



**PARALLEL IMPORT REMEDIES:
RUSSIA AND KAZAKHSTAN**



Yana Dianova, Head of the Corporate and Commercial Law Department, GRATA Law Firm, Moscow

E-mail: ydianova@gratanet.com

Saule Akhmetova, Partner, GRATA Law Firm

E-mail: sakhmetova@gratanet.com

Timur Berekmoinov, Lawyer, GRATA Law Firm

E-mail: tberekmoinov@gratanet.com

Annotation: The Article analyses regulatory and practical aspects of the remedies that can be used by trademarks' holders in Kazakhstan and Russia in connection with import of original trademarked goods in the territory of the Customs Union by importers without the respective permit, and covers certain issues of applying such remedies as well as legislative initiatives on 'parallel import'.

Tags: import of original goods, trademarks, 'parallel import', customs register of intellectual property objects.

The 'parallel import' concept – an import and (or) sale of trademarked goods in any country, which were not put by the exclusive right holder into the civil circulation in that country, and remedies applicable in this respect, is in tight connection with the key aspects of regulation of trademark exclusive rights such as:

- 'right exhaustion' principle, i.e. the loss by a right holder of its exclusive right to a trademark, including the right to prohibit the trademark use after the legal putting of the trademarked goods into civil circulation;
- identification of counterfeit goods, i.e. goods that is illegally trademarked.

The Russian laws set the national principle of exhaustion of a trademark exclusive right: such a right shall not be deemed infringed if the trademark is used by other persons in respect of goods that have been put in civil circulation in the territory of the Russian Federation directly by the right holder or with the consent thereof.¹

In this case, within the Eurasian Economic Union (Appendix No. 26 to the Eurasian Economic Treaty, dated 29 May 2014 between Russia, Kazakhstan and Belarus (hereinafter – the 'EEU Treaty') as effective from 1 January 2015) provides for a regional principle of exhaustion of the exclusive right to a trademark as well as to a trademark of the Eurasian Economic Union (hereinafter – the 'EEU'): the use of a trademark in respect of goods that have been put in civil circulation directly by the right holder or with the consent thereof in the territory of any member-states of the customs union of EEU shall not be deemed an infringement of the exclusive right to such a trademark.

Thereat, the Federal Antimonopoly Service of the Russian Federation (FAS) consistently favors the 'parallel import' legalization, and in June 2014 it represented the completed draft of amendments to the fourth part of the CC RF, which establishes an international exhaustion principle.²

Moreover, based on the results of the international conference titled 'Competition Protection and Exclusive Rights. Creating Environment for Free Trade in the EEU Territory' held by the Eurasian Economic Committee (EEC) at the end of October 2014, the attendees adopted a resolution in support of the EEU's transition in 2015 to the international principle of exhaustion of right in all commodity markets except for the markets with localized production and supported

¹ Article 1487 of the Civil Code of the Russian Federation (hereinafter – the 'CC RF')

² Draft Federal Law 'On the Introduction of Amendments to the Fourth Part of the Civil Code of the Russian Federation' (hereinafter - the 'Draft'). published at the Unified Portal of Legal Information (URL: http://regulation.gov.ru/project/14362.html?point=view_project&stage=3&stage_id=9876&page=project&record_id=14362; last access date: 4 July 2014)

to refuse entirely from the restriction of parallel import in 2018-2020.³

However, until the relevant initiatives on the official legalization of 'parallel import' are set in the national laws or documents, the issues of the remedies applicable for trademark owners in any member-state of the EEU will be still vital for such right holders within the EEU. In this article we will cover this topic in the Russian and Kazakhstani perspective.

Table of Content

I. RUSSIAN FEDERATION	3
A. Inclusion of Trademarks in the Customs IP Registers and Ex officio Procedure ...	3
B. Goods Release Suspension: Further Steps	5
1. Administrative Liability	5
2. Criminal Liability	6
3. Claims for Withdrawal from Circulation and Destruction of Goods	7
4. Claims for Compensation	8
5. Claim for Moratorium on Any Acts related to the Trademarks Use	9
II. KAZAKHSTAN	11
1. Administrative Measures	12
2. Civil Law Measures	13

I. RUSSIAN FEDERATION

A. Inclusion of Trademarks in the Customs IP Registers and Ex officio Procedure

Russian customs authorities takes actions to protect IP rights, including trademark rights, in accordance with Chapter 42 of the Federal Law dated 27 November 2010 No. 311-FZ 'On Customs Regulation in the Russian Federation'.

The Federal Customs Service of the Russian Federation (FCS) keeps the customs IP register (CIPR) that under the relevant right holders' applications includes trademarks or other IP objects to be protected in the territory of Russia.

Starting from 8 May 2015, IP objects, which are subject to the FA decision on taking actions to suspend the release of the goods, shall be included in the register, provided that the right holder is insured against the risk of liability for causing harm for the benefit of the declarant, owner, consignee or any other persons in connection with the suspension of the goods release, with an insurance sum of at least 300,000 roubles.

The FCS considers such applications no longer than one month and decides to suspend the goods release or to refuse such suspension and trademark registration. Such a refusal can be based on: misreporting by an applicant; failure to confirm the trademark rights of the applicant; failure to provide the damage liability insurance agreement.

In practice, the FCS also refuses to include a trademark in CIPR, when the applicant fails to provide "reliable and adequate information on actual violation of the rights of the trademark owner by other persons during the customs clearance of goods", in particular, the application or documents attached thereto have no description of the goods suspected to be counterfeit (FAS Ruling of the Moscow district, dated 22 April 2014, on the case No. A40-125620/13, Resolution

³ <http://www.eurasiancommission.org/ru/nae/news/Pages/06-11-2014-4.aspx>

of the Ninth Arbitration Court of Appeal, dated 10 February 2014, No. 09AP-46624/2013).

