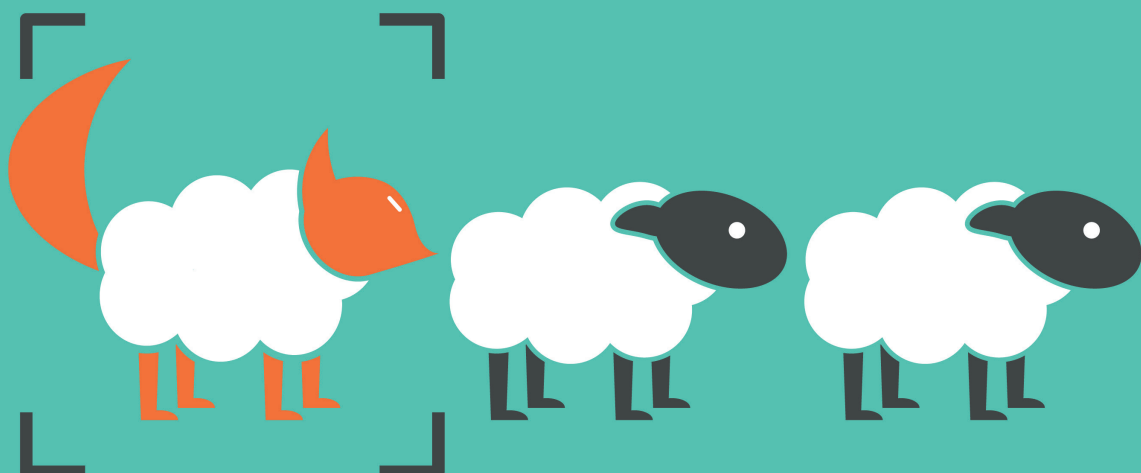


# Anti-counterfeiting and Online Brand Enforcement 2021



**Russia**

Gorodissky & Partners

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## A Global Guide

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### Legal framework

Russia is a signatory to almost all the international treaties governing IP matters. The international conventions and treaties are regarded as integral parts of the Russian legal system. The Constitution of the Russian Federation provides that if an international treaty establishes rules that differ from those stipulated by national law, the treaty's rules will apply.

Russia is a party to the following international treaties relevant to counterfeiting:

- the Paris Convention for the Protection of Industrial Property;
- the Agreement on Trade-Related Aspects of Intellectual Property Rights;
- the Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating to that Agreement;
- the Customs Code of the Eurasian Economic Union; and
- the Universal Postal Convention.

The following national laws apply to counterfeiting:

- the Civil Code;

- the Code on Administrative Offences;
- the Criminal Code;
- the Federal Law on Customs Regulation in the Russian Federation (3 August 2018, last amended 24 February 2021); and
- the Federal Law on Protection of Competition (26 July 2006, last amended 17 February 2021).

### Border measures

Border measures against counterfeit goods are available in Russia based on:

- the Customs Code of the Eurasian Economic Union;
- the Federal Law on Customs Regulation;
- the Code on Administrative Offences; and
- the Civil Code and the Criminal Code.

The Customs Code of the Eurasian Economic Union contains general provisions on customs control and grants Customs some major powers. The Federal Law on Customs Regulation provides more in-depth country-specific regulations and powers to the Russian Customs, while the Code on Administrative Offences and the Criminal Code indicate



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specific remedies for trademark infringements. In particular, the Federal Law on Customs Regulation sets out administrative procedures for detention of counterfeit goods.

A trademark owner may apply for its trademark to be included in the Customs Register of Intellectual Property. When applying for inclusion, the trademark owner must confirm its trademark rights and provide information about licensees, authorised manufacturers and importers, features of genuine and counterfeit goods, facts of infringements and other relevant data.

All customs authorities are obliged to check the Customs Register of Intellectual Property regularly. There is no official fee for adding a trademark to the register. However, adding a trademark makes the rights holder responsible (if it supports the customs claims) for any property damage that might be caused to the declarant, owner or recipient of goods as a result of their suspension, if a court rules that the goods are not counterfeit.

The maximum term of recordal of a trademark in the Customs Register is three years, with the possibility of renewal for further three-year periods. The initial term of customs recordal depends on the legal protection of the trademark and cannot exceed the same.

