

RUSSIAN DESK

Russian Supreme Court systematises court practice in IP protection cases

Dear readers,

Intellectual property is becoming one of the key assets of any company; properly using and protecting intellectual property is an essential element of successful business activity. The rapid development of IP/IT over the past decade has given rise to a multitude of practical and theoretical issues and problems. Frequently these cannot be resolved by appeals to the norms of Part Four of the Russian Civil Code, but require court interpretation and comprehensive clarification in court practice.

On 23 April 2019, the Plenary Session of the Supreme Court of Russia issued Resolution No. 10 “On the Application of Part Four of the Civil Code of the Russian Federation” (the “Resolution”). There are virtually no fundamentally new provisions of any kind in this document; instead it sets out in a systematic manner the existing court practice in cases on the protection of intellectual property.

The Resolution is thus a valuable compendium of information on cases involving the infringement of intellectual property rights, explaining the position of the Supreme Court on numerous aspects of these cases. Below, we take a look at the more interesting provisions of the Resolution.

We hope that this will be an informative read, and we would be happy to answer any questions you may have.



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JURISDICTION OF DOMAIN-NAME DISPUTES

The roots of the issue of jurisdiction in domain-name disputes go back to the beginning of the 2000s. These disputes were considered by courts of general jurisdiction and by commercial courts. The Supreme Court has now settled this issue, stating that any disputes about trademarks are to be considered in commercial courts (Clause 4 of the Resolution). Since domain-name disputes are frequently based on infringements of exclusive trademark rights, it can be presumed that legal uncertainty regarding the jurisdiction for such disputes has been eliminated.

PRELIMINARY PROTECTIVE MEASURES IN DOMAIN-NAME DISPUTES

In response to a petition to prevent actions that violate trademark and take the form of the unlawful use of a domain name, the courts may establish protective measures aimed at preserving the status quo of relations between the parties. Such measures may include:

- prohibiting the administrator from taking any actions aimed at waiving or transferring rights to administer a domain name, including a change of registrar;
- prohibiting the registrar from cancelling the domain name and transferring administration rights to the domain name to another entity.

At the same time, Russian courts have often denied petitioners the use of these protective measures, with the explanation that the need for such measures was not adequately demonstrated, or that the adverse consequences of failing to take these measures were not proven.

In this regard, the Supreme Court indicated that the use of protective measures does not require that evidence be submitted to substantiate the parties' claims and objections on the substance of the dispute (Clause 160 of the Resolution). For example, it is enough that the petitioner provides evidence that they hold rights to a trademark as well as of its violation and a justification of the reason for submitting a motion for the use of protective measures. Specifically, the petitioner is not required to provide separate evidence that failure to introduce these protective measures may make it difficult or impossible to enforce the court's ruling on the substance of the dispute.

SCREENSHOTS OF WEBSITES AS EVIDENCE

As far back as at the end of 2017 the Court for Intellectual Property Rights indicated that screenshots of Internet web pages are allowable as evidence if they indicate the address (URL) of the web page and the exact time the page was accessed. Despite this, in practice many parties in court proceedings continue to provide notarised protocols of web browsing with attached screenshots, as they wish to be fully confident that the court will accept the evidence.

In Clause 55 of the Resolution, the Supreme Court confirmed the practice of the Court for Intellectual Property Rights, so it could be expected that lower courts will take a more liberal stance regarding "un-notarised" screenshots as evidence.

DISCOVERY OF EVIDENCE

As a general rule, the parties are obligated to provide evidence on their own; however, in certain cases when it is not possible to provide evidence, they have the right to petition the court to compel discovery of such evidence.

However, in practice the courts do not often grant such petitions.

In Clause 61 of the Resolution, the Supreme Court reiterated the norm of the Commercial Procedural Code that the claimant has the right to petition to compel discovery of evidence from the respondent. Time will tell whether this was merely intended as a reminder to claimants of their right to compel discovery of evidence, or whether the Supreme Court deliberately wanted to indicate to lower courts that a more balanced approach to petitions for discovery of evidence was needed.

EXCLUSIVE RIGHTS TO A TRADEMARK: APPEARANCE MOMENT

Before the Supreme Court issued the Resolution in question, in practice the Court for Intellectual Property Rights held an ambiguous position¹ regarding the moment when exclusive rights to a trademark arise.