The Agreement on the Uniform Customs Register of Intellectual Property of the Customs Union Member-States dated 21 May 2010 provides for the maintenance of the uniform customs register of IP of the CU member-states (hereinafter – the 'Unified Register')⁴ by the central customs authorities (State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan, State Customs Committee of the Republic of Belarus and FSC of the Russian Federation) based on the right holders' applications.

To register a trademark in the Unified IP register, the applicant should also provide a written undertaking to compensate property damage, which may be caused to the goods declarant, owner, consignee and other persons due to the release suspension in respect of the goods containing the relevant trademark, or a civil liability insurance agreement with regard to damage caused by suspension of the goods release that are valid in all CU member-states with coverage of at least 10 (ten) thousand Euro. In this case, the right to the trademark will be protected within a term established while registering and not exceeding the term of legal protection of the trademark in that CU member-state, where the latter expires first.

Trademarks are included in the CIPR and Uniform IP Register so that when the customs authority identifies an infringement of IP rights while placing the goods containing trademarks included in any of the registers under the customs procedures, it shall suspend the release of such goods for a period of 10 business days and within 1 (one) business day after the day of decision to suspend the release notify the declarant and right holder, or their authorized representatives (Article 331 of the CU Customs Code).⁵

The term of suspension may be extended by the customs authority but not more than for 10 (ten) business days as requested by a right holder or its representative, if they have applied for the right protection to the competent authorities.

The customs authorities also may (not obliged) suspend once the release of goods that contain trademarks and other intellectual property not included in the customs register within the so-called ex officio procedure in accordance with Article 308 of the Federal Law 'On the Customs Regulation in the Russian Federation', if they reveal the infringement of IP rights and have the information on the right holder (representative thereof) in Russia. The terms of suspension in this case is 7 business days with not more than 10 business days extension option provided that the right holder has filed the relevant application to the customs authority and application for registration in the customs register to the FSC.

[WHEN TRADEMARKS ARE ENTERED INTO THE CUSTOMS IP REGISTER, THE RUSSIAN CUSTOMS AUTHORITIES ARE OBLIGED TO SUSPEND THE RELEASE OF GOODS SO TRADEMARKED SUSPECTED TO BE COUNTERFEIT, INCLUDING IF IMPORTED BY UNAUTHORISED IMPORTERS.]

During the suspension period, the right holder may file a claim to the court against the infringer as well as obtain the judgment on seizure of the goods as an interim relief (in this case, the delay by a defendant of a trial through, in particular, engagement of a foreign goods supplier as a third party will have no

An administrative violation consisting in the illegal use of a trademark through the importation of the relevant goods in the territory of Russia shall be deemed expired from the movement of the goods through the customs border of the Russian Federation and filing with the customs authority of the declaration and(or) documents required for the placement of the goods under a customs procedure that provides for the possibility to put the goods into circulation in Russia (paragraph 15 of the Resolution of the HAC Plenum, dated 17 February 2011, No. 11 'On Some Issues of Application of the Special Part of the Code of Administrative Violations').

⁴ Information on IP objects included in the Uniform IP Register shall be published at the EEC official web-site: http://www.tsouz.ru/db/dta/Pages/intell_sobstv.aspx. As of the date of this Article, the Uniform IP Register does not contain any information on any trademarks.

⁵ The Decision of the EEC Board dated 18 December 2014 No. 233 approved the draft EU Customs Code to be adopted in 2015 and effective from 2016. Chapter 51 (*Measures Aimed at the IP Rights Protection of the Right Holder Taken by the Customs Authorities*) of the Draft provides for protective actions to be taken by the customs authorities of the EEU member-states in an area similar to measures established by the EU Customs Code. The EEC will have to approve the Uniform IP Register Regulations for the member-states, which will replace the Agreement on the Uniform Customs Register of Intellectual Property of the CU Member-States dated 21 May 2010.

To suspend the goods release by the customs authority pursuant to Article 331 of the CU Customs Code, there shall be features of violation of IP rights represented by failure of an importer to provide the evidence of the consent of the trademark owner on the importation of the goods into the territory of Russia when the goods are submitted for customs clearance and the Decision to suspend the goods release (Resolution of HAC Plenum dated 13 November 2012, No. 6813/12 on the case No. A51-6603/2011 made in respect of challenging the suspension of release of the original product under Yamaha trademark). Thus, the burden of proof for the consent lies with the importer.

In this case, the fact of inclusion or non-inclusion of trademarks in the customs register shall not be taken into account when the court evaluates the defendant's actions on compliance with the exclusive rights to trademarks, including in cases where the defendant could not know on the trademarks registration with the customs register at the time of submission of the goods to customs clearance (the Judgment of the IP Rights Court dated 4 December 2014 on the case No. A41-20280/2014).

B. Goods Release Suspension: Further Steps

Once the right holder/representative receives the notice from the customs authority of suspension to release goods with counterfeit features, the question arises what claim should be filed to the court, as well as whether the goods importer can be brought to administrative or criminal liability without the consent of the right holder. To analyze the effectiveness of certain actions, the right holder should first turn to law enforcement practice.

1. Administrative Liability

Part 1 of Article 14.10 of the Administrative Code of the Russian Federation (AC RF) provides for the administrative liability for illegal use of another's trade mark or a similar mark of the same goods on citizens in the amount of up to 2,000 roubles; on officials - up to 20,000 roubles; and on legal entities - up to 40,000 roubles, in all case with confiscation of the articles bearing an unlawful reproduction of a trademark.

Under part 1 of Article 1515 of the CC RF, infringing (counterfeit) goods are goods, as well as labels, packings that illegally contain a trademark or confusingly similar trademark.

