

New Russian IP Law Has Serious Deficiencies for Trademark Owners

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On December 19, 2006, Russian President Vladimir Putin signed into law the new Part IV of the Civil Code, which voids and replaces all special intellectual property laws in Russia with a new IP law drafted largely from scratch.

The law is a serious step backward from the current IP protection regime in Russia. Because the law is wholly new, it will require a decade of interpretation by the courts before we really understand its effect—this means even greater uncertainty for trademark owners and practitioners in Russia for years to come as the law is tested in the courts. Moreover, and more importantly, it contains a number of provisions that do not comply with TRIPS and WTO requirements and that do not meet international norms for trademark protection, registration, licensing and enforcement.

Following is a summary of some of the most significant problems in Part IV.

Uniform Infringement Standard

Early drafts of the law appeared to impose different confusion standards, and thus different infringement standards, for different types of names and marks (trademarks, trade names, domain names, etc.). This feature, combined with other provisions in Part IV (discussed below), resulted in far too broad a scope of protection for domain names and company names and too narrow a scope of protection for trademarks. The version of the law that has been passed made an attempt to remedy this problem by adding a provision imposing a uniform likelihood of confusion standard—an improvement—but failed to remove the individual standards for each type of mark or name, thus creating internal inconsistency in the legislation and ambiguity as to which standard applies in any given case and in any given legal proceeding (e.g., examination, invalidation, infringement action).

Domain Names

Part IV effectively grants rights in gross to owners of domain names, providing that the owner of a domain name may block the use and registration of an identical trademark with no showing that the domain name qualifies for trademark protection.

Commercial Designations and Company Names

Part IV provides for rights in unregistered “commercial designations” without limiting protection to the territory in which the designation is known. Further, for purposes of trademark registration refusal, these same rights arise not only in commercial

designations and company names but also in “parts” of commercial designations and company names, and potentially can resurrect, as obstacles, any names that have obtained protection as either company names or commercial designations in Russia prior to the trademark’s priority date, whether “known” or not.

Well-Known Marks

As required by TRIPS and other treaties, Part IV provides for a broader scope of protection for well-known marks, correctly imposing an “association” standard rather than a confusion standard, such that a violation should be found regardless of the goods for which the junior mark is used. However, Part IV does not prohibit the *registration* of marks that violate these broader rights of well-known marks (perpetuating a problem that exists in current law), which leads to the inefficient and indeed ridiculous result that such marks will be registered by Rospatent (as they are today) even though they violate the rights of the well-known-mark owner and even though the registrations will then have to be invalidated by means of an administrative or court action.

Geographical Indications

Part IV maintains absolute priority of “appellations of origin” over trademarks, which is directly contrary to the 2005 WTO Panel decision regarding the relative rights of GIs and trademarks.

Lack of Transparency at Rospatent

Perpetuating a current problem at Rospatent, the legislation fails to provide for official publication of pending trademark applications prior to registration and fails to provide public access to the full examination file either before or after registration.

Lack of Opposition Procedures

Perpetuating another existing problem at Rospatent, the legislation fails to provide for third-party opposition to trademark and GI applications prior to registration. Given that Rospatent has proven extremely reluctant to overturn a registration once granted, this lack of opposition procedures is significant, and is contrary to international norms. Well over 80 percent of jurisdictions worldwide provide for third-party opposition prior to registration.

Trademark Licensing and Franchising

Part IV contains several problematic provisions for trademark licensors:

- Taking the concept of quality control far beyond international norms, the legislation imposes joint and several liability on trademark licensors for the goods and services for which the mark is licensed.
- The law imposes a number of burdensome requirements regarding the content of trademark licenses, effectively micromanaging the licensor-licensee relationship and the contract that defines that relationship.

- Perpetuating current Russian practice, the legislation provides for *mandatory* recordal of *all* trademark licenses against the registration of the licensed mark, an extremely burdensome and costly requirement that serves no legitimate purpose and has been abandoned by all but a handful of countries around the world. Failure to record results in the invalidity of a license agreement. Moreover, if the licensed mark is not yet registered in Russia (e.g., if the application is still pending), the license *cannot* be recorded and is therefore invalid. In other words, a trademark owner cannot enter a valid and enforceable trademark license until the licensed mark has been registered.
- The legislation changes franchise law in a number of ways, and in particular imposes a new requirement that the bundle of rights that make up a franchise must in all cases include *registered* marks—unregistered marks may not be licensed as part of a franchise.

Fair Use

Part IV contains no provision for the fair use of trademarks, arguably making a simple descriptive or nominative use an infringing act.

Transitional Provisions for Soviet-era Marks

Part IV essentially grandfathers use rights in all Soviet-era marks (pre-1992) even if identical to trademarks subsequently registered under the recent or new trademark law. The user of such a Soviet-era mark is granted a royalty-free license (without further territorial, volume or other limitation) to use the mark, even for similar or identical goods. Moreover, if a name, whether registered or not, was used as a trademark for goods or services before 1992, this provision would apply.

Counterfeiting and Piracy

Finally, Part IV does little or nothing to remedy many of the existing problems under Russian law regarding counterfeits and piracy.

How did it happen that this legislation came to be? It was originally drafted by a small group of legal academics without input from trademark practitioners or trademark owners. Introduced in the State Duma in the spring of 2006, the draft bill moved through the legislative process at a relatively speedy pace with the strong backing of the presidential administration, which apparently viewed the legislation as a means to speed Russia's WTO admission, despite the inconsistencies with WTO requirements. Late in the legislative process, the State Duma created a working group that included some IP practitioners and representatives of IP owners. This working group was to review and make recommendations regarding the many proposed amendments to the legislation, but it was dissolved after only a few short weeks and long before its work was done. A few improvements were made to the legislation as a result of this exercise, but they were limited. Shortly after dissolution of the working group, the State Duma passed the final version of Part IV. It was then quickly passed without change by the Federation Council (the upper house of the Russian Parliament) and signed into law by President Putin.

It is ironic that at the very moment the State Duma was passing the final version of Part IV, Russia and the United States were finalizing their bilateral agreement for Russia's WTO accession, which provides among other things that Russia will fully implement the TRIPS Agreement and other IPR-related international agreements upon accession to the WTO. For example, Russia has agreed to amend its laws to provide protection to trademarks and GIs in compliance with TRIPS and to improve enforcement and anticounterfeiting measures and remedies.

Given the commitments Russia made in the bilateral agreement with the United States, and that IP rights and TRIPS compliance will be a significant issue in the upcoming multilateral negotiations regarding Russia's WTO accession, it seems that Russia must recognize the deficiencies of Part IV and take steps to remedy those deficiencies. To date, however, Russia has seemed uninterested in the input of IP rights holders and practitioners and the international community generally.

Nevertheless, there may indeed be room for hope. The original drafters of Part IV and key State Duma officials have indicated that, now that the legislation is passed, they are willing to consider and introduce further amendments to Part IV during the spring Duma session. This is a promising development, and suggests that Russia now recognizes that there are legitimate problems with Part IV that must be addressed. But time is short—there are only a few months for an amendment package to be developed, agreed upon and introduced.

Rights holders and practitioners with interests in Russia will have to act very quickly in the first month or two of 2007 to make their views known to their national governments, trade representatives and IP associations (which will be participating in the multilateral negotiations for Russia's WTO accession) and to the Russian government. This will be the last chance to fix Part IV.

INTA thanks Nicolai von Fuener and Paul Harris, members of the Europe & Central Asia Subcommittee of the Legislation & Regulation Subcommittee, who were instrumental in preparing the comments on draft Civil Code Part IV that INTA submitted on short notice to the Russian government.

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