In case information stated in the customs application has been changed (eg, name of the rights holder, its address and new licensees), the rights holder must inform Customs about such changes within five business days (the documents confirming the changes can be submitted later). Otherwise, the trademark is subject to removal from the Customs Register. Assignment of the trademark is also

grounds for removal of the trademark from the register.

On inclusion of a trademark in the register, Customs will monitor imports of goods bearing this trademark. Where such goods are imported by an unknown importer, customs officers will:

- suspend the goods' release for 10 working days, with a possibility to extend this term for a further 10 working days on a motivated request of the trademark owner; and
- inform the trademark owner of the situation no later than the day after the suspension and give it the opportunity – under Customs' supervision – to take tests, samples and specimens of the allegedly counterfeit goods and to examine, photograph or otherwise collect documentary evidence.

The main purpose of authorising Customs to suspend the release of suspect goods is to allow the rights holder to ascertain whether the goods in fact infringe its rights and, if so, to launch an action. The rights holder can enforce its rights by applying various judicial remedies available under the law.

In the event of infringement, according to the Code on Administrative Offences, the rights holder may approach Customs with an application for action so that the latter can initiate administrative proceedings and sue the infringer in court. During 2019, Customs initiated 1,011 administrative cases. Another enforcement option for the rights holder is a civil action, whereby it can seek damages or monetary compensation and publication of the judgment. Failure to initiate legal action will result in the goods being released.

If the trademark is not registered in the Customs Register, Customs still has the right (but not the obligation) to detain the suspicious goods *ex officio*. However, this may happen only once for each particular trademark. The term of suspension is seven working days. This term can be extended for 10 working days if the trademark owner files an application for recordal of the trademark with the Customs Register.

According to Customs' official statistics, by 23 October 2020 there were 5,331 trademarks in the Customs Register. During 2019 Customs revealed well in excess of 11.9 million counterfeit items that resulted in preventing the trademark owners from causing damages of Rb8 billion (about US\$108 million).

While considering border measures, a rights holder should consider that Russia is a member of the Customs Union of the Eurasian Economic Union. At present, this is composed of five countries: Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan. There are no customs borders between member countries, which means that goods move freely within the borders of the Customs Union. This emphasises the importance of trademark registration in all member states.

The Customs Code of the Eurasian Economic Union has introduced the Unified Customs Register of Intellectual Property, in which trademark registrations valid in all member countries can be recorded. The Unified Customs Register of Intellectual Property is not presently available, but according to Customs it should begin operation soon.

### Criminal prosecution

Article 180 of the Criminal Code provides for criminal liability for trademark infringement. If the damage caused by the unlawful use of a trademark is significant (more than Rb250,000 (approximately US\$3,376)) or the infringement is repeated, criminal charges may be brought against the infringer. The infringer may face a fine of up to Rb300,000 (US\$4,052) or imprisonment for up to two years with a fine of up to Rb80,000 (US\$1,080). When such activities are a result of collusion or carried out by an organised group, the penalty may be imprisonment for up to six years and/or a fine



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Natalia Nikolaeva joined Gorodissky & Partners in 1999 and was promoted to partner in 2010. She advises her clients on all legal aspects of intellectual property, including copyright and related rights, patents and know-how, trademarks and brands, as well as other IP assets. Ms Nikolaeva assists clients with IP rights enforcement and anti-piracy, and handles all kinds of IP infringement before the courts and administrative bodies. Having been one of the leading litigators at the firm, she actively enforces IP rights throughout Russia and the CIS countries. Ms Nikolaeva counsels clients on various IP and technology transfer issues, such as licences, franchises and assignments. She also conducts due diligence and participates in different corporate and commercial transactions associated with the conveyance of IP rights.

of up to Rb1 million (US\$13,506). Within the framework of criminal proceedings, the rights holder may also claim for damages.

Criminal proceedings consist of two stages: a preliminary investigation (which is initiated by an application filed by the rights holder with the police) and court hearings. A sentence handed down by the first-instance court may be appealed to a higher court. The duration of criminal proceedings is hard to predict; however, they usually take between two and three years.