Prior to the Resolution made by the Higher Arbitration Court of the Russian Federation (HAC) on the case No. A40-9281/08-145-128 under the claim from the Central Excise Customs for bringing Genesis LLC to administrative liability under Article 14.10 of the AC RF due to the importation of a vehicle under PORSCHE CAYENNE S trademark, the goods imported into Russia without the right holder's consent were deemed counterfeit and subject to confiscation at the request (application) of the customs authorities. However, the HAC Board in the Resolution dated 3 February 2009, No. 10458/08 invalidated confiscation of goods manufactured and trademarked by the relevant trademarks owner despite that fact that the goods were imported into Russia without the owner's consent. Thereat, the HAC Board indicates that in this case the goods do not contain any signs of an unlawful reproduction of trademarks, so the importer cannot be made liable for importation of such goods into Russia.

This resolution formed the basis for the further development of court practice: the courts came to refuse the claims of customs authorities for bringing 'parallel' importers to administrative liability under Article 14.10 of AC RF (in particular, resolutions of the Moscow region FAC dated 21 May 2009 No. KA-A41/4307-09 on the case No. A41-23036/08, and dated 9 March 2010 No. KA-A40/506-10 on the case No. A40-97988/09-152-743, resolution of the East Siberian District HAC dated 26 June 2009 No. A19-1768/09, and resolution of the Far Eastern District HAC dated 20 October 2010 No. F03-6921/2010).

Moreover, the HAC Plenum Resolution dated 17 February 2011, No. 11 'On Some Issues of Application of the Special Part of the Code of the Russian Federation On Administrative Violations' provides that administrative liability established by Article 14.10 of the AC RF for an unlawful use of another's trademark, service mark, or the name of a place of origin of goods or markings for the goods of the same kind can be only applied when the subject of the violation includes an unlawful reproduction of the corresponding means of individualization and does not

apply in respect of articles, which are not counterfeit goods.

The court of intellectual property rights in its judgments refers to this conclusion, and also points out that the circumstances confirming the administrative violation under Article 14.10 of the AC RF shall be proven by the customs authorities (resolutions dated 25 June 2014 on the case No. A16-1453 / 2013, and 23 April 2014 on the case No. A51-23464 / 2013).

To date, the practice on cases of bringing importers of original trademarked goods without the right holder's consent to administrative responsibility under part 2 of Article 14.10 of the AC RF is deemed established: to classify an act as a violation, counterfeit features of imported goods shall be established, while the courts indicate the need to distinguish importation of counterfeit goods (unlawfully trademarked) and 'parallel import' (when original goods are imported into the territory of another country without the express consent from the right holder) (resolutions of the Fifteenth Arbitration Appellate Court dated 27 May 2013, No. 15AP-2709/2012-HP on the case No. A32-19017/2011, the Fifth Arbitration Appellate Court dated 19 December 2011, No. 05AP-7725/2011 on the case No. A51-14811/2011). Although in individual cases the court resolutions to satisfy the claims of controlling authorities remain in force (resolution of the Far Eastern District HAC dated 13 June 2012 No. F03-2144/2012).

[TODAY, THERE IS COURT PRACTICE, UNDER WHICH IT IS ALMOST IMPOSSIBLE TO MAKE A 'PARALLEL IMPORTER' ADMINISTRATIVELY LIABLE FOR THE UNLAWFUL USE OF A TRADEMARK.]

Part 2 of Article 14.33 establishes liability for unfair competition expressed in the introduction into circulation of goods with illegal use of means of the individualization of a legal entity, means of the individualization of products, works, services in the form of a fine on officials in an amount of 20,000 roubles or disqualification for a period of up to 3 years; on legal entities - from 0.1 to 0.15 of the amount of the receipts from the sale of the goods (work, service) on whose market the infringement has been committed, but not less than 100,000 roubles.

According to HAC Plenum, it is this part rather than Article 14.10 of the AC RF shall be applied to qualify the acts expressed in the introduction into circulation of goods with unlawful use of a trademark, if these acts comprise an act of unfair competition, as might be indicated, in particular, by the focus of such acts on the benefit for a business, the volume of goods sold. In this case, administrative liability for such a violation may only apply only to a person, which first put the goods with illegal use of a trademark into circulation and, therefore, may not apply to those, who purchased the goods from such a person (paragraph 17 of the above Resolution, dated 17 February 2011, No. 11).

Therewith, since the HAC, as noted above, supports the replacement of the national (regional) principle of exhaustion with the international and is of the view that the introduction into circulation of the original goods with an exhausted exclusive right is not an unfair competition, in practice, 'parallel' importers are not made liable under this article. However, there is still a precedent: the Resolution of the Thirteenth Arbitration Appellate Court dated 8 December 2011 on the case No. A56-73827/2010: acts of sale and introduction into circulation in the territory of the Russian Federation of beer under HOEGAARDEN trademark with the absence of a license agreement with the right holder were recognized as unfair competition according to Article 14.1.4 of the Federal Law dated 26 July 2006 No. 135-FZ "On Protection of Competition".

However, there is a possibility (based on paragraph 20 of the Resolution of the HAC HAC Board dated 30 June 2008, No. 30 'On Some Issues Arising in Connection with the Application by Arbitration Courts of Antimonopoly Laws') to file a claim for recognition of import and other introduction into circulation of goods without the consent of the owner as unfair competition directly to the court without prior addressing to the HAC. In this case, the Court thus cannot dismiss the claim referring to Article 148.2 of the AC RF.

2. Criminal Liability

An unlawful use of a trademark or a similar designation of homogeneous goods committed repeatedly or caused large damage (of over 250,000 roubles) entails the liability provided for by the Criminal Code of the Russian Federation up to imprisonment for up to 2 years with a fine of 80,000 roubles or in the amount of salary or other income for the period up to 6 months.

