

AIPPI BALTIC CONFERENCE

Enforcement of IP rights and survival in new environment

April 19-21, 2011 Riga, Latvia

RUSSIA

Parallel import - life after Porsche*

Denis Voevodin, Partner SALANS April 21, 2011

*Porsche is a registered trademark. This brand name is used for this presentation with non-commercial educational purposes

Liability for trademark infringement:

criminal

administrative

civil





Criminal liability

Article 180 of the Criminal Code – Illegal Use of a Trademark

- 1. Illegal use of a trademark or service mark, appellation of origin of goods, or similar designations for homogeneous goods, if this deed has been committed repeatedly or has caused substantial damage, shall be punishable with a fine of up to RUB 200,000, or in the amount of the wage or salary, or any other income of the convicted person, for a period up to 18 months, or by compulsory works for a term of from 180 to 240 hours, or by corrective labour for a term of up to two years.
- 2. Illegal use of special marking regarding a trademark which is not registered in the Russian Federation, or name of origin of goods, if this deed has been committed repeatedly or has inflicted sizable damage, shall be punishable with a fine of up to RUB 120,000, or in the amount of the wage or salary, or any other income of the convicted person, for a period of up to one year, or by compulsory works for a term of 180 to 240 hours, or by corrective labour for a term of up to one year.





Criminal liability - continued

3. The acts specified in Parts one or two of this article, if committed by a group of persons by prior agreement or by an organized group, shall be punished by a fine of RUB 500,000-1,000,000, or salary or other income of the convicted person for a period of three to five years, or imprisonment for up to six years, with or without a fine of up to RUB 500,000 or the amount of salary or other income of the convicted person for a period of up to three years.

Threshold:

- willfull act
- repeated action and/or substantial damage caused (approx. RUB 1.5 million 6 million / EUR 37,500 – 150,000)

Responsibility:

- fine and/or compulsory works/corrective labour and
- if the actions are committed by an organized group, a maximum penalty of up to 6 years imprisonment





Administrative liability

Article 14.10 of the Administrative Penal Code - Illegal Use of a Trademark

Illegal use of another's trademark, service mark, appellation of origin of goods or markings for the same commodities shall entail the imposition of an administrative fine on citizens of RUB 1,500-2,000 accompanied by confiscation of the articles bearing an illegal reproduction of a trademark, service mark or appellation of origin of goods; on company officers in the amount of RUB 10,000-20,000 accompanied by confiscation of the articles bearing an illegal reproduction of a trademark, service mark or appellation of origin of goods; and on legal entities in the amount of RUB 30,000-40,000 accompanied by confiscation of the articles bearing an illegal reproduction of a trademark, service mark or appellation of origin of goods.





Civil liability

Article 1515 of the Civil Code - Liability for Illegal Use of a Trademark

- 1. The goods, labels or packages of goods on which a trademark or easily confused designation has been placed are counterfeit.
- 2. The right holder is entitled to demand withdrawal from deals and destruction at the expense of the infringer of the counterfeit goods, labels or packages of goods on which the illegally used trademark or easily confused designation has been placed. If the placing of these goods in deals is required for public interests, the right holder is entitled to demand removal at the infringer's expense of the illegally used trademark or easily confused designation that has been placed on the counterfeit goods, labels or packages of goods.
- 3. A person that has infringed an exclusive right to a trademark while carrying out works or providing services shall remove the trademark or easily confused designation from the materials involved in the performance of such works or the provision of such services, including from documents, advertisements and billboards.

