

Intellectual Property 2.0



Ratification of the EU–Ukraine Association Agreement and chronic “bad” news on the other side of the Atlantic regarding Special 301 Report provide continued challenges in terms of improving intellectual property protection and enforcement. However, this is not something to discourage but more to recognize that without improvement of IP protection there will be no step forward. Moreover, the current “stress test” for all business is a good opportunity to rethink what really matters for successful and sustainable business, improve internal business processes and make business efficient.

We met **Nazar Chernyavsky** and **Oleksandr Padalka**, partners at a leading Ukrainian law firm **Sayenko Kharenko**, to discuss and hear their thoughts on how brand protection could improve the situation with intellectual property protection and bring added value for business.

UJBL: SK already has a strong IP practice. What was the reason to also launch the brand protection practice?

Oleksandr Padalka: We decided to launch the brand protection practice not because it sounds good, fresh, and is a catchy business definition. It is more the story about the development of our intellectual property practice and evolving demand from our clients. We have been advising our clientele on intellectual property issues for more than 10 years now, ranging from routine work to complex issues that arise regarding the protection and enforcement of their critical intellectual property rights. We have grown in confidence that it is insufficient to register or protect your trademark in court, for example. I mean to ensure protection of a particular intellectual property. Our clients usually have a sizeable chunk of trademarks, designs, inventions, copyright, and other intellectual property. On average, the IP portfolio of our clients amounts to more than 500 intellectual property objects. In such case, we see that either you have a clear understanding and strategy on how to protect all IP assets, or you have an uncontrolled increase (boosting) in your portfolio. As a result, you have an increase in costs, dilution of brands, and IP assets that can be successfully attacked by competitors.

Nazar Chernyavsky: We see that our clients invest significant resources in developing strong, distinctive, enduring brands, which are among their most valuable assets. When you say “brand protection” you do not mean trademark or design protection. A brand is not only some intellectual property, but more, a level of credibility, quality, and satisfaction in the consumers’ mind that are associated with a certain trademark, trade name, or other intellectual property. Therefore,

when you say “brand protection” you virtually mean protection of a business’ goodwill and reputation. It is about value that our client’s brand gained through the years of building a strong brand.

Food & beverage, FMCG, luxury, pharma, automotive are especially concerned about brand protection because they sell their goods and services to consumers. An introduction into the consumer market of a single counterfeit product has the potential to undermine and significantly damage years of building a business’ goodwill and reputation. Especially when it relates to the potential harm to health and life of consumers. It is, therefore, essential that brands can be effectively protected by all legal means available.

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UJBL: How would you describe the challenges and evolving trends of brand protection in Ukraine?

N. C.: One of the challenges of brand protection is the need for maximum understanding of a client’s business. Outside legal counsel engaged in brand protection should be well-aware of a client’s supply chain, product line; closely communicate not only with the client’s in-house counsels, but also with marketing department, brand managers, GRs, sales force, let alone ensuring efficient cooperation with law-enforcement authorities. We also call it “Intellectual property 2.0.”,



Sayenko Kharenko
KEY FACTS:

- **Year of establishment**
2004
- **Number of lawyers/partners**
68/7
- **Core practice areas**
Antitrust/Competition,
Banking and Finance,
Capital Markets,
Corporate and M&A,
Corporate Security,
Debt Restructuring,
GR,
Intellectual Property,
International Arbitration,
International Trade,
Labour and Compliance,
Litigation,
Private Wealth Management,
Real Estate,
Tax.



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because brand protection gives us an upgraded vision of our intellectual property practice.

O. P.: We believe that there will be demand for strategic brand management and IP portfolio management. I believe that the primary formation of IP assets portfolios has gone. Now business is seeking an answer to the question of what to do with this and how to efficiently manage it. An example will better explain what I want to say.

There are unfortunate examples when brand owners start working with one IP attorney, next with another, one more year after – with one more. Of course, it is absolutely okay in terms of competition between market players offering services in IP and the desire of the company to ensure the best price, but is it really the case for brand protection? I would say no, because strategically the company loses a clear understanding of what they own, who retains the originals of IP object registration certificates and where they are at all; the company loses access to filed applications and related documents. Apart from the paperwork, the company may easily lose a strategic view on IP portfolio management. Important questions: why does the company register this additional trademark? Are you sure it is not overlapping with already registered IP objects? Could this new registration dilute your brand?

Therefore, efficient management of an IP portfolio is pivotal for efficient brand protection and forms the core of the latter.

It actually covers not only pursuing legal actions to maintain IP portfolio but also protection of brand owners against passing off and unfair competition. The well-established and highly ranked antitrust and competition law practice of Sayenko Kharenko is, for sure, an additional benefit for brand owners.

UJBL: For us “brand protection” sounds much broader than just management of IP portfolio. Is there something else here or that settles the matter?

N. C.: Of course, efficient IP management is important but not everything if we talk about brand protection. If you have a well-known or emerging brand, which captures a significant share of the market and the branded product would be desired at a low price, then it is inevitable that one day somebody somewhere will start counterfeiting your product. As long as you are the proud owner of a recognized brand, get ready to protect it. Given also that counterfeit products are becoming ever more sophisticated and spotting fakes is getting tougher. One director of a well-known international company that I talked to was very discouraged by that fact. However, there are not many options here, if not to say the only possible one: business should develop and implement anti-counterfeiting and piracy strategies and build them into their everyday business practices. I am confident that today brand owners need an all-round approach towards tackling imitations of their products.