The courts generally render sentences under this Article provided that relevant offences were committed repeatedly (in case, when a person being previously brought to the administrative

liability for an unlawful use of a trademark, including through the sale of trademarked goods) and when proven that the goods are not original (in particular, the goods were manufactured not in the right holder's production facilities with violation of marking, quality and material requirements), as well as other elements of the offence, including the offender's intent (the Resolution of the Central District Court of Tver city on upholding the sentence rendered by the Justice of the Peace on the case No. 10-11\14, dated 13 October 2014; decision on the criminal case No. 1-56 /2014, dated 21 August 2014 made by the Justice of the Peace of judicial district No. 42 of the Mglinsky judicial area of the Bryansk region; appellate ruling on the case No. 10-2/2014, dated 30 July 2014 rendered by the Verkhovsky District Court of the Oryol region).

Therewith, in the case No. 22-10966 for an unlawful use of Creative trademark by introduction of the original goods into circulation, under the Sverdlovsk Regional Court ruling, dated 25 November 2009, a guilty person was made criminally liable (a claim for the case re-consideration by the court presidium was dismissed).

3. Claims for Withdrawal from Circulation and Destruction of Goods

One of the civil law remedies related to the introduction into circulation of goods trademarked without the consent of the right holder is seeking for the withdrawal and destruction of the relevant goods, labels, packages that contain illegally used trademark or confusingly similar designation at the expense of an infringer under Article 1515.2 of the CC RF. Judicial practice in terms of such claims is formed rather in favour of right holders.

The first of the most significant cases on the discharge of claims for withdrawal and destruction of imported goods considered in courts of all instances was the case under the claim from SANPELLEGRINO S.P.A. against Elit Voda Ru LLC. The Resolution of the Moscow district HAC dated 29 December 2011, No. A40-12515/2011 states that based on Articles 1515.1 and 1252.4 of the CC RF, the goods being a material medium, on which a trademark is placed, shall be deemed a counterfeit not only in case of creation of a non-genuine goods trademarked without the consent of the right holder, but also in case of illegal (counterfeit) use of the original product, which leads to a violation of the exclusive rights of the right holder; in the latter case, the material medium is recognized as a counterfeit by the court.

Thereat, the court recognize the fact that the original goods had been purchased outside of Russia as irrelevant, since under Article 1227.2 of the CC RF, the transfer of ownership to a thing shall not involve the transfer or granting the right to intellectual property or means of individualization expressed in the thing. Thus, since the infringement of the rights of a trademark owner is, inter alia, the unauthorized importation of goods containing a trademark or confusingly similar designation to the territory of Russia, and the disputed goods were counterfeit, according to the court, the withdrawal and destruction of the relevant goods in this case is lawful. The HAC supported this position (the Ruling, dated 6 June 2012, No. VAS 4558/12 on refusal to forward the case to the HAC Praesidium).

This position is also reflected in recent court judgments, in particular: decision of the IP Rights Court, dated 16 December 2013, on the case No. A41-42379/2012 validated the claim of Nissan Jidosha Kabushiki Kaisha against AVTO logistika LLC for the withdrawal and destruction of goods containing NISSAN trademarks, in the absence of evidence that the defendant had the right to use these trademarks; resolution of the IP Rights Court, dated 4 August 2014, on the case No. A40-98350/2013 also upheld lower court decisions on the withdrawal and destruction of NESTLÉ WATERS France goods (mineral water) imported without the consent and marked with PERRIER trademark, and the goods were recognized as counterfeit. In both these cases, the court referred to paragraph 25 of the joint Resolution of the Supreme Court Plenum and HAC of the RF, dated 26 March 2009, No. 5/29 'On Some Issues Arising in Connection with the Entry of Part IV of the Civil Code of the Russian Federation into Force'.

[THE RIGHT HOLDER'S CLAIMS FOR WITHDRAWAL AND DESTRUCTION OF THE GOODS IMPORTED INTO THE TERRITORY OF RUSSIA WITHOUT ITS CONSENT, FOR COMPENSATION FOR INFRINGEMENT OF THE EXCLUSIVE RIGHTS TO THE TRADEMARK AND FOR PROHIBITION TO IMPORT THE GOODS IN FUTURE ARE IN MOST CASES SATISFIED BY THE RUSSIAN COURTS.]

At the same time, courts also made decisions to dismiss the claims for the withdrawal and destruction of goods, in particular, the decision of the Thirteenth Arbitration Appellate Court, dated 25 November 2013 on the case No. A56-10416/2013 (under the HAC resolution, dated 15 July 2014 No. VAS-12583/13, the case transfer to the Presidium was refused), in which the court concluded that since the goods offered for sale in Russia without the consent of the right holder are original and containing trademarks of the claimants, then subject to the presence of signs and conditions related to their legal acquisition by other persons (including, individuals claiming for legal possession), seizure (withdrawal) followed by the destruction of these goods cannot be considered as a proportionate punishment for the violation committed by the defendants. In this case, however, the claim for compensation for an illegal use of the trademarks was satisfied, which leads to the conclusion that the courts in this case were based primarily on the need to determine proportionate sanctions for the violation.

4. Claims for Compensation

In addition to the withdrawal and destruction of counterfeit goods at the expense of an infringer, a right holder may claim for compensation by the infringer, according to Article Article 1515 of the Civil Code:

- 1) in the amount from 10,000 to 5,000,000 roubles at the court's discretion based on the violation nature;
- 2) double the price of the goods illegally trademarked, or double price of the right to use a trademark based on the price usually charged for a lawful use of the trademark under comparable circumstances.

Such a claim may be filed instead of a claim for damages. The essential difference between these claims is no need in proving the amount of damages, as well as the causal link between the unlawful use of the trademark and damages.

Analysis of judicial practice in view of the application of provisions of the CC RF on liability for infringement of the exclusive trademark rights shows that damage claims were satisfied by the courts in most cases, subject to evidence of importation of goods without the consent of the right holder, i.e. the fact of infringement of the exclusive right to the trademark.

The court at own discretion determines the amount of compensation according to the law, but not higher than the amount specified by the claimant. In this case, the court may recover compensation in a smaller amount compared to the claimed amount, but not below the lower limit set by law (paragraphs 43.2 and 43.5 of the resolution of the SC Plenum and HAC Plenum, dated 26 March 2009, No. 5/29).

