

CROSS-SECTORAL COMMITTEES



INTELLECTUAL PROPERTY COMMITTEE

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PROHIBITION OF PARALLEL IMPORT OF GOODS/REGULATION OF THE EXHAUSTION OF TRADEMARK RIGHTS

Over a long period, the Association of European Businesses has stood its ground on the issue that the liberalization of parallel imports will have various negative consequences for the social and economic development of Russia. Therefore the effective laws of the Russian Federation regulating the exhaustion of title to a trademark do not require amendment.

In this connection, the business community is concerned about legislative initiatives with regard to clarification of the extent to which an exclusive right may be exercised in the course of importing goods containing results of intellectual activities and means of individualization.

In order to ensure a balance of interests between a rightsholder and other parties, the respective laws use the principle of exhaustion of title to a trademark. In Part Four of the Civil Code of the Russian Federation, the “national” principle of exhaustion of title to a trademark is established – according to this principle, the rightsholder may not prohibit other parties from using its trademark with respect to goods that have been put into civil circulation in the Russian Federation by the rightsholder itself or upon its consent.

The Customs Union’s Agreement On the Unified Principles of Regulation in the Field of Protection and Enforcement of Intel-

lectual Property Rights and the Treaty on Establishment of the Eurasian Economic Union contain similar provisions on the exhaustion of title. The Agreement and the Treaty establish for the member states of the Customs Union and the Eurasian Economic Union (the Republic of Belarus, the Republic of Kazakhstan, the Russian Federation, the Republic of Armenia, and the Republic of Kyrgyzstan) a regional principle of exhaustion of title to trademarks. A largely similar model of the said principle is also used in the European Union¹. In general, the absolute majority of countries unconditionally prohibit parallel imports.

Importation to the Russian Federation of goods with a trademark placed thereon, for the purpose of putting such goods into civil circulation, is an independent way of using such a trademark. The goal of prohibition of such trademark use is to fulfill Russia’s international obligations with regard to the protection of intellectual property in compliance with the Constitution of the Russian Federation².

Given the above, switching to the international principle of exhaustion of title to a trademark will mean a return to the past and will become a negative example showing that Russian laws cannot provide the required level of stability to international rightsholder investors, many of whom expected a high level of protection of their intellectual property rights when making the respective decisions.

The AEB is convinced that parallel imports contradict Russia’s long-term interests, do not increase the country’s in-

¹ Art. 7 of Council of Europe Directive No. 89/104/EEC, dated December 21, 1988, ‘On Approximation of the laws of the Member States related to Trademarks’

² See Ruling of the Constitutional Court of the Russian Federation No.171-O dated April 22, 2004



vestment attractiveness, do not contribute to the further development of the Russian economy, import substitution, or production localization, and do not meet the interests of Russian consumers. When considering the issue of parallel imports, it is important to use a well-reasoned and impartial approach to assess various aspects in a comprehensive manner.

RECOMMENDATIONS

- › The Committee believes that neither the existing Russian laws nor the laws of the Customs Union and the Eurasian Economic Union, regulating the exhaustion of trademark rights, require any changes. It is recommended to continue active cooperation, participation in discussions, and consultations at all levels and on all platforms in order to familiarize all parties and public authorities concerned participating in the process with the AEB members' stance.
- › Moreover, when working on stances regarding parallel imports, it is recommended to take into account the vast experience of the European Union where a similar (regional) principle of exhaustion of title to a trademark is used.

EFFICIENT COUNTERING OF COUNTERFEITERS AND DISTRIBUTORS OF COUNTERFEIT PRODUCTS

The overall low efficiency of measures aimed at countering counterfeiting in the domestic market results in the circulation of a large volume of counterfeit goods, primarily in the consumer goods industry. While Russian customs authorities have developed rather efficient centralized anti-counterfeiting mechanisms based on skilled customs authority employees working either at local offices or at the Federal Customs Service's Central Office and specializing in combating counterfeiting, the respective practices of other Russian law-enforcement authorities require material improvement.

It is obvious, however, that the effectiveness of increased penalties or other toughening of sanctions for infringements related to production and distribution of counterfeit prod-

ucts is reduced due to the ineffectiveness of mechanisms for imposing administrative and criminal liability for the illegal use of trademarks.

RECOMMENDATIONS

- › The Committee recommends developing standard quarterly territorial target quantitative indicators for seized counterfeit products and their effectuation – such target indicators shall be used by employees of internal affairs bodies and the Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor), with differentiation depending on the volume of counterfeit products in the market of a specific region.
- › It is also recommended to arrange for centralized accounting and processing of the data received, for monitoring the achievement of target indicators, with further differentiation of such indicators on a regional basis, as well as to encourage the territorial division of employees to achieve the indicators.
- › In order to increase the efficiency of law-enforcement agencies' work, we believe it practical to arrange and hold annual regional and federal seminars for employees of internal affairs bodies and Rospotrebnadzor specializing in combating counterfeiting, with the involvement of the rightsholders representatives.
- › We recommend strengthening the system of combating counterfeiting.
- › The existing system of counterfeit product destruction is far from optimal, as the respective process is lengthy. The system must function faster to be able to dispose of illegal products effectively.



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