

Social Responsibility of Intellectual Property Rights Holders



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Maksym Medvid has extensive practical experience of providing legal support and consulting advice to both medium-sized businesses and major holdings. Maksym handles representation and protection of IP rights owners in their dealings with law-enforcement bodies, state authorities and courts. Maksym specializes in unfair competition practice, IT, IP litigation and brand protection practice. In the IT practice, Maksym handles such issues as the development and practical application of EULA, NCA/NSA, NDA. Maksym has strong legal practice experience of dealing with customs authorities and law-enforcement bodies in cases on infringement of IP rights. Maksym participated in a number of projects for globally-known companies regarding protection and represented their interests in Ukraine.

Everyday consumers come face to face with brands, from brushing their teeth and having a cup of coffee in the morning to finishing their day with a glass of wine. People buy things (and see brands) all the time. It is predicted that the global online shopping market will reach USD 4 trillion in 2020, with more than two billion consumers. Global retail sales are projected to be around USD 30 trillion by 2023, compared with approximately USD 23 trillion in 2017.

All these people are not just buying things, they are choosing the right brand based on price, quality and reputation.

However, do all consumers get what they really expect to buy?

18 March 2019 – Trade in counterfeit and pirated goods has grown steadily over the past few years, despite the stagnation of total trade volumes, and currently accounts for 3.3% of global trade, according to a new report by the OECD and the EU Intellectual Property Office.

Every day millions of consumers expecting to buy original goods get something akin to “Made in Banana Republic”. Of course, sometimes people make an informed choice when buying a luxury brand at the lowest price. For example, a ‘gold’ watch for 20 Dollars. In other cases, consumers become hostages to the counterfeit market. Furthermore, most counterfeit and copycat (imitation) goods are of poor quality or even dangerous to one’s health.

The question arises: who should be responsible for protecting consumer’s rights from counterfeit? The first thought that comes to mind is the government and law-enforcement. Indeed, the state should use all available legal tools to protect consumers’ rights from substandard products and counterfeit goods. Governments in different countries develop and implement mechanisms to protect consumers as well as the holders of IP rights.

Will any such mechanism be effective if IP rights holders do not use it? The answer is definitely not.

It is assumed that IP rights holders are jointly and severally liable, together with the government, for protecting consumers against counterfeit goods. From this point of view, IP rights holders should do everything possible to prevent and mitigate the risks of presence of counterfeit goods on the market.

In the past few years, Ukraine has come under the magnifying glass of the global IP community as to the level of intellectual property rights protection. As a result, at the beginning of the year the EU said that Ukraine had got serious systemic problems in the area of IP protection and enforcement, causing significant harm to EU businesses.

However, at the end of 2019 and beginning of 2020, the first steps were taken by the government to improve the quality of IP rights protection. Thus, the *Customs Code of Ukraine* has been

substantially amended in terms of protection against counterfeit goods at the border, the Law of Ukraine *On Protection of Rights to Indication of Origin of Goods* has been adopted, and a list of draft laws related to the protection of trademarks, industrial designs and inventions is currently being considered by the Ukrainian Parliament.

While the government fulfils its function of protecting IP rights and, therefore, protects consumer rights from counterfeit goods, the next step shall be taken by brand owners. They have a number of mechanisms at their disposal to achieve this goal.

Below, we would like to draw your attention to some of them.

Border Protection

There is a famous phrase attributed to Stanislawsky: “The theatre begins with a cloakroom.”

If the theatre begins with the cloakroom, the market of counterfeit and look-a-like goods begins, in the main, at the border.

Pursuant to Article 398 of the *Customs Code of Ukraine*, the customs authority applies measures to protect IP rights after registering an IP object with the Customs Register of IP objects (the CRIP).

The customs authorities must check those goods containing IP objects, if such objects are registered in CRIP (Article 399 of the CCU). If there is a counterfeit mark on such products, customs clearance should be suspended.

How does it work? The IP rights owner, through a legal representative in Ukraine, registers its IP rights (usually TM, but could be any IP rights) in CRIP. To mitigate the risk of counterfeit and look-a-like imports, the owner of the IP rights should provide custom officers with as much information as possible about potential ways of counterfeit deliveries, general measures for counterfeit goods, possible manufacturers and importers.

Upon import, the importer submits a customs declaration, which indicates the TM and other features of imported goods. In the event that such a declaration contains suspicious information or TM registered in CRIP, the customs authorities examine the goods and notify the IP rights owner in the event of detection of infringing goods.

As a result, the customs clearance of infringing goods may be suspended for further legal actions at the discretion of the IP rights owner.