The amount of compensation shall be justified and determined by the court, in particular, on the basis of the violation nature, period of unlawful use of a trademark, degree of guilt of the violator, previous commitments of violation of exclusive rights of the right holder, probable losses of the right holder, as well as proportionality of the compensation to violation consequences. Thus, an unlawful use of NISSAN trademarks by importation of the goods so trademarked into the territory of Russian resulted in the compensation by AVTO logistika LLC in the amount of 400,000 roubles, based on 20,000 roubles for each customs declaration.

In case of an unlawful use of Abbott trademark by importation into Russia and sale of coronary stents accordingly trademarked, under the claim from Abbott Laboratories against Kufran-C LLC, the FAC of the West Siberian district by its resolution, dated 14 February 2013 on the case No. A45-5005/12 awarded compensation in the highest possible amount - 5,000,000 roubles (under the HAC Ruling, dated 5 June 2013 No. VAS-6633/13, the case transfer to the HAC Presidium for supervisory review was refused). In the analytical part of the resolution on that case, the Appellate Court referred to the legal position set out in paragraph 15 of the Information Letter, dated 13 December 2007, No. 122 'Review of Arbitration Precedents related to the Application of Intellectual Property Law': the importation of goods trademarked without the consent of the right holder is an element of introduction of the goods into circulation in the Russian Federation and a separate violation of the trademark owner's rights. The argument of the defendant on exhaustion of the claimant's exclusive right to the trademark by the importation of similar goods by Abbott Laboratories or by another person upon its

consent was dismissed as based on misinterpretation of Article 1487 of the CC RF, under which we may conclude that the exhaustion only takes place in relation to the trademark with regard to *specific goods*, which were put into circulation in the territory of Russia by the right holder or upon its consent.

In practice, for one case of the violation represented by the importation of goods under a single customs declaration, a peak compensation was 1,000,000 roubles for an unlawful use of Guinness trademark (under the resolution of the FAC of Moscow district, dated 18 June 2012 on the case No. A40-78553/11-110-648, the case transfer to the HAC Presidium was refused) and Merries trademark (resolution of the FAC of the Far Eastern district, dated 13 June 2013 on the case No. A51-22505 / 2012).

At the same time, there are precedents connected with reduction of the compensation amounts for an unlawful use of a trademark in several times compared with the claims amount: in particular, in the case under the claim from Heineken Česká republika, a.s. against Elit Voda Ru LLC in connection with the introduction of goods under KRU OVICE trademark into circulation in the territory of Russia without the claimant's consent, the compensation amount was reduced from 400,000 to 200,000 roubles (resolution of the FAC of the Moscow district, dated 16 April 2012, on the case No. A40-51953/11-51-440). In the case No. A40-23850/12-27-216s involving the same parties and subject of the claim, the compensation amount was reduced from 1,000,000 to 30,000 roubles (resolution of the FAC of the Moscow district, dated 25 February 2013). In this case, the court did not support the claim for compensation recovery in the amount of 10,000 roubles for each unit of imported goods (bottle of beer) under one customs declaration: as a violation of the exclusive right the court recognized the fact of importation of goods in general, regardless of the number of imported goods.

When filing compensation recovery claims, the right holders would be better to consider precedents of the relevant arbitration court in order to claim for the most optimal amount of compensation so that such an amount shall be sufficient to prevent repeated violation in future, on one hand, and taking into account that it may be reduced by the court and the right holder will have to pay the state fee in proportion to the claim amount, on the other hand.

5. Claim for Moratorium on Any Acts related to the Trademarks Use

The claim for moratorium to take any actions involving the use of a trademark without the owner's consent, including to put into circulation in the territory of the Russian the goods containing the trademark placed on them, their label or packaging, to import, advertise, store, sell, distribute and use in the territory of the Russian Federation of goods, marked the specified trademark, is filed by the right holders under Article 1252.1.2 of the CC RF and, generally, with the claim for compensation for an unlawful use of the trademark and for withdrawal and destruction of the relevant goods at the expense of importers. Such claims are usually satisfied by courts in most cases. Examples of court decisions to satisfy such a claim can be the above-mentioned Resolution of the FAC MD, dated 29 December 2011 on the case No. A40-12515/11-27-104 under the claim from SANPELLEGRINO S.P.A. against Elit Voda Ru LLC (supervisory review of which was denied by the HAC ruling, dated 6 June 2012 No. SAC-4558/12), the Resolutions of the IP Rights Court, dated 4 March 2014 on the case No. A40-22890/2013, dated 28 May 2014 on the case No. A76-12697/2013, dated 13 August 2014 on the case No. A51-32897/2013. The keynote in such resolutions is also the fact that the court may recognize original goods as counterfeit under Article 1252.4 of the CC RF, which establishes that if the importation of material values, in which the result of intellectual activity or means of individualization is expressed, causes an infringement of the owner's rights to such means, such material media shall be deemed counterfeit.

The claim to prohibit any actions connected with the use of trademarks is also filed to initiate a criminal case under Article 315 of the Criminal Code of the Russian Federation, when the importer in violation of the court decision continues to import goods without the right holder's consent, as well as to collect evidence in support of a new claim: establishing violators (sellers of illegally imported goods), selling price of the goods and amount of funds received by the violators from selling the goods (to determine the compensation amount).

The liability in this case can be imposed not only on the importers, but also on persons, who offer to sell the relevant goods purchased in another state and containing the trademarks protected in Russia, in particular, those, who implement commission trade of such goods (the Resolution of the IP Rights Court, dated 2 April 2014 on the case No. A56-10416/2013).

