



Legal positions on copyright

1. A photographic work can also be quoted (Ruling No.305-ЭC16-18302 of the Russian Supreme Court dated 25.04.2017 on case No.A40-142345/2015).

The plaintiff, an individual entrepreneur, filed a lawsuit against the Archi.ru company which posted various weekly blog reviews on its web site. The reviews included quoted photographs and fragments of text from different materials published on the Internet. Among others, Archi.ru published fragments of the plaintiff's blog with 22 photographs to which the author holds exclusive rights.

The entrepreneur believed that Archi.ru posting his photographs violated his rights and legal interests, and filed a lawsuit on compensation of 20,000 for each photo. The company argued that the photos were used as free quotations as allowed under Article 1274 of the Russian Civil Code without the right holder's consent.

The first instance court denied the claim. The appeal court ruled in favor of the entrepreneur to have Archi.ru pay him 220,000 rubles in compensation, indicating that the free quotation rules do not apply to photographs. The Intellectual Property Court supported the arguments of the appeal court.

The Supreme Court, while examining the case in the cassation instance, indicated that since the disputed photos were used as quotes in the review articles for information purposes and the scope of quotation is allowable and justified for purposes of the reviews on various publications dedicated to architecture, such quoting is an allowable instance of free quotation of works. The court cancelled the appeal court's decision and ruled to leave in force the decision of the first instance court.

Conclusion:

The Supreme Court stressed that any works of science, literature and art protected by copyright, including photographic works, may be freely quoted without the author's consent and payment of remuneration, subject simultaneously to all of the following conditions:

- 1) The quoted work became available to the public on lawful grounds;
- 2) Quoting is used for informational, scientific, educational or cultural purposes;
- 3) The author and source of the quotation are indicated;
- 4) The work is used in a scope justified by the goal of the quoting.

2. Filming and display of a physical object that embodies a copyrighted object could violate copyright (Decree No.C01-39/2017 of the Intellectual Property Court dated 15.02.2017 on case No.A40-233779/2015)

An episode of a TV series contained a scene where the central object was a gift edition of the book *Anna Karenina* by Leo Tolstoy. The book's publisher, who holds the exclusive rights to the design of this edition and its illustrations, filed a lawsuit against the producer center on compensation for violation of exclusive rights to the said work.

The defendant opposed, citing that the plaintiff's exclusive rights to the publication design were exhausted at the time the specific copy of the book was sold in accordance with Article 1272 of the Russian Civil Code, and hence the plaintiff cannot lay any claims on violation of exclusive rights. Moreover, the defendant being the owner of a specific copy of the work is entitled to dispose over it at his discretion, including by using it as part of props during filming.

The courts of first and appeal instances ruled in favor of the plaintiff, with the reasoning that in the specific episode the actual design of the book played a role in forming the plot, and the attention in this episode was stressed specifically on the book's original design. Therefore, in the case in question, it wasn't just the book being used as part of props, rather its design was used in forming the plot, which is to be recognized as use of a copyrighted work. The Intellectual Property Court supported this position.

Conclusion:

Using a material object whose design is protected by copyright in filming and displaying an audio-visual work can be deemed a violation of an exclusive right to a work if:

- 1) The design forms the plot of the scene;
- 2) The audience's attention is focused on the object's design, rather than on the material object as such.

3. Compensation for violation of exclusive rights to trademarks and a character of a work is to be collected from a seller even if counterfeit goods were acquired from another entity (Decree No.C01-414/2017 of the Intellectual Property Court dated 09.06.2017 on case No.A82-7654/2016)

Masha and the Bear LLC filed a lawsuit against an individual entrepreneur on collecting 10,000 rubles compensation for breach of exclusive rights to the Masha character from the audio-visual work *The First Encounter*, for proposing to sell and selling a counterfeit children's toy. The court of first instance satisfied the claims, and the appeal court later left it without change.

The individual entrepreneur filed a cassation claim with the Intellectual Property Court, stating that the disputed goods are of a lawful origin, and the plaintiff's actions bear signs of abuse since it is the plaintiff who initiated the purchase of the toy.

The Intellectual Property Court did not find the cassation arguments acceptable, indicating that the seller of counterfeit goods is to be held liable under civil law for breach of exclusive IP rights even if it is proven that the disputed goods were purchased from another entity. Unlawful use of IP does not stop at manufacture of counterfeit goods, rather the proposed sale and the selling of the disputed goods should likewise be deemed unlawful.

The Intellectual Property Court also did take into account the defendant's argument on the plaintiff's abuse of law, since it did not prove that the buyer aimed at knowingly exercising its rights in bad faith, with the only goal being to cause harm to another entity.