There was uncertainty whether after state registration the right to a trademark applied retroactively back to the date when the application for registration was submitted. The reason for this uncertainty was the ambiguous wording of Clause 1 of Article 1491 of the Russian Civil Code, under which the exclusive right to a trademark

is in effect for a period of ten years *from the date of submission of the application* for state registration of the trademark.

In practice, the consequence of this imprecision was uncertainty as to whether, after registration of the trademark, third parties could be held liable for violations committed while Rospatent (the Russian patent office) was considering the application to register the trademark.

The Supreme Court settled on the following position: The use by third parties of designations identical or confusingly similar to the designation submitted for registration as a trademark, during the period between the date of submission of the application (the priority date) and the date of registration of this trademark, cannot be considered a violation of exclusive trademark rights (Clause 155 of the Resolution). In other words, exclusive trademark rights arise precisely from the moment of state registration.

NON-SEVERABILITY OF EXCLUSIVE RIGHTS

A heated discussion arose among lawyers in 2018 regarding a court case² as to whether it was possible to allocate shares in an exclusive right. The Court for Intellectual Property Rights considered it possible to allocate shares in an exclusive right. However, the Supreme Court overturned the court judgment in question.

In Clause 35 of the Resolution, the Supreme Court once again emphasised that it was not possible to allocate shares in an exclusive right. Accordingly, it is not possible, for example, to acquire 50% of an exclusive trademark right.

CALCULATION OF THE NUMBER OF VIOLATIONS OF EXCLUSIVE RIGHTS

Since intellectual property is an ideal (i.e. intangible) object, difficulties often arise in determining the number of violations of intellectual property rights committed by a party, and consequently the procedure for calculating compensation for the violation.

On this matter the Supreme Court clarified that the distribution of several items of physical media (goods) in violation of intellectual property rights to a single protected item (for example, a trademark) constitutes a single violation if it encompasses the whole of the intentions of the offender (Clause 65 of the Resolution).

Moreover, if several trademarks actually establish the protection of one and the same designation in different variations, as a result of which in the eyes of the consumer these trademarks are perceived as a single designation, then the simultaneous violation of rights to several such trademarks constitutes a single violation, if it encompasses the whole of the intentions of the offender (Clause 68 of the Resolution).

Since compensation for a violation is based on the whole of the offender's intentions, the court should set the amount of compensation proceeding from the totality of the violation, and new claims for compensation against the same party in respect of goods from the same lot should not be considered by the court.

¹ See: Minutes No. 17 of the session of the Advisory Council of the Court on Intellectual Property Rights dated 16 October 2017 (<http://ipc.arbitr.ru/node/14082>).

² See: Russian Supreme Court Ruling No. 305-KG18-2488 dated 3 July 2018 in case No. A40-210165/2016 (http://kad.arbitr.ru/PdfDocument/b18c63c2-b59f-4da4-91d5-a7132a73458e/5d4ece2d-148e-4f09-a71a-9be791a57aa3/A40-210165-2016_20180703_Opredelenie.pdf).

USE OF INTELLECTUAL PROPERTY BY THIRD PARTIES UPON INSTRUCTION OF THE RIGHTS HOLDER

Major producers often delegate the preparation and labelling of their products with trademarks to third parties (for example, packaging manufacturers), which *de jure* are independent legal entities, including foreign legal entities. Consequently, from a purely formal standpoint this third party will be using a trademark without holding the respective rights, which as a general rule requires a licensing agreement with this party.

At the same time, from an economic standpoint it is clear that in the situation described the packaging manufacturer is only performing an assignment from the rights holder (for example, within the framework of a contracting agreement), and does not have the aim of using the trademark itself.

The Supreme Court has put this issue to rest, indicating in Clauses 73 and 156 of the Resolution that the manufacturing, storage, and transportation of goods by a third party under an agreement with the rights holder, in cases where these goods manifest the intellectual property of the rights holder, constitute a means for the rights holder itself to exercise the exclusive right. In other words, the use of intellectual property on the instructions or by order of the rights holder is covered by the exclusive right of the rights holder and does not require a licensing agreement to be concluded.

