



## Position of the IP Court on copyright

- 1. A separate consent of the copyright holder is needed to include a musical work into a TV program at the stage of its creation  
(Decree of the IP Court dated 09.10.2017 on case No.A40-123252/2016)**

National Music Publisher LLC filed a lawsuit with the Commercial Arbitration Court against Channel One LLC to collect compensation for unlawful use of the song *Dark Night* in the *Voice* TV program in the amount of 1,000,000 rubles and to oblige the defendant to publish the court decision.

The plaintiff believed that the defendant violated the terms of non-contractual use of a music work by including it in a reworked form into an audiovisual work. As of the time the work was used in the TV program, the plaintiff held an exclusive license for such types of use as transmission over airwaves, making available to the public and inclusion/use of a work into a complex object, which is confirmed by copyright agreements with heirs of the authors and addenda to the agreements.

In the defendant's opinion, it was not obliged to obtain the plaintiff's permission for reworking the piece, since no actual reworking had taken place – the work played in the TV program sounded different from the original only because it was performed live. The defendant also noted that it had already paid to the Russian Authors' Society remuneration for relaying the work over the airwaves.

The Intellectual Property Court indicated that including a work into a TV program during its creation precedes its subsequent relay over the airwaves. This stage is an independent type of use of a work and requires separate consent from the copyright holder.

In order to use a musical work in another work, a license agreement needs to be signed with the copyright holder. When relaying over the airwaves a TV program that has the traits of an audiovisual work, the authors of the work used in it must be paid remuneration.

The creator of an audiovisual work that includes a song does not acquire the right to use the song as part of a complex object merely by signing a license agreement with RAO. Such an agreement likewise cannot provide a right to rework a musical piece, since RAO does not hold the relevant accreditation.

### **Conclusion:**

When relaying over the airwaves a TV program (an audiovisual work) that includes musical works, a separate permission of the copyright holders of such musical works must be obtained for their reworking and for including them into the audiovisual work.

**2. If a frame from a cartoon with several characters is used, and each character is protected as a separate object, compensation is to be collected for use of the image of each character (Decree of the IP Court dated 05.10.2017 on case No.A51-31289/2016)**

The trademark holder filed a lawsuit against an individual entrepreneur due to him selling a set of toys depicting characters from the *Babroskiny* cartoon.

The cartoon characters are registered as a trademark. Additionally, the plaintiff claimed that in selling the said toys, the defendant violated his right to drawings/sketches of the cartoon characters. In this connection, the plaintiff requested that the court award compensation for breach of rights to five trademarks and four characters in the minimum amount of 90,000 rubles.

The defendant claimed that he had breached the rights to frames of an audiovisual work (cartoon series) containing the disputed characters, rather than rights to the characters themselves. Therefore, he should only pay one compensation – for violation of rights to the cartoon in general.

The Intellectual Property Court supported the plaintiff's position, indicating that in this instance the trademark holder cited the defendant's breach of rights to a piece of artwork (drawings of cartoon series characters), rather than the characters of the work (dynamic images). A character of an audiovisual work and a piece of artwork (drawing of a character) are different objects of copyright.

Accordingly, in this case each of the copyright objects (character sketches) is subject to protection, since they are independent objects of legal protection.

**Conclusion:**

If a frame from a cartoon is used unlawfully, the trademark holder can demand compensation not only for the breach of rights to the cartoon itself, but also for breach or rights to drawings of each separate character depicted on the used frame.

## IP Court's position on collecting compensation for breach of exclusive rights

### 3. Lowering the amount of compensation below the minimum is not allowed if breach is established in respect to just one trademark (Decree of the IP Court dated 30.08.2017 on case No.A68-10526/2016)

Red October Moscow Candy Factory JSC filed a lawsuit with the commercial arbitration court against Sweet House LLC on collecting compensation for unlawful use of a trademark in the amount of 1,200,000 rubles.

The plaintiff justified its claims by the fact that the defendant manufactured four types of gingerbread named Skazka, while the plaintiff holds the rights to the word trademark SKAZKA. In the plaintiff's opinion, production of each type of gingerbread is a separate violation, and each violation should be subject to compensation of 300,000 rubles.

The first instance court satisfied the claims partially, awarding the plaintiff 60,000 rubles. The court indicated that the violation is comprised not of the production of a separate type of gingerbread, but the fact of their sale. The plaintiff made two test purchases and hence there were only two violations. Moreover, the court cited Decree No.28-P of the Russian Constitutional Court dated 13.12.2016, which determines the criteria for lowering compensation below the minimum threshold. The appeal court left this decision without change.

The Intellectual Property Court cancelled the court acts and sent the case back for retrial to the first instance court, noting that the position of the Russian Constitutional Court used by the courts in this case allows lowering compensation below the minimum threshold only if the individual entrepreneur had violated rights to several intellectual property object with a single action of his.

Since in this case violation of an exclusive right is established only for one means of individualization, the lower courts' use of the position of the Russian Constitutional Court on decrease of the amount of compensation (including below the minimum threshold pursuant to the effective law) is unlawful.