Conclusion:

Selling counterfeit goods is not the only unlawful use of a trademark; offering disputed goods for sale, selling them and demonstrating them at exhibitions and fairs, as well as any other use or introducing them into civil turnover in Russia, including storage and transportation for these purposes and import into Russia are likewise unlawful.

The trademark holder is entitled to lay claims against the entire chain of business entities using the trademark unlawfully, starting from the manufacturer and ending with the end seller. The fact that the end seller bought the counterfeit goods from a third party does not release it from liability for unlawful use of a trademark.

Legal positions on trademark rights

4. A court cannot on its own initiative decrease compensation for unlawful use of a trademark below the minimum established by law (Decree No.305-ES16-13233 dated April 25, 2017 on case No.A40-131931/2014).

The Shato Arno company filed a lawsuit against the Firma Vastom company on banning the use of the Aragats (Арагац) designation for individualizing goods of 33 class International Classification of Goods and Services (ICGS) and on collecting 10,440,600 rubles in compensation. By decision of the court of first instance, left in effect by the appeal court and decree of the Intellectual Property Court dated 23.06.2016, the claims of Shato Arno were partially satisfied. The court banned Firma Vastom from using the Aragats designation for individualizing goods of 33 class ICGS and awarded 100,000 rubles to be paid by Firma Vastom to Shato Arno as compensation for violating the exclusive right to the said trademark (other claims were denied).

The plaintiff calculated the compensation in the amount of twice the cost of counterfeit goods (Subclause 2 Clause 4 Article 1515 of the Russian Civil Code), and the court decreased it by 100 times compared to the stated amount based on principles of reason and justice.

The Supreme Court issued a decree to send the case back for retrial. The court indicated that decreasing compensation established in accordance with Subclause 2 Clause 4 Article 1515 of the Civil Code is in effect decrease of compensation below the boundaries established by law. The Supreme Court cited a recent Decree No.28-P of the Constitutional Court dated December 13, 2016, under which lowering compensation below the legal limit is in principle allowed only in exclusive cases. That said, the position of the Constitutional Court on the possibility to lower compensation below the bottom limit, in the Supreme Court's opinion, can likewise be applied to disputes where the defendant is a legal entity (the Constitutional Court's decision was formulated only for disputes with individual entrepreneurs).

However, the Supreme Court indicated that such decrease is possible only if the defendant made a statement giving reasons on the need to decrease the amount of claimed compensation and provided evidence of the need to decrease it. The court is not entitled on its own initiative and without proper grounds to decrease the amount of compensation stated and calculated in accordance with Subclause 2 Clause 4 Article 1515 of the Civil Code.

The case file contained neither the defendant's statement, nor evidence in support of the need to decrease compensation. Accordingly, the courts decreased the amount of compensation below the boundary set by law without proper grounds, resulting in the case being sent back for retrial.

Conclusion:

Compensation calculated in accordance with Subclause 2 Clause 4 Article 1515 of the Civil Code as double the cost of counterfeit goods or double the cost of the right to use a trademark can be decreased by a court only based on a defendant's reasoned motion.

The party that states the need to decrease the amount of compensation being recovered must prove the need for the court to use such measures. A decrease of the amount of compensation being collected below the amount established by law must be justified by the court and supported by the appropriate evidence.

5. Collecting compensation for breach of exclusive rights to a trademark is possible even if no administrative sanctions are imposed on the violator (Decree No.S01-130/2017 of the Intellectual Property Court dated 07.04.2017 on case No.A12-40377/2016).

A businessman used a trademark owned by Avtovaz (“Sailboat in an oval”) on his store sign and sold Avtovaz auto parts. An administrative case was initiated against the businessman in view of these two facts under Article 14.10 of the Russian Administrative Offences Code. However, the court denied holding the businessman liable for these actions, indicating that the parts he sold were original and not counterfeit, and hence their sale does not constitute a violation under Article 14.10 of the Administrative Offences Code. Use of the trademark on the sign is likewise not a violation under Article 14.10 of the Administrative Offences Code, since this article pertains to liability for unlawful use of a trademark on goods, rather than for using it in advertising.

After this, Avtovaz filed a lawsuit on compensation for use of a trademark on the businessman’s store sign. The Intellectual Property Court in the course of examining this case in the cassation instance indicated that the fact that the businessman was not held liable for an administrative offence does not mean that he did not violate rights to a trademark. One of the possible violations of trademark rights is using it in advertising without the trademark holder’s consent, which is not covered by Article 14.10 of the Administrative Offences Code, although it does entail civil liability.

Conclusion:

The possibility to hold a trademark violator liable under civil law does not depend on the possibility of holding him liable under administrative law for use of a trademark.

Administrative violation under Article 14.10 of the Administrative Offences Code differs from a civil violation. Therefore, even if an entity is not held liable under Article 14.10 of the Administrative Offences Code, it is still possible to hold it liable under civil law.