REMUNERATION UNDER LICENSING AGREEMENTS

There are various ways to pay remuneration to the rights holder for the use of their intellectual property under a licensing agreement. This may be a fixed amount, or regular payments (so-called “royalties”), which may be linked to the profits that the licensee generates using the licensed property.

As concerns a settlement which may become necessary, in Clause 40 of the Resolution the Supreme Court indicates that if the licensee does not use the intellectual property, the licensor has the right to claim losses caused by such non-use and also to cancel the agreement. The amount of the losses may be determined, among other ways, based on the price normally collected under similar circumstances for the lawful use of this or analogous intellectual property.

VIOLATIONS OF EXCLUSIVE RIGHTS ON THE INTERNET

The Internet is now the largest platform for offering goods and services for sale worldwide. This explains the enormous number of violations committed on the Internet, including in the realm of intellectual property. The most common among these are trademark violations committed through the unlawful use of trademarks both on the pages of websites and in domain names addressing users on these sites.

In this regard, the question of who exactly is liable for these violations is especially relevant.

Under current court practice³ website content is the responsibility not only of the administrator of the domain name where the site is

located, but also of the owner of the site in the sense of the Federal Law “On Information, Information Technologies, and on the Protection of Information”. This means that if a violation is identified, the damages claim (or for payment of compensation) can be addressed to both of these parties.

As for the unlawful use of a trademark in the domain name itself, the Supreme Court’s position is that the damages claim (or for payment of compensation) for this violation may also be submitted both against the administrator of the given domain name and against the party that is actually using it, i.e. the owner of the website (Clause 159 of the Resolution).

According to the clarifications of the Supreme Court, the owner of the website is, by default, considered to be the administrator of the domain name linked to the corresponding website (Clause 78 of the Resolution).

However, the domain name administrator and the website owner are not the only ones who may be held liable for violating intellectual property rights on the Internet. For example, the Supreme Court recently upheld the conclusions of the lower courts in a case⁴ in which a hosting provider was held liable for violations of copyright to decorative and applied artworks, after the provider had received notifications that violations were occurring on sites that it hosted but failed to take the necessary measures to terminate access to the websites in question.

CONTEXTUAL ADVERTISING ON THE INTERNET

In Clause 172 of the Resolution, the Supreme Court explains that when an advertiser that places contextual advertising on the Internet uses keywords (key phrases) as a criterion for showing advertising spots, and these keywords (phrases) are identical or confusingly similar to another trademark (or another means of identification), then such use (taking into account the purpose of such use) can be recognised as an act of unfair competition (causing confusion).

DERIVATIVE WORKS UNDER COPYRIGHT

As a general rule, when a copyrighted work (for example, computer software) is altered, an independent new (derivative) work is created, and the entire set of intellectual property rights to this work belong to its author – the entity performing the alteration. At the same time, this alteration, like any other use of the work, requires the prior written consent of the rights holder.

In practice, there has been some ambiguity as to whether the use of an unlawfully altered work is an infringement of the rights of the rights holder of the initial work, or whether the rights holder has the right to hold liable only the party performing the unlawful alteration, but only for this alteration and not for the subsequent use of the derivative work.

In this regard, it is especially important that the Supreme Court has clarified that also the use of a derivative work created in violation of the rights of the rights holder of the initial works used consti-

³ See: Russian Supreme Court Ruling No. 307-ES16-881 dated 27 June 2016 in case No. A56-62226/2014 (http://kad.arbitr.ru/PdfDocument/06568343-a7e6-4be4-a384-3cde203d71d6/df0f4d96-f3e1-4332-8eb0-fd7db7fa780c/A56-62226-2014_20160627_Opredelenie.pdf).

⁴ See: Russian Supreme Court Ruling No. 307-ES19-6216 dated 13 May 2019 in case No. A56-108483/2017 (<http://kad.arbitr.ru/Card/9564e53b-fae2-4f42-a0c4-da812fd317a9>).

tutes a violation of the rights of such rights holder (Clause 88 of the Resolution). The Supreme Court also noted that in the situation described a violation of the exclusive right to the initial work has occurred, regardless of whether the party using the altered (derivative) work is the party that made the alteration (Clause 91 of the Resolution).



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