Experience shows that criminal actions may be a successful enforcement option. In



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one example, a criminal case concerned the trademarks of a well-known US manufacturer of agricultural machinery and equipment used illegally by a group of individuals. As a result of the criminal proceedings, the court found all persons of the group guilty and liable for the trademark infringement and ordered each guilty person to be fined between Rb600,000 to Rb650,000 (US\$8,104 to \$8,779). The court also ordered the seizure and destruction of the counterfeit goods, including more than 70 tons of oil and 80,000 packages (cans). Damages were successfully recovered from the infringers through a civil-law complaint filed during the criminal proceedings.

### Administrative proceedings

Unauthorised use of another party's trademarks can constitute an administrative offence under Article 14.10 of the Code on Administrative Offences and entail administrative liability for the infringer.

Administrative proceedings start with the rights holder filing a petition with the police, based on which the police conduct a raid on the infringer's premises and seize any discovered counterfeit goods. They then pass samples of these to the trademark owner (or its authorised local representative) so that it can confirm the origin of the counterfeits.

Once the police has evidence of infringement, they will prepare an administrative violation protocol and place all materials before the court. The administrative penalties for the production and sale of counterfeit goods are a fine and confiscation of all seized goods for destruction.

The advantages of administrative proceedings are that infringers are brought to

account in most cases and the requirements for establishing guilt are less strict than in criminal cases (where direct intent must be proven). Further, administrative proceedings take from two to four months from filing the petition with the police to the first-instance court decision and costs are significantly lower than for civil or criminal proceedings.

Within the framework of administrative proceedings, a rights holder may obtain a court decision which establishes the fact of the infringement and the extent of the counterfeiting. All of these facts allow for more compensation within the framework of subsequent civil proceedings.

Illegal trademark use may also qualify as unfair competition under Article 10*bis* of the Paris Convention and the Law on Protection of Competition. The Anti-monopoly Service hears unfair competition cases through a special administrative procedure, which is initiated through an application filed by the rights holder. Within the framework of this procedure, the rights holder may claim only for the infringer's actions relating to the illegal use of the trademark to be recognised as acts of unfair competition and for the infringer to cease those actions. If the Anti-monopoly Service decides in favour of the rights holder, it will require the infringer to cease the infringing behaviour. Non-compliance will result in administrative penalties.

### Civil enforcement

Under Article 1484 of the Civil Code, a trademark owner has the exclusive right to use its trademark in any lawful way. No other person may use designations similar to the trademark in respect of goods for which the trademark has been registered – or similar

goods, if such use is likely to cause confusion – without the rights holder's consent.

A trademark owner usually initiates enforcement by sending a cease and desist letter to the alleged infringer. This is a simple and effective non-judicial measure and it is a mandatory pre-trial action if the trademark owner claims damages or monetary compensation.

The court may issue preliminary interim injunctive relief prohibiting the defendant from performing certain actions or ordering the seizure of the defendant's property. Any petition for injunctive relief must be considered by the court no later than the day after the claimant files it. Injunctive relief may be sought at any stage of the court proceedings if failure to provide it would result in significant damage to the claimant or complicate or prevent enforcement of the court judgment.

Before ordering injunctive relief, the court may require the claimant to post security against possible damages to the defendant. This might include a deposit of an amount determined by the court or a bank guarantee, warranty or other financial security.

Remedies available under Article 1252 of the Civil Code for the unlawful use of a trademark include claims for:

- cessation of the infringement;
- damages or monetary compensation;
- removal from the market and destruction of counterfeit goods, labels and packages bearing unlawfully used trademarks or confusingly similar designations, as well as manufacturing equipment and materials used for the production of counterfeit goods; and
- publication of a court judgment in order to redress the damage to the rights holder's reputation.

A rights holder may claim damages for losses and lost profits amounting to at least the profits derived by the infringer from the infringing activity.

However, instead of claiming damages, the rights holder may claim:

- statutory compensation of between Rb10,000 and Rb5 million (US\$135 to \$67,532), determined at the discretion of the court;

- twice the cost of the counterfeit goods; or
- twice the cost of the licence fee usually charged for lawful use of the trademark in comparable circumstances.

It is normal practice that the courts reduce the amount of compensation claimed within the range of Rb10,000 to Rb5 million. Nevertheless, there have been a few cases in which the courts have awarded the maximum compensation of Rb5 million.

