Brand protection in Russia: vital issues to consider

While the definition of a "trademark" is well established, other IP objects are harder to distinguish. It is only by understanding the differences between objects such as trademarks, trade names and commercial designations that the relationship between them can be properly analysed

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Introduction

The year 2011 marks the third anniversary of the implementation of Part IV of the Civil Code, which brought together all of the Russian rules governing intellectual property. Part IV came into effect on 1st January 2008 and acts as an IP code, containing general provisions applicable to all spheres of intellectual property, as well as provisions regulating specific areas, such as copyright, trademarks and inventions.

The new law introduced a number of new features which were not correlated with existing law and practice. For instance, the list of means of individualisation of goods and services such as trademarks, service marks and geographical indications was officially extended to include trade names and commercial designations.

New case law has also taken shape on the basis of the new IP legislation. Thus, on 26th March 2009 the highest Russian courts issued the Joint Resolution of the Plenary Sessions of the Supreme Court of the Russian Federation No 5 and of the Supreme Arbitration Court of the Russian Federation No 29 on Certain Questions Arising in Connection with the Enactment of Part IV of the Civil Code of the Russian Federation. This was the first act clarifying the provisions of the new legislation on intellectual property. The document was useful since it clarified several disputed questions in respect of the use and protection of different IP assets, including rights to trademarks, trade names and commercial designations. However, some issues remained unresolved. For example, in respect of commercial designations, there is still no unified approach to applying certain rules provided by the Civil Code (see below).

When dealing with IP rights involving a foreign element, in addition to the issues related to the correlation between such rights, also to be considered are the issues related to the differences in definitions of such rights used by other jurisdictions. While there are no problems in defining the right to a trademark – this right corresponds to the definitions generally applied worldwide – problems arise in respect of other IP objects such as trade names and commercial designations.

Understanding the differences in the definitions of such rights, as well as the limitations and restrictions placed on the commercial use of such rights, is vital when considering issues related to, for example, the commercial use of such rights, including within investment projects or when establishing a franchise business in Russia. Furthermore, issues related to the correlation between such rights are key when considering a strategy to protect IP rights in Russia within, for example, IP portfolio management, as well as when dealing with an existing or potential dispute relating to the violation of an IP right in Russia by a third party.

This article explains how the Russian law defines the existing rights for means of individualisation, such as trademarks, trade

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names and commercial designations, and analyses how such rights correspond to each other.

Definitions

Trademarks

An exclusive right certified by a trademark certificate shall be recognised as a trademark (ie, as an indication that distinguishes the goods of legal persons or individual entrepreneurs). The rules of the Civil Code dealing with trademarks shall also be applied to service marks (ie, to indications serving to distinguish work performed or services rendered by legal persons or individual entrepreneurs). The holder of the exclusive right to a trademark may be a legal entity or an individual entrepreneur.

In Russia, a trademark registered with the Russian Trademark and Patent Office (Rospatent) confers exclusive rights in that mark, as well as in other cases provided by international treaties of the Russian Federation.

Accordingly, a trademark is a designation recognised to distinguish goods and services that’s properly registered in Russia by a legal entity or an individual entrepreneur. The right to a trademark arises from the appropriate registration of such designation as a trademark and shall be confirmed by a corresponding certificate. The holder of the exclusive right to a trademark may operate at its own discretion – that is, the right to a trademark can be used commercially in transactions.

Trade names

A trade name can also be called a firm name or a company name - this is a matter of discrepancy in the translation of this definition from Russian into English. Since there is no official translation of the Russian Civil Code into English, in this regard this article uses the official translations of the relevant international treaties and conventions into Russian. The concept of a trade name was recognised in Russian law before 1st January 2008 as a part of the Paris Convention for the Protection of Industrial Property which, as an international legal act, is part of the Russian legal system (see Articles 8, 9 and 10*ter*). The official Russian text of the Paris Convention defines this term as the name of a firm and, in light of Part IV of the Civil Code, shall not be determined otherwise than is described below.