*NB: The courts in the case at hand did not lower the compensation below the minimum threshold, which is 10,000 rubles, as it was collected in the amount of 30,000 rubles per violation. The courts cited the Russian Constitutional Court decree only to support their position on the need to lower the compensation. At the same time, the IP Court laid out the principal position that the approaches used in the decree apply only to violations of rights though one action affecting several trademarks. This means that compensation cannot be lowered below the minimum threshold if rights to a single trademark are breached.*

During the new examination, the first instance court awarded compensation for unlawful use of the trademark in the amount of 600,000 rubles.

#### **Conclusion:**

A court can lower compensation below the minimum threshold only if a single action violates rights to several intellectual property objects (trademarks, works, etc.).

### 4. Pretrial procedure for collecting double the cost of counterfeit items is deemed fulfilled partially if the pretrial claim states an amount less than that stated in the court claim (Decree of the IP Court dated 10.07.2017 on case No.A41-63873/2016)

The plaintiff, an owner of software, filed a lawsuit on collecting compensation from the defendant for violating exclusive rights to software. Since collecting compensation requires going through a pretrial procedure, the plaintiff prior to the lawsuit sent a complaint to the defendant where it requested payment of compensation in the amount of 587,300 rubles.

In the court claim, however, the plaintiff made a different calculation, indicating that 587,300 rubles is the cost of software unlawfully used by the defendant, and the amount of compensation to be collected is equal to twice the cost of counterfeit items (Subclause 2 Clause 4 Article 1515 of the Russian Civil Code). On these grounds, the plaintiff claimed collection of compensation in the amount of 1,175,800 rubles – twice the amount indicated in the pretrial claim.

The Intellectual Property Court noted that as regards the portion of the claimed compensation for breach of exclusive rights, the plaintiff did not observe the mandatory pretrial procedure. The pretrial claim indicated the amount of compensation half the amount of that indicated in the lawsuit. Moreover, the pretrial claim does not specify that if the claims in it are not satisfied voluntarily, the plaintiff will file a lawsuit on collecting compensation in the amount of twice the cost of the copies of the work.

Therefore, since the lawsuit is filed for an amount greater than that indicated in the pretrial claim, the pretrial procedure in this regard cannot be deemed performed. At the same time, the court noted that the claimant can file a lawsuit once again if it fulfills the pretrial dispute resolution procedure once more as provided by law.

*In a different case, the Intellectual Property Court indicated that the absence of a specific amount of compensation in a pretrial claim is not grounds for deeming the pretrial procedure not performed if the limits of the amount of compensation that can be collected were given in the text of the claim (Decree of the IP Court dated 30.08.2017 on case No.A36-4979/2017).*

#### **Conclusion:**

If the amount of compensation indicated in a pretrial claim is lower than the compensation stated in the lawsuit in the amount of twice the cost of counterfeit copies, and the pretrial claim does not indicate that if the claim is not satisfied voluntarily, the plaintiff will file a lawsuit for the amount of twice the cost, the pretrial claim procedure will be deemed performed only to the extent of the amount indicated in the pretrial claim. The claims as regards the remaining portion will be left without examination.

Therefore, considering the developing practice, it is recommended to state in the pretrial claim the amount of future lawsuit claims and/or citing the law to the effect that the lawsuit will be stated in the amount from 10,000 to 5,000,000 rubles or twice the amount of the cost of counterfeit copies.

#### **5. Court can decrease the amount of compensation for breach of exclusive rights, if the offender has children or debt (Decree of the IP Court dated 23.10.2017 on case No.A74-16726/2016)**

Carte Blanche Greetings filed a lawsuit against individual entrepreneur O.V. Volvenkina on recovering compensation for breach of exclusive rights in the total amount of 40,000 rubles. The first instance court satisfied the claims partially, awarding 5,000 rubles to the plaintiff.

The Intellectual Property Court left the earlier court decisions without change, indicating that when determining the amount of compensation, the lower courts legitimately noted that the defendant's

average monthly income is practically equal to the amount of compensation claimed by the company, and that the defendant has obligations toward credit organizations.

Furthermore, the Intellectual Property Court noted that the lower courts legitimately took into account the fact that the defendant businessperson had two dependent children, with one being a juvenile (under age 14), and the second being enrolled in daytime studies and not working.

### **Conclusion:**

The practice in examination of cases on collecting compensation is such that the courts take into account all circumstances that allow lowering the amount of compensation. If the defendant is an individual entrepreneur, the courts lower the amount of compensation based on circumstances tied to the personality of this person, and not just to his business activity.

Therefore, when filing claims against an offender who is an individual entrepreneur, one should be ready for the possibility of the amount of compensation being lowered, including due to personal circumstances.