The civil proceedings can be initiated by the trademark owner or its exclusive licensee and begin with filing a lawsuit with the first-instance commercial court in the location of the infringer. In 2013 the IP Rights Court was established in the system of commercial courts in Russia. The IP Rights Court is a specialised commercial court of first and cassation instances for disputes relating to the protection of IP rights. As a court of cassation, it deals with trademark infringement cases considered at first instance by commercial courts and then by commercial courts of appeals.

### Anti-counterfeiting online

According to research conducted by independent agencies, the global e-commerce retail market was evaluated at well over \$4 trillion in 2020 and is growing rapidly. In addition to websites and online marketplaces, more and more products are promoted and sold through social networks such as Instagram, Facebook, as well as local social networks operating in a given country that is a less costly way to sell goods.

However, this also leads to an increase in sales of counterfeits and creates new threats. Normally, trademark owners deal with online infringements by sending takedown notices to those infringers whose offers are detected on the Internet and that worked well in the past. Meanwhile, practice shows that it is difficult to manage online IP infringement cases manually in a traditional way due to the incredible number of cases and the difficulty of identifying the infringers' personality. Therefore, brand owners look for more efficient tools (eg, brand protection solutions) based on cutting-edge IT technologies which allow for detecting most infringements





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automatically with analysis conducted later by an experienced analyst and sending any number of takedown notices to the infringers within a short period, so that it is less of a burden for the in-house lawyers or brand protection managers. The Russian e-commerce market is also growing and such solutions should therefore also be used by trademark owners to detect and fight online infringement. Such an approach allows for the removal of up to 60% to 80% of online infringements on average, depending on the source (eg, social network, marketplace or website) and their compliance rate.

From a legal standpoint, the said brand protection solutions are based on legal provisions providing liability for IP rights infringements and each takedown notice contains reference to the relevant legal provision. In this regard, internet service providers (ISPs), internet hosting providers, marketplaces, social media, peer-to-peer networks, among others, are considered information intermediaries in Russia which can also be liable for IP infringements. According to Article 1253.1 of the Civil Code, ISPs, internet hosting providers and other information intermediaries can be held liable for IP infringements except in cases where they can prove that:

- they do not initiate the transmission of materials;
- they do not modify materials in the process of their transmission;
- they were not and should not have been aware of the fact that the content is infringing;
- on receipt of a written notice of the rights holder containing links to the infringing content, they performed all necessary actions to cease the infringement;

- compensation for infringement may be claimed only from guilty information intermediaries; and
- claims for removal of infringing content or restriction of access to such content may be applied against innocent information intermediaries.

Thus, the above provides the possibility to send takedown notices not only to the direct infringers but to information intermediaries as well, since they have technical options for blocking or removing infringing offers or other content (ie, cease the infringement).

However, practice shows that better results are achieved if such brand protection actions are performed by an experienced local team due to specificity of local language and law, including the following:

- Takedown notices must be sent in a local language otherwise they may be ignored.
- Specific keywords in local language must be used for searching for infringements.
- Local language speaking analysts are more efficient at their job.
- Communication with local platform must be in a local language.
- Most local platforms have specific forms for complaints and requirements.

Brand protection solutions provide an average success rate of about 60% to 80%. However, the remaining 20% to 40% of infringements may be removed by taking legal steps by local lawyers (eg, court complaints and cooperation with the police, public prosecutors and Customs). Therefore, it becomes obvious that only a comprehensive approach to protecting brands online and offline will improve results.



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**Preventive measures/strategies**

Trademark owners should ensure that their rights are not vulnerable – namely, that the trademark is duly registered and properly used. This is essential, since an infringer's most likely counter is to challenge the infringed rights (eg, by filing a non-use cancellation action). Rights holders should use local IP counsel and private investigators to secure evidence of the trademark's proper use and evidence of any unauthorised use. Since trademark use by a licensee or another party authorised by the trademark owner is considered to be proper use, rights holders should oblige licensees and distributors to provide them with documents proving use of the trademark.

Trademark owners may inform the national anti-counterfeiting authorities

about features of genuine and counterfeit goods, in particular, by informing the police and Customs about new samples of counterfeits revealed on the market, and participating in customs conferences and seminars. **WTR**

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