6. A trademark holder can forbid third parties from using a trademark in a domain name only within the limits of legal protection granted to such trademark (Decree No.S01-102/2017 of the Intellectual Property Court dated 16.03.2017 on case No.A40-131800/2015).

The trademark holder of the word trademark CHRISTINA filed a lawsuit against a group of entities on banning their use of the christinashop.ru domain name and second level domain christina.cherryshop.ru. The courts of first and second instances satisfied the trademark holder’s claim as pertains to the defendants’ use of the said trademark in domain names.

The Intellectual Property Court also agreed with the arguments of the courts of lower instances on the fact that a violation of the plaintiff’s rights had taken place. Yet at the same time, the IP Court noted that the said trademark is registered only for goods of 3 class of ICGS; hence, a ban on its use can apply only to use of goods in this class. A full ban on use of this designation in a domain name, in the IP Court’s opinion, would lead to unjustified expansion of the scope of the trademark’s legal protection.

Conclusion:

A trademark holder can prohibit use of a domain name identical or confusingly similar to a trademark only in respect to the goods for which the trademark is registered.

At the same time, the trademark holder cannot prohibit use of a trademark in a domain name in respect to all goods and services, since such a ban unjustifiably expands the legal protection of a trademark which is always registered only for particular classes of goods and services, and is unacceptable.

7. Use of a generally known trademark for non-similar goods does not comprise an administrative offence (Decree No.S01-64/2017 of the Intellectual Property Court dated 15.02.2017 on case No.A32-16340/2016).

A case on administrative violation was initiated against an individual entrepreneur under Article 14.10 of the Administrative Offences Code due to him selling phone covers bearing the CHANEL trademark. The first instance court held the entrepreneur liable, and the appeal court left the decision in force.

The Intellectual Property Court cancelled the decisions of the first and appeal instances, indicating that the disputed trademark is deemed generally known, which gives the trademark holder the right to prohibit other entities from using it in respect to any goods and services, not just those for which it is registered. However, this rule is in force only for civil law relations. The wording of Article 14.10 of the Administrative Offences Code is such that only unlawful use of a trademark for similar goods constitutes a violation, irrespective of the trademark being generally known.

Since the entrepreneur sold phone covers, and the CHANEL trademark is registered for other goods which are not similar goods of the entrepreneur, his actions do not constitute a violation under Article 14.10 of the Administrative Offences Code

Conclusion:

If a trademark is deemed generally known, the trademark holder can prohibit its use in respect to any goods and services if consumers associate such use with the holder and it could violate its legal interests. The list of goods and services for which the trademark is registered is of no significance for protecting the rights to a generally known trademark through methods given by the Russian Civil Code.

At the same time, administrative liability for unlawful use of a trademark (Article 14.10 of the Administrative Offences Code) occurs only if the trademark was unlawfully used in respect to goods or services for which it was registered.

Therefore, a trademark being deemed generally known expands its opportunities for legal protection using civil law measures; however, the procedure and terms for imposing administrative liability for trademark violation remain the same.

8. Third parties must honor rights to a trademark starting from the time of its state registration (Decree No.S01-114/2017 of the Intellectual Property Court dated 03.04.2017 on case No.A54-4230/2015).

SAN InBaev JSC filed a lawsuit against Russkaya Pivovarennaya Kompaniya Khmel'noff JSC on ceasing use of a designation. As of the time the lawsuit was filed, the designation had not been registered as a trademark, only an application for registration was submitted. Afterwards, once the trademark was registered, the plaintiff filed a clarification under Article 49 of the Russian Commercial Arbitration Procedural Code, where the reference to the application was substituted by reference to the existence of a registered trademark. Courts of first and appeal instances satisfied the plaintiff's claims.

The Intellectual Property Court indicated that under Article 1491 of the Russian Civil Code, the effect of a trademark – if it is registered – is retrospective and applies from the time the trademark application is filed. At the same time, the exclusive right to a trademark is recognized from the time it is actually

registered. Therefore, although the right to a trademark applies retrospectively from the time the application is filed, third parties are to honor this right from the time of actual state registration, and the trademark holder can exercise the appropriate right of claim only after the trademark is registered.

Nevertheless, the decisions of lower courts were not cancelled, since the claimant contested them only as regards the compensation amount. The conclusions of the courts on the plaintiff's right to file a complaint with the court were not contested by either party in the cassation instance.

Conclusion:

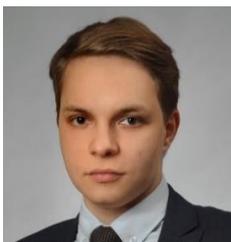
Entities are obliged to honor the right to a trademark no earlier than its state registration. Therefore, an entity that filed a trademark application cannot lodge claims against third parties in respect to the period from the application submission date to the trademark registration date.

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