## **Position of IP Court on other IP issues**

### **6. An offender can be held liable for an administrative offence for unlawful use of a trademark even if the trademark owner does not use it himself (Decree of the IP Court dated 08.06.2017 on case No.A21-5638/2016)**

Kaliningrad Region Customs filed a lawsuit with the commercial arbitration court on holding Baltik Imperial LLC liable for an administrative offence under Part 1 Article 14.10 of the Russian Code of Administrative Offences for unlawful use of the “bubble gum” combined trademark (No.510279).

Kaliningrad Region Commercial Arbitration Court held the company liable, but the appeal court cancelled this decision, citing that the trademark holder himself does not use the trademark on similar goods.

The Intellectual Property Court noted that the trademark holder’s lack of use of the trademark is irrelevant for establishing the fact of a violation under Article 14.10 of the Code of Administrative Offences of the Russian Federation and is not an obstacle for holding the offender liable.

### **Conclusion:**

If trademark rights were violated, the offender can be held liable for an administrative offence irrespective of the fact that the trademark holder does not use this trademark.

*NB: At the same time, one should keep in mind that when collecting compensation under civil law, a starkly different approach could apply. According to Resolution No.A08-8802/2013 of the Russian Supreme Court dated 23.07.2015 on case No.310-ES15-2555, the trademark holder did not use a trademark for 15 years, and the Supreme Court recognized that it filing a lawsuit for compensation for use of such trademark is abuse of the law. On these grounds, the trademark holder’s claim was denied.*

### **7. Registration of a trademark in the name of a particular person cannot go against public interests (Decree of the IP Court dated 09.10.2017 on case No.SIP-65/2017)**

Logistika Servis Kachestvo LLC filed a lawsuit with the Intellectual Property Court to declare unlawful the decision by Rospatent, which rejected the objection against denial of state registration of the “Pride of Moldova” trademark, and on obliging Rospatent to register the trademark.

According to Rospatent, it is a generally known fact that Moldova has a rich tradition of producing alcohol products. Therefore, state registration of the “Pride of Moldova” designation in the name of a Russian legal entity that has no ties to Moldova violates the interests of Moldova, its alcohol manufacturers exporting their products to Russia, as well as consumers of the goods.

The Presidium of the Intellectual Property Court indicated that provisions of the Russian Civil Code which Rospatent cites (Clause 3 Article 1483 of the Civil Code) indeed forbid registering as a trademark the designations that go against public interests. At the same time, this provision of the law refers to designations which in themselves go against public interests (e.g. “scandalous” designations contradicting moral and ethics).

*Interesting: It is obvious that public interest is something rather vague and each person interprets it in their own manner. At different points in time, Rospatent denied registration on these grounds to the*



*designation of “***AKADEMIA SHPIONOV (SPY ACADEMY)***” (violation of spelling rule),* **AKADEMIA SHPIONOV (SPY ACADEMY)** *(spying is a criminal deed) and* **KHALYAVA (FREEBIE)** *(slang).*

Therefore, this rule does not assume that registration of a trademark in the name of a particular person can violate public interests. Accordingly, in the Presidium’s opinion, registration of the “Pride of Moldova” designation in the name of a Russian legal entity does not violate public interests.

#### **Conclusion:**

The law forbids registration as trademarks of designations which in themselves are contrary to public interests. At the same time, registration of a trademark in the name of a particular person cannot be contrary to public interests and is not grounds for denying registration.

*NB: Nevertheless, one should note that the Russian Civil Code has another reason for denial of registration of a trademark – the potential for a designation to mislead regarding the goods or its manufacturer (Subclause 2 Clause 3 Article 1483 of the Civil Code). It is Rospatent’s common practice that if a designation indicates a geographic object – a country, city or region – and the applicant has no ties to such object, the registration of such a trademark will be denied specifically on these grounds.*

#### **8. The right to dispute a decision of Rospatent cannot be assigned (Decree of the IP Court dated 26.06.2017 on case No.SIP-810/2016)**

Festalpine Arkada Profil LLC filed a claim with the IP Court on cancelling the decision of Rospatent on deeming a patent invalid.

In the course of the court examination of this claim, Festalpine Arkada Profil LLC entered into an assignment agreement for the disputed patent. Among other things, this agreement provided for the transfer of “the right to demand recognition of the disputed decision of Rospatent invalid, as well as the rights and obligations of the assignor as the claimant in the case under examination.”

Based on this agreement, the initial claimant motioned on procedural succession, and the Intellectual Property Court satisfied the motion.

The Presidium of the Intellectual Property Court, when cancelling the ruling, indicated what the right to appeal a decision of a public authority (such as Rospatent) cannot be assigned. The presidium indicated that only the right of a creditor's claim on an obligation can be assigned.

The holder of the patent that was deemed void and Rospatent are in administrative legal relations, i.e. those of authority-based subordination by one party to the other, rather than in civil legal relations, where assignment of the right of claim is possible. Transfer of exclusive rights to a patent, in turn, is done through a special procedure (in particular, such transfer is subject to state registration).

### **Conclusion:**

The right to appeal a decision of Rospatent cannot be transferred under an assignment agreement. Such right can be transferred only together with the transfer of exclusive rights to the patent as such.

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