

PART IV OF THE RUSSIAN CIVIL CODE SUMMARY OF KEY TRADEMARK PROTECTION ISSUES

On 19 December 2006, President Putin signed into law Part IV of the Civil Code. The final version of the law incorporated some limited improvements to the trademark portions. However, Part IV still contains significant problems and as a result the legislation does not comply with WTO requirements, relevant international treaties (e.g., TRIPs), and international norms generally. Part IV will go into force on 1 January 2008, while the Law on Enactment of Part IV of the Civil Code will go into force as of the date of its official publication.

After Part IV was signed into law by President Putin, a meeting of the RFG IPR Experts Council was called. Duma Deputy Likhachov reported that the State Duma and the drafters of Part IV are willing to amend Part IV during the Spring 2007 session of the State Duma.

Following is a summary of the key trademark issues in Part IV of the Civil Code of the Russian Federation and Law on Enactment of Part IV of the Civil Code (as passed):

- **Lack of a Uniform Infringement Standard:** Early drafts of the law appeared to impose different confusion standards, and thus different infringement standards, for different types of “means of individualization” (e.g., trademarks, company names, domain names, etc.). This feature, combined with other provisions in Part IV (see below), resulted in 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 makes an attempt to remedy this problem by adding a provision imposing a uniform likelihood of confusion standard – a major improvement. However, the individual confusion standards for each type of mark or name have not been removed, thus creating possible 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, etc.). Removing the individual infringement standards for each type of means of individualization would remedy this problem so that the drafters’ intent for a single infringement standard is implemented by the courts.
- **Overbroad Protection of Domain Names:** Part IV effectively grants rights in gross to owners of domain names. It provides 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. Protection for domain names should be removed entirely from Part IV, consistent with international norms.
- **Overbroad Protection of 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.

- Overprotection for Soviet Era Marks: The Law on Enactment of Part IV essentially grandfathered use rights in all Soviet-Era marks (pre-1992) even if identical to trademarks subsequently registered under the current 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 company or other name, whether registered or not, was used as a trademark for goods/services before 1992, this provision would apply.
- Insufficient Protection for 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 extremely inefficient result that such marks will be registered by Rospatent (as they are today) even though such marks 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. This will make the Russian trademark register less reliable and less reflective of legitimate rights. It will also raise costs for trademark owners and for Rospatent and the Russian court system.
- Overprotection of Geographic Indications: Part IV maintains absolute priority of "appellations of origin" over trademarks, which is directly contrary to TRIPs and the 2005 WTO Panel decision regarding the relative rights of GIs and trademarks.
- Lack of Opposition Procedures: Perpetuating an 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 is a significant problem for trademark owners. It is also contrary to international norms - well over 80% of jurisdictions worldwide provide for third-party opposition prior to registration. Providing for opposition procedures would have many benefits – it would lead to (i) a more reliable trademark register that is more fully reflective of legitimate rights, (ii) a substantial reduction in the number of invalidation proceedings, and (iii) a substantial reduction in the number of court challenges to existing registrations, all of which would save valuable Rospatent and court resources.
- Lack of Transparency at Rospatent: Perpetuating another 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. Official publication of pending trademark applications, and public availability (at the requestor's expense) of the full examination and registration file would (i) support the invalidation (and opposition) processes, making them more effective, and (ii) improve public confidence in Rospatent and the trademark protection system.
- Trademark Licensing and Franchising: Part IV contains several very problematic provisions for trademark licensors, namely:

- 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 of the licensee for which the mark is licensed.
- The legislation also imposes a number of burdensome requirements regarding the content of trademark licenses, effectively micro-managing 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., 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 changed the law of franchising 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.

Each of these provisions is contrary to international norms and goes further than necessary to prevent trafficking in trademarks and maintain public confidence in licensed brands. Moreover, the costs and burdens are so great for trademark licensors that many licensors will choose not to license marks in Russia, to the detriment of Russia's economy.

- Fair Use: Part IV contains no provision for the fair use of trademarks, arguably making a simple descriptive or nominative use an infringing act.
- Counterfeiting and Piracy: Finally, Part IV does little or nothing to remedy many of the existing problems under Russian law regarding counterfeits and piracy.