In connection with the regional principle of exhaustion of trademark rights within the EEU, it is interesting to note the case No. A41-42709/2010 under the claim of Bayerische Motoren Werke Aktiengesellschaft against AVTO logistika LLC" for the moratorium on import or another way of putting into circulation in the territory of the Russian Federation, as well as transportation or storage for such a purpose of the goods under BMW trademark, and for compensation of 300,000 roubles for the violation of the exclusive rights to the above trademarks. The resolution of the FAC MD, dated 16 March 2012, the first of these claims was satisfied. However, under the ruling of the HAC, dated 9 June 2012 No. VAS 5179/12, the case transfer to the HAC Presidium for supervisory review was refused.

AVTO logistika LLC"requested the Arbitration Court of the Moscow to change the way of enforcement of the judgment in view of the fact that the injunction against the introduction into circulation in the territory of the Russian of goods containing disputable trademarks of the claimant is so formulated that the defendant cannot import goods containing claimant's trademarks from the territory of Belarus and Kazakhstan to Russia, even where the relevant goods are put into circulation in the territory of the above states by the claimant or with its consent. The decision of the Arbitration Court of the Moscow region, dated 6 September 2013, being upheld by the resolution of the Tenth Arbitration Appellate Court, dated 24 December 2013 and judgment of the IP Rights Court, dated 12 May 2014, denied the claim, since the procedural law contains a list of grounds for changing the way or manner of judicial act enforcement, such a change is an exceptional measure taken by the court subject to adverse circumstances that impede the enforcement of the act, and shall be solely aimed at the enforcement of the act, and, probably, within the filed claims and in accordance with the facts established by the court decision. In this case, the defendant's petition was filed to overcome or mitigate the adverse effects caused by the judicial act against the defendant, rather than to create conditions for enforcement thereof.

When considering civil legal claims from right holders against 'parallel' importers, the courts also establish whether the relevant violation took place: not only the actual importation into the territory of Russia of the goods bearing the relevant trademarks, but the customs declaration for the release of the goods in circulation in the Russian Federation.

In its decision on the case No. A51-22505/2012 related to the violation of the claimant's exclusive rights to MERRIES trademark and went through all court instances, the arbitration court with the reference to paragraph 15 of the informational letter from the HAC Presidium, dated 13 December 2007, No. 122 stated that when qualifying an action as the importation of trademarked goods into the territory of Russia, declaration of the goods would a sufficient factor. At the same time, the Appellate Court noted that the actions aimed at the importation of goods into the territory of the Russian Federation under another's trademark (counterfeit goods) were established as taken by the defendant by the fact of customs clearance of the goods for subsequent release into free circulation in the territory of Russia. A similar conclusion was made by the arbitration court on the case No. A21-10857/2012 under the claim of Samsung Electronics Co., Ltd. against M4M LLC (upheld by the decision of the Thirteenth Arbitration Appellate Court, dated 5 June 2013).

At the same time, in the case No. A60-15807/2013 under the claim of CASIO Keisanki Kabushiki Kaisha against Aviacon Zitotrans JSC the courts dismissed the claim in full, since the defendant performed the goods transportation only, not being an owner, consignor or consignee thereof and not having the powers to dispose of them, and there was no evidence supporting the defendant's intent and actions to undergo customs procedures for the goods release into the territory of the Russian Federation (submission to the customs authority of documents and information about the transported goods, performance of customs operations related to the temporary storage of the goods or customs declaration thereof in accordance with the customs procedure).

In this case, the burden to prove the presence of the right holder's consent/approval to use the trademark lies with a person importing or otherwise introducing the goods into circulation, since the absence of prohibition to use a result of intellectual activity or means of individualisation is not considered as a consent (approval) thereto, according to paragraph 2 of Article 333.1 of the Civil Code

II. KAZAKHSTAN

The Law of the Republic of Kazakhstan, dated 7 April 2015, No. 300-V 'On the Introduction of Amendments to Some Legislative Acts on the Issues of Legal Regulation of Intellectual Property' replace the national principle of right exhaustion with the regional principle (Article 19.7 of the Law of the Republic of Kazakhstan 'On Trademarks, Service Marks and Appellations of Origin') (hereinafter - the 'Trademark Law'). These changes have brought the national legislation in line with the provisions set by the EEU Treaty between Russia, Kazakhstan and Belarus, dated 29 May 2014.

In the absence of the actually 'functioning' Unified Customs Intellectual Property Register in the EEU territory, operation of the Kazakhstani CIPR becomes particularly important to the right holders.

[SINCE THE UNIFORM CUSTOMS IP REGISTRY IS CURRENTLY INOPERABLE, THE EFFECTIVE PROTECTION OF TRADEMARK RIGHTS REQUIRES REGISTRATION THEREOF IN KAZAKHSTANI CIPR.]

In Kazakhstan, there are measures of customs authorities on protection of IP rights similar to the Russian measures: maintenance of the CIPR and ex officio measures (Article 58 of the Agreement on Trade-Related Aspects of IP Rights). The procedure and requirements for the inclusion of trademarks in the Kazakhstani CIPR and the same of Russia are not much different.

In practice, in respect of goods, which for the first time crossed the EEU border that coincides with the 'external' customs border of Kazakhstan, the customs authorities will apply Kazakhstani CIPR, for example, when the goods are declared for customs clearance at the border of Kazakhstan and China, where the EEU border coincides with the Kazakhstani border. Further movement of the goods through the EEU territory is free in accordance with the principle of regional exhaustion of intellectual property rights.

Chapter 53 of the Code of the Republic of Kazakhstan 'On Customs Affairs' provides for the suspension of goods involving the violation of a trademark right for 10 business days with the option of further extension for next 10 business days. During the suspension period the right holder shall take measures for protection of the trademark rights - to file a claim for commencement of administrative or civil proceedings. Otherwise, in failure to provide documents confirming the commencement of administrative or civil proceedings and seizure of the goods, the customs authorities will release the suspended goods in free circulation. The goods introduced into circulation in Kazakhstan in violation of trademark rights are difficult to identify among the rest original goods, as it is not easy to track the points of sale, so it becomes more complicated for the right holder to protect its rights. Given factors such as: a common economic area within the EEU, where the goods are freely circulated; regional principle of exhaustion of trademark rights in the EEU territory; and the risk of penetration in Kazakhstan of counterfeit (fake) goods both from China and neighboring countries, the goods customs cleared in Kazakhstan can reach domestic markets of the EEU states, which would create further complications in taking effective measures for the protection of trademark rights for the owners. It is obvious that not all right holders assess such a risk and apply to the customs authorities of Kazakhstan to include trademarks in Kazakhstani CIPR, having discovered sales of counterfeit goods in domestic markets.