A trade name is a means of individualisation of a profit-making legal entity. Under such a name the legal entity accepts its rights, meets its obligations, operates its legal activity and performs its interests before the state courts or in *arbitrazh* (ie, commercial) courts. The main role of a trade name is to identify each member of the civil market operating commercially.

The distinctive capability of trade names results in the need for obligatory legal provisions applicable to trade names. An exclusive right to a trade name can arise only in respect of a profit-making legal entity. However, if a non-profit organisation also runs commercial activity in accordance with its corporate documents, it can register its trade name.

In order to be recognised as a trade name, such designation, in addition to being a self-identifying name, must include in its composition a reference to the corporate form of the legal entity (eg, limited liability company, open/closed joint stock company). Such a reference is one of the features which distinguishes a trade name from a trademark or commercial designation. The

exclusive right to a trade name arises from the date of the state registration of the legal entity.

The Civil Code includes a number of limitations and restrictions regarding designations which can be included as part of a trade name, as well as in respect of the commercial use of the right for the trade name. For example, a trade name cannot include the official name of a foreign state or a derivative thereof. This ban also applies to the inclusion of names of international unions, such as the Commonwealth of Independent States (CIS). In addition, the right to a trade name cannot be involved in a commercial transaction (eg, be licensed, assigned or pledged).

Accordingly, a trade name is a means of individualisation of a profit-making legal entity, the right to which is automatically protected when the legal entity is registered. Such right cannot be assigned or licensed. In case of conflict between legal entities with identical or confusingly similar trade names which conduct similar business, the legal entity that was registered first has the right of priority, irrespective of which entity commenced its business activities first.

Commercial designations

In accordance with the Civil Code, a commercial designation is considered to be a separately protected IP object. Unlike a trade name, which identifies a legal entity, a commercial designation identifies an enterprise as an industrial unit.

A commercial designation is distinguished from a trade name as it need not be identified in corporate documents or be officially registered. The commercial designation itself can be assigned to a third party only as a part of the enterprise for individualisation for which it is used. However, the right to a commercial designation can be used commercially in transactions (eg, licensed or pledged), but with certain limits.

The exclusive right to a commercial designation does not exist until it is used in respect of the particular enterprise. Exclusive rights do not apply to all designations, but only to those which have distinctive features and are recognisable, meaning that use of the designation is recognisable within a certain area in Russia (but not abroad). The exclusive right to a commercial designation terminates automatically if its right holder does not use it permanently within a one-year period.

Accordingly, in order to prove its exclusive right to a commercial designation, the rights holder must prove the factual use of the designation and that it is recognisable within a certain area.

In practice, questions arise regarding the application of Article 1538 of the Civil Code, which contains the notion of a commercial designation. Under a strict interpretation, the article states that commercial designations may be used only by legal entities (including non-profit organisations) engaged in business activities and individual entrepreneurs to individualise their business (enterprise), provided that the enterprise in question corresponds to the provisions of Article 132 of the Civil Code.

While there are no problems with the first part of this requirement, there has been no unified approach to the application of the second part regarding the enterprise's conformity with Article 132.

Under Article 132, an enterprise is a subject of law which is recognised as a property complex which is used for the performance of business activities. The enterprise being a property complex is recognised as real estate and property transactions are, in this case, subject to state registration, so the fact of enterprise property ownership is confirmed by the enterprise ownership certificate. However, in practice, such enterprises (property complexes) are very rare.

Therefore, legal practice often finds it almost impossible to apply commercial designation provisions to legal entities other than enterprise (property complex) owners. This problem is related to a literal interpretation of Article 1538 of the Civil Code, which ties the notion of an "enterprise" to Article 132. Meanwhile, in their abovementioned 2009 joint resolution, the highest Russian courts left this issue open and so far there have been no uniform recommendations on applying Article 1538. As a result, the case law does not have a uniform approach for applying such provisions. In most cases the courts ask the legal entity trying to enforce its exclusive right to the commercial designation to provide an enterprise ownership certificate. If such a certificate cannot be produced in evidence, the court refuses to accept the entity's ownership of the commercial designation.