O. P.: Combating counterfeit, as an integral part of brand protection is based on two pillars: one is internal monitoring, i.e. self-analysis of what is going on within the company and another one, engagement of outside resources. We help our clients to ensure they are successful and efficient in both areas.

As regards internal monitoring, we help our clients to audit their supply chains so that they can identify and close supply gaps. Just recently, we have experienced one illicit practice where a distributor of one world-known foreign company ordered a batch of AA batteries and agreed that he would pay for the goods as soon as he sold them. Later, the genuine AA batteries were taken from the original packaging and replaced with counterfeited AA batteries. Then, a crooked distributor proceeded to return this batch to the producer. Since the packaging was original the producer did not have any reason to suspect that the original goods had been returned. The fact of counterfeit was revealed a bit later. However, it was quite difficult for the producer to prove precisely that it was the crooked distributor who repackaged and replaced the original batteries with knock-offs. In fact, the company should have paid more attention to ensuring the legitimacy of distributors (customers).

Certainly, security of the supply chain is not only about distribution of the final product, but also to ensure that raw materials and parts are authentic and meet company standards, that there is careful management of production waste in the company to make sure that damaged or unusable products are destroyed or appropriately disposed of (e.g., product donation).

N. C.: I would like to comment on the second pillar highlighted by Oleksandr pertaining to outside resources. In particular, an efficient brand protection (anti-counterfeiting) strategy very much depends on successful interaction between the brand owners’ staff and outside agencies and individuals, including law-enforcement agencies and outside legal counsels. We do not know brand owners that would be fully satisfied with the quality and results of investigations carried out by law-enforcement agencies. It is, therefore, quite important to ensure additional support for law-enforcement agencies through engagement of outside legal counsel, who are both experienced in combating counterfeit and know well what level of services a brand owner expects. Separately from that, we help our clients educate and train law-enforcement agencies to protect clients’ brands against counterfeiting, telling them about clients’ brands, product lines, as well as mechanisms for determining whether suspected goods are counter-

feit. This is especially true with respect to customs authorities who are at the forefront of the import or export of counterfeit goods.

O. P.: Being legal counsels for our clients, we see how it is important to keep a cool head when dealing with anti-counterfeiting issues. Even a legal counsel who is sure that suspected persons are really criminals should only rely on law and evidence obtained legally, otherwise such legal counsel will be one of those who damage brands.

It is also regrettable to see situations when purportedly legal actions to protect IP look more like blackmailing and making money than enforcement of IP infringement. This is especially true for copyright infringements, where it is possible to claim statutory compensation, instead of recovery of damages. The root of the problem is the wrong fixed opinion that for claiming statutory compensation it is sufficient to prove the fact of copyright infringement. And they do not care whether a seller was aware that particular goods are counterfeit. Such “representatives” usually attack private entrepreneurs (profile: about retirement age, no legal background, keeping a small stall), who are fully unaware of IP laws, and usually agree to pay statutory damages, although in most cases

there are no legal reasons for that compensation. Just recently, we have won one such case and proved that there was no fault of respondent because she was completely unaware that the goods sold were counterfeit. We are confident that brand owners do not benefit from such brand protection. It is more an issue about losing reputation, consumers and market.

(for example, banking & finance). In fact, any law practice of Sayenko Kharenko can be involved in brand protection as long as our client’s brand is affected.

O. P.: Launching a brand protection practice gives us more flexibility when advising our clients. This is, again, a demand from our clients. In particular, today brand owners seek more flexibility and more IP/

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UJBL: **How has the launch of a brand protection practice influenced the internal structure of SK?**

N. C.: Unlike other law practices, brand protection does not have hard boundaries, but rather a gravitation core, which is our intellectual property practice. In fact, brand protection is more a set of Sayenko Kharenko practices that tie together and can be either quite close (unfair competition, for example) or relatively distanced from the said core

brand protection services within the same or lower budgets. Therefore, we offer our clients an “all in one” solution for managing IP portfolio and brand protection. Our approach combines a prompt response, deep analysis, and efficient legal solutions meeting the challenges of the fast-changing environment.

Moreover, Sayenko Kharenko brand protection team is deeply involved in policy shaping with respect to improvement of legislative framework for trademark protection and protection of copyright on the Internet. Our hope is that the elaborated drafts will soon transform into adopted laws that will improve the legal framework and make Ukraine more attractive for business.

UJBL: **Your firm is known for handling transactional IP work. Is it a part of your strategy for rendering a comprehensive service?**

N. C.: Transactional IP work is an area that we have traditionally focused on. We will remain closely concentrated on that type of IP work. Moreover, our strong experience and expertise in transactional IP work is one of the factors we accounted for while making a decision on brand protection.

O. P.: A comprehensive service is the approach we implement in each Sayenko Kharenko practice. When it comes to intellectual property practice, we believe that such an approach by SK can be optimally implemented through brand protection. For sure, we do not cement our IP practice in brand protection. Brand protection is not a panacea. Time will tell. We are always on the lookout for meeting new challenges on the market and adapting our IP practice to the needs of our clients. Brand protection gives us an answer to today’s question and ensures comprehensive IP services to our clients.



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