As mentioned above, the customs authorities of Kazakhstan do not release the suspended goods in free circulation, if the right holder has taken steps to protect its trademark rights. In Kazakhstan, the legislation also provides for the option to bring a 'parallel' importer to administrative and/or civil liability.

1. Administrative Measures

Prior to the moratorium on audits of small and medium businesses introduced on 2 April 2014, administrative liability was the most common form of liability for violations of trademark rights. On 1 January 2015 the moratorium effect terminated and, therefore, a large number of statements (claims) are expected to be filed with regard to violations of the exclusive trademark rights of owners.

If an owner solely intends to eliminate a certain violation without recovery of compensation, and do not want to waste time on litigation and suffer related costs, it makes sense to seek protection of its rights in the administrative procedure.

Protection of trademark rights in the administrative procedure can be performed by filing an application to the competent authorities as provided by the Code of the Republic of Kazakhstan 'On Administrative Violations' (AC RK), which initiate administrative proceedings under Article 158 'Unlawful Use of Another's Trademark' of the AC RK. Starting from 2015, in addition to the justice authorities and authorities for competition protection, the customs authorities also may initiate administrative proceedings. Now, when the customs authorities identify the signs of IP rights violation, they can initiate administrative proceedings and draft administrative violation notices in relation to the suspended goods. Previously, it was necessary to provide the customs authorities with documents on the seizure of the goods issued by the justice authorities and/or administrative court rulings on confiscation of the goods.

[IN KAZAKHSTAN, A 'PARALLEL' IMPORTER CAN BE MADE ADMINISTRATIVELY LIABLE BY CUSTOMS AUTHORITIES.]

From 1 January 2015, administrative liability in Kazakhstan for an unlawful use of a trademark (Article 158 of the AC RK) arises only if the relevant actions do not contain the elements of a criminal offence. Qualifying elements under Article 222 of the Criminal Code of the Republic of Kazakhstan 'Unlawful Use of a Trademark' are repeated nature and large-scale damage caused. Pursuant to Article 3.38 of the Criminal Code of Kazakhstan, the large-scale damage is in the amount of more than 100 MCI when caused to an individual, and more than 1,000 MCI when caused to a legal entity.⁶

Moreover, from 1 January 2015, amounts of administrative fines have changed. First, fine amounts are differentiated depending on the category of business entity, and, second, instead of the previous maximum and minimum limits of fines, now only a maximum amount of an administrative is provided: for individuals - 30 MCI, for small businesses - 40 MCI, for medium businesses - 50 MCI, for large businesses - 100 MCI. In addition to fines, Article 158 of the AC RK also provides a sanction such as confiscation of goods for destruction or, in case of original goods, transfer to the right holder upon its request.

The Kazakhstani legislation does not directly define the counterfeit goods. However, the courts in consideration cases related to "parallel" import are based on the following rules of law.

According to Articles 125 and 1025 of the CC RK, the exclusive right to use a trademark shall belong to the right holder only. A protected trademark cannot be used without the right holder's consent. In this case, the use of a trademark is any act of its introduction into circulation, regardless of whether the trademark is placed on the original goods or on false goods. Interpretation of Article 1025 of the CC RK implies that any trademarked product, including the original one, shall be imported, or sold by the right holder or with its consent.

Pursuant to Article 19.7 of the Law 'On Trademarks, Service Marks and Appellations of Origin of Goods', the use of a trademark by others in relation to goods, which have been legally put into civil circulation in the territory of EEU member-states by the right holder or with its consent, shall not be considered as the infringement of the exclusive right to the trademark.

Given the provision of the CC RK and Article 19.7, the use of a trademark in relation to goods, which have been put into civil circulation in the territory of the Republic of Kazakhstan and other EEU member-states not by the right holder or without its consent, shall be considered as the infringement of trademark right.

⁶ From 1 January 2015, one MCI equals to 1,982 tenge

As an example of violation of the exclusive rights applying former national principle of rights exhaustion can be the case No. 2-6492/2014 under the claim of Nissan Jidosha Kabushiki Kaisha (also trading under the name 'Nissan Motor Co., LTD) against CARLUX COMPANY LLP for the protection of exclusive right to Nissan trademarks - to qualify the actions of CARLUX COMPANY LLP represented by storage, offer for sale and sale in the territory of the Republic of Kazakhstan of **vehicles** under Nissan trademarks, as well as by the use of Nissan trademarks in the signs, advertising materials on the website <http://www.carlux.kz> and SMS dispatch, as violating the exclusive rights of Nissan Jidosha Kabushiki Kaisha to Nissan trademark, and, therefore, illegal; for prohibition and prevention of any further actions of CARLUX COMPANY LLP that infringe the exclusive rights Nissan Jidosha Kabushiki Kaisha to Nissan trademark or such actions, which create a threat of such an infringement in the territory of the Republic of Kazakhstan; for immediate termination of the unlawful use in the Republic of Kazakhstan of foreign NISSAN trademarks, as well as identical or confusingly similar designations, including in signs, advertising materials on the website and SMS dispatch; obliging CARLUX COMPANY LLP to announce immediately in the republican newspaper *Kazakhstanskaya Pravda* or *Yuridicheskaya Gazeta* the infringement committed, the termination of further illegal use by the company of NISSAN trademarks; for recovery of compensation from CARLUX COMPANY LLP in favour of the Claimant for the state fee. The court took into account that any goods mean both original and fake goods. According to the decision of the Specialised Inter-District Economic Court of Almaty, dated 4 August 2014, on the above case, the main sign of an unlawful use of the trademark is the lack of the right holder's consent. In this regard, the claim of Nissan Jidosha Kabushiki Kaisha was satisfied in full.