Accordingly, taking into consideration these discrepancies in the definition and application of the provisions relating to commercial designations, at this stage protecting a designation in Russia is best done by a trademark as through use of part of a trade name. Otherwise, when referring

Trademark	Trade name	Commercial designation
Distinctive capability	Distinctive capability	Distinctive capability
Exclusive right to the designation in respect of goods and services specified in the registration certificate	Exclusive right "for the firm"	Exclusive right to the designation to distinguish the enterprise
The right begins from the date of priority but arises from the moment when the trademark registration certificate is issued (registration date)	The right arises from the state registration of the commercial organisation and begins from the date of such registration	The right begins from the time when the designation is used factually in a certain area
The right can be used commercially in transactions	The right cannot be used commercially in transactions	The right can be used commercially in transactions

to the exclusive right to a commercial designation, there is a significant risk that a company will be unable to prove its rights properly, and thus will be unable to protect them.

At present, amendments to the Civil Code are underway. The work was initiated in accordance with the Presidential Decree Law on Broadening the Civil Code of the Russian Federation (18th July 2008) and is due to be completed in 2011 to 2012. In addition to the legislature and representatives of the Russian court system, representatives of business and legal practitioners are involved in such work. Therefore, it is expected (and hoped) that most IP-related issues will be resolved through the amendments.

Correlation between rights to trademarks, trade names and commercial designations

Next to consider are the issues surrounding how the exclusive rights to the means of individualisation in question correspond to each other.

The Civil Code states that the exclusive right to a commercial designation, including the trade name of the rights holder or individual elements thereof, shall arise and be effective independent of the exclusive right to the trade name.

At the same time, a commercial designation or individual elements of the designation may be used by the rights holder in a trademark belonging to it.

A commercial designation included in a trademark shall be protected independent of the protection of the trademark.

A trade name or separate elements thereof may be used by the rights holder in the composition of a commercial designation belonging to it. A trade name included in a commercial designation shall be protected independent of the protection of the commercial designation.

A trade name or individual elements thereof may be used by the rights holder in a trademark or service mark belonging to it. A trade name included in a trademark or service mark shall be protected independent of the protection of the trademark or service mark.

The table above compares the features of trademarks, trade names and commercial designations.

When comparing the means of individualisation, it must also be considered how the rights for such means coexist on the market and how they correlate to each other when conflict occurs.

In such cases two key principles apply:

- The principle of independent protection.
- The principle of the older right taking priority.

The principle of independent protection means that the trademark, trade name and commercial designation can coexist when they belong to either the same or different entities. A conflict of rights arises when the possibility of confusion occurs – that is, the similarity of the designations plus the similarity of goods and services provided under such designations lead to a likelihood of confusion regarding the entities manufacturing the goods or providing the services.

The principle of the older right taking priority means that in case of a conflict of

rights, the right which arose first takes priority.

Conclusion

The protection of intellectual property in Russia is a key question that concerns foreign investors. Recent changes to Russian IP legislation and positive developments in the latest court practices reveal that the Russian law provides effective tools for IP rights protection. The analysed rights relate to trademarks, trade names and commercial designations — the means of individualisation whose key role is to distinguish market players from one another. Knowledge of the differences and features of such rights, the limitations and restrictions on their commercial use and the rules on when and how such rights can coexist on the market is vital when considering a strategy for use and protection of a brand in Russia. *iam*



Ekaterina Tilling is recognised in the IP field as having significant experience in complex investment projects involving different IP assets, as well as in negotiating and advising on various IP/IT transactions (eg, software development, franchising, IP assignment and licensing). She is also highly skilled in solving IP disputes in Russian courts of all levels. Ms Tilling is qualified as a mediator in international and community conflicts by the Conflict Resolution, Research and Resource Institute Inc. Ms Tilling heads the firm's Moscow IP practice.

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