevich, Ukrainian Patent Attorney, Attorney at Law (Gorodissky & Partners, Kiev) also attended the IP Summit 2015 in Berlin. Global trends of legal regulation and development of the worldwide practices in patent law, copyright law and trademarks were the main focus of the discussion at the Conference. The Summit gathered over 400 delegates from all over the world.

26.11.2015 // PERM

Irina Rogal, Partner, Trademark Attorney, Sergey Medvedev, PhD, LL.M., Senior Lawyer (both from Gorodissky & Partners, Moscow) and Darya Yosef, Regional Director (Gorodissky & Partners, Perm) spoke at the Seminar «Promotion of your company's brand in Russia and abroad. Strategies of IP rights protection – court disputes» hosted by the Perm branch office with the support of the Perm Ministry of Industry, Business and Commerce and the Perm Foundation for Business Development. The Seminar was designed for the regional businessmen, managers, lawyers, IP specialists and gathered over 40 attendees.



Photo: Sergey Medvedev, Darya Yosef, Irina Rogal (from left to right)

23-24.11.2015 // MUNICH

Yury Kuznetsov, Partner, Head of Patent Practice (Gorodissky & Partners, Moscow), gave a presentation «When the Subject is a Patent, the Translation is an Art» at the 6th Congress Fair «IP Service World» held in Munich. In the focus of the presentation were different pitfalls and specific peculiarities of patent translation in English – Russian language pair arising from typological language diversity and technical-legal nature of translated documents. Over 300 professionals from major industrial enterprises, IP and IP service firms attended the Congress.

18-20.11.2015 // SHANGHAI

Vladimir Biriulin, Partner, Head of Legal Practice, Maxim Gorbachev, Russian & Eurasian Patent Attorney, Vyacheslav Rybchak, Trademark Attorney, and Ilya Goryachev, Lawyer (all from Gorodissky & Partners, Moscow) were among the speakers at the BIPF-2015. The Forum was organized by the law firms of BRICS countries – Daniel Advogados (Brazil), Gorodissky & Partners (Russia), Remfry & Sagar (India), CCPIT Law Office (China) and Adams & Adams (South Africa).

17-18.11.2015 // BERLIN

Natalia Stepanova, Partner, Lead Lawyer (Gorodissky & Partners, Moscow), spoke on «Brand Protection on the Internet in Russia» at the 10th Brand Protection and Anti-Counterfeiting Summit. The Summit assembled the anti-counterfeiting specialists of many famous brands belonging to major companies. The delegates discussed the vital problems and shared their experience in implementing their brand protection strategy.

10.11.2015 // MOSCOW

Valery Medvedev, Managing Partner gave a presentation «EAPO and Gorodissky – 20 years together» at the Jubilee International Conference «The Role of Regional Patent Organizations in Creation of Global Intellectual Property Protection System» on the occasion of Eurasian Patent Office (EAPO) 20th Anniversary.



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