Therefore, in order to mitigate the risks of delivering counterfeit (including look-a-like) goods to the Ukrainian market, the registration of IP objects in CRIP is strongly recommended.

Fighting Counterfeit on the Market

It would be great if all counterfeit and look-a-like goods were stopped and strictly destroyed

SAYENKO KHARENKO

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Sayenko Kharenko is one of Ukraine's largest law firms, offering comprehensive support in all major sectors of the economy. In order to manage the rapidly evolving Ukrainian legal and business environment, the firm embraces innovation through new products, out-of-the-box thinking and creative solutions. The emphasis on innovation brings services that enable clients to excel in what they do. Sayenko Kharenko has been recognized over 100 times as No. 1 law firm in key practice areas and named "Best Law Firm in Ukraine" more than 30 times by the most prestigious professional excellence awards.

The firm has provided legal services to over 1700 clients from more than 60 countries around the globe and recognizes that every single client has unique business needs. Sayenko Kharenko tailors its services to best fit the individual profile of each and every client.

Sayenko Kharenko designed an innovative project called Newworld Lab to anticipate developments in the new economy and place the firm and its clients at the cutting edge of the changes shaping the collective future. The firm analyses global trends in science and economics and identifies effective instruments to manage fast-evolving relationships and implement inno-

ventions. The ultimate goal is to create new legal solutions, which would drive forward the business of the firm's clients.

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at the border. Let's be honest and realistic, such a scenario is impossible neither in Ukraine nor the EU or USA.

Last year world-famous brands in Ukraine enlisted professional investigators to protect brands and carry out anti-counterfeit campaigns on a turn-key basis. For example, last year a law firm provided legal support to a police operation that led to raids on more than a dozen manufacturing facilities and the seizure of more than 150 tons of counterfeit household detergents.

An anti-counterfeit campaign usually includes online and offline market research, as well as test purchases. Criminal or judicial proceedings are initiated on the basis of the results.

However, the owner of intellectual property rights should not expect law-enforcement agencies or state authorities to be proactive in this matter as it all very much depends on the owner.

Unfair Competition

Another issue related to enforcement of IP rights is the presence on the market of look-a-like goods. Often, unscrupulous manufacturers do not want to invest in their own brand popularisation. They copy well-known brands without directly infringing TM rights, but replicate the packaging or label their products in a similar way.

For example, not so long-ago Ukrainian producers of alcoholic beverages replicated the label of "JACK DANIELS" with the inscription "BLACK JACK" and a similar black design with white lettering. As a result, the manufacturers of such alcoholic beverages were fined almost 10 million Hryvnias (around USD 400,000).

The definition of unfair competition also refers to actions associated with the labelling of products with misleading information (e.g., "with flavour of whiskey").

Thus, in order to protect not only the interests of the brand but also to protect consumers from low-quality products, the brand owner must prevent such infringements from the very beginning.

Recognition of a Trademark as Well-known

A trademark can be recognised as well-known irrespective of whether or not such trademark was registered in Ukraine. The Appeal Board of the Ukrainian IP Office and the competent court have the authority to recognise a trademark as well-known. Both bodies will determine the date on which the trademark will be considered to be well-known.

The advantages of recognising trademarks as well-known for brand owners are as follows:

- Protection (refusals and cancellations) in respect of similar trademarks for homogeneous and non-homogeneous goods and services (in all 45 classes of goods and services);
- May be granted retroactively (for example, from 1 January 2015);
- Extended 5-year statute of limitation period for trademark cancellation actions and no statute of limitation if an infringing trademark is registered or used in bad faith;
- Widely used by experts as grounds to increase the value of a trademark (e.g., for royalties, sale) as well as for evaluating

damages caused by trademark infringement;

- It is perpetual and is not subject to any renewals.

The above advantages lead to better protection against look-a-likes, unfair competition, online trademark infringements, business defamation cases, as well as trademarks, which constitute transliteration of well-known trademarks. Besides, during criminal investigations against counterfeit goods, the status of a TM as well-known may help to seize not only branded goods but also branded packages which are found to be separate from the goods during a raid.

Last but not least, it is a powerful tool for a brand protection campaign, showing that the owner of IP rights cares about its consumers.

So, Who should be Responsible for Protecting Consumer Rights Against Counterfeit goods?

The market for counterfeit goods is handled by huge "corporations" and the belief that the state authorities can oppose them on their own is unrealistic.

Brand owners should use their available resources to protect themselves and their consumers. As shown above, they have a variety of mechanisms to do this, including professional legal support.