2. Civil Law Measures

In 2014, due to a moratorium on audits of small and medium business entities, the trademark owners had to seek protection in civil proceedings provided for by the Civil Procedural Code of the Republic of Kazakhstan ("CPC RK"). In particular, in practice, a moratorium made interaction with customs authorities in connection with the suspension of the release of counterfeit goods (both "parallel" import, and false goods) difficult. The fact is that the administrative procedures allowed a right holder more quickly respond to the customs notices on the goods suspension and receive within the suspension period (totalled in 20 business days) the necessary procedural document to avoid customs clearance and release into circulation of such goods. Due to the ban on audit of small and medium business entities, a right holder might only file a claim to the court. Because of the nature of procedures and deadlines specified by the CPC RK, a right holder or its authorised representative referred to in the CIPR not always manage to obtain a court order to initiation civil proceedings within the suspension period. In such cases, upon the expiry of the suspension period, the right holder must file to court a claim related to the release of the customs-cleared goods into circulation.

In respect of the goods being already in the civil circulation, if no measures were taken at the border point, the right holder usually try to resolve the conflict with an infringer in the pre-trial procedure, giving a requirement to the potential infringer on voluntarily termination the unlawful use of the trademark. When this does not give a positive result, the right holder goes to the court.

Apart from the requirement to stop infringing the trademark rights, the claim may include the requirements to compensate the trademark owner for losses incurred. (Articles 9 and 1032 of the CC RK and Article 44 of the Law 'On Trademarks, Service Marks and Appellations of Origin of Goods').

[IF BESIDES THE ELIMINATION OF VIOLATIONS THE RIGHTHOLDER CONSIDERS NECESSARY TO STOP THE VIOLATION IN THE FUTURE AND RECOVER DAMAGES FROM 'PARALLEL' IMPORTERS, HE MAY FILE THE RESPECTIVE CLAIM TO THE COMPETENT COURT REPUBLIC OF KAZAKHSTAN.]

However, in practice, it is extremely difficult to calculate the amount of losses. A trademark owner, as a rule, does not have reliable information on the extent of the damage caused by the infringement, and the infringer is seemed reluctant to provide the necessary information. Under Article 9 of the CC RK, the losses mean costs made or to be made by a person, whose rights have been infringed, actual damages and lost profits. The judicial authorities in

determining the amount of damages to be recovered are based on documented losses confirmation (financial documents on payments made, amounts received, invoices, contracts, etc.).

The court proceedings can last for a considerable period of time (the judgement may be appealed to the courts of appeal and cassation) - from 2 to 9 months, during which the right infringement may continue, which is one of the downsides of civil protection. Thus, in the civil case No. 2-13536/14 a manufacturer of luxury jewellery filed a claim against a Kazakhstani LLP for elimination of violations of the exclusive rights to trademarks. An Appeal Board ruled to uphold the decision of the first instance court, which (1) obliges the Kazakhstani LLP to stop selling products containing the right holder's trademarks, to use the trademarks in signs, advertising, printed materials or other business documents; (2) obliges the Kazakhstani LLP to remove the illegally used trademarks from goods, their packaging, letterheads, and other documents.

As noted above, the civil laws of Kazakhstan defines not only adulterated goods as counterfeit. Status of counterfeit can apply to any lawfully trademarked goods, if the goods have been imported into the territory of the Republic of Kazakhstan not by the right holder or without a contract concluded therewith, or without its express consent. Accordingly, the action involving movement of such goods into the territory of the Republic of Kazakhstan is unlawful and infringing the exclusive rights of the right holder.

As an example, please consider the civil case No. 2-22423/14 under the claim of a manufacturers of confectionery products for elimination of the infringement of the exclusive trademark rights, namely, for obliging a Kazakhstani LLP to terminate the infringement by stopping the import of goods bearing the owner's trademarks and destructing the goods and their packaging containing the relevant trademarks. The basis for legal recourse was the import by the defendant for further sale in the territory of the Republic of Kazakhstan of the goods bearing the trademark being the subject of the claimant's exclusive rights, without the consent of the latter. The claim was satisfied by the court in full. This decision was made within the civil protection in view of the national principle of rights exhaustion as effective at that moment.

At the same time, there are examples of courts' denials to satisfy the claims of trademark owners, in particular, the resolution of the Supreme Court, dated 27 September 2012 on Chivas Regal trademark, which states that "parallel" import does not infringe the rights of the right holder, since the title documents held by the claimant and defendant are for different trademarks.

In recent years, a number of appeals to the courts for protection of the IP rights has increased significantly. Despite the fact that the court practice is very contradictory, in general, we can say that the protection by owners of trademark rights in connection with the unlawful importation of original goods in Kazakhstan through filing a civil claim to the court against the infringer is highly successful and effective.

Based on the foregoing, both in Russia and Kazakhstan the most effective means of protection from import and other introduction into circulation of goods, the exclusive right to which has not been exhausted, currently include:

- a. registration of a trademark with the CIPR, so that the customs authorities suspend the release of unlawfully imported goods without fail;
- b. filing claims to the courts against "parallel" importers for termination of infringing trademark rights and prohibition of using the trademark in any way in future, as well as for the seizure and destruction of the goods.

In Russia, beside that, a right holder may file a claim for recover of compensation from the infringer (with great chances of positive outcome).

In Kazakhstan, starting from 2015, there is again an option to impose administrative liability not only on importers of adulterated goods, but also on the importers of the original goods, in the absence of the right holder's consent for the goods introduction into circulation in the EEU.