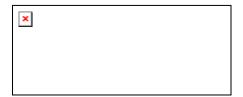




Civil liability - continued

Article 1515 of the Civil Code - Liability for the Illegal Use of a Trademark

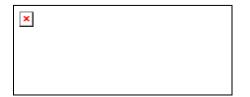
- 4. The right holder is entitled to demand at his/its discretion that the infringer pay a compensation in place of reimbursement of damages:
 - 1) in an amount of RUB 10,000 to 5,000,000 as defined at the court's discretion on the basis of the infringement's nature;
 - 2) in the amount equal to the double value of the goods on which the trademark has been illegally placed or the double value of the right of using the trademark assessed on the basis of the price normally charged in comparable circumstances for legal use of the trademark.
- 5. A person carrying out a preliminary marking for a trademark not registered in the Russian Federation is liable in the manner established by Russian Federation legislation.





Civil liability - continued

- Extent of liability:
 - compensation (maximum RUB 5,000,000 / EUR 125,000) or
 - damages or
 - payment of value (x 2) of infringing goods or
 - payment of royalties (x2)

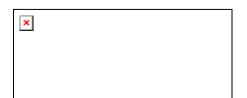




Exhaustion of rights

Article 1487 of the Civil Code - The Exhaustion of the Exclusive Right to a Trademark

The exclusive right to a trademark shall not be deemed infringed if the trademark is used by other persons in respect of goods that have been introduced in civil-law transactions in the Russian Federation directly by the right holder or on the consent thereof.





Customs deposition procedure

- Available for more than 7 years in Russia
- Reasonably effective against counterfeit goods and parallel imports
- Enables the trademark owner to list inter alia an authorized importer of genuine goods
- All other goods are automatically stopped if the importer is not an authorized entity





PORSCHE case (A40-9281/08-145-128 - 2008)

Background:

- Genesis LLC tried to import Porsche Cayenne S model into Russia.
- "PORSCHE" trademark contained in the Customs Trademark Register.
- Genesis LLC not listed as an authorized importer.
- Importation of this vehicle stopped at customs point administrative action (article 14.10 of APC) initiated with the Moscow Arbitration Court
- Moscow Arbitration Court awards a fine (RUR 30,000 / EUR 800) against Genesis LLC
- 9th Arbitration Appeal Court leaves this award without any chance
- Supreme Arbitration Court (10458/08 2009) considers that :
 - the vehicle is manufactured by a trademark owner <u>no administrative</u> action is available goods should be released (!)





Life after PORSCHE - any options to stop parallel import?

Parallel import - good or bad?

Competition issues to be considered





Case study: EVIAN importation (2009)

- Customs detected two trucks (over 50,000 individual units) assumed to be manufactured by a trademark owner and imported by Westline LLC.
- Goods intended for sale in Germany, apparently transited to Estonia, further to Moldova, Ukraine and finally Russia.
- "EVIAN" trademark is entered in Customs Trademark Register Pepsico LLC listed as authorized importer. Westline LLC is not listed as authorized importer.
- Trademark owner applies to customs with an application to seize the goods and <u>in</u> <u>parallel</u> files a civil suit to court for a trademark infringement.
- Simultaneously a temporary restraining order (TRO) is issued by the court goods are seized at the customs warehouse.
- Moscow Region Arbitration Court (case A41-39651/09) denies trademark infringement and rejects the claim.
- Appeal filed to 10th Appeal Arbitration Court which reverses the decision of the lower court and acknowledges an infringement of trademark rights.





Case study: EVIAN importation (2009) - continued

- Federal Moscow Region Arbitration Court re-confirms an infringement of trademark rights
- Final appeal filed to Supreme Arbitration Court
- Supreme Arbitration Court ruling (BAC-10102/10 05/08/2010)
 - goods are assumed to be manufactured by a trademark owner
 (= genuine goods)
 - exhaustion of rights not applicable (= goods are not intended for sale in Russia)
- As a consequence, appeal is denied, previous decision left in full force





Case law created?

Effective tool to stop parallel import?





Contact information

Denis Voevodin

Partner and Head of Salans
Trademark / IP Practice
dvoevodin@salans.com

+7 495 644 0500



Salans
Balchug Plaza, Ul.Balchug 7
115035 Moscow
Russia



