



Protection of IP Rights against Unfair Competition with the Assistance of the AMCU

In a free market economy, the value of intellectual property rights is highly indisputable. Since the Industrial Revolution, intellectual capital has consistently replaced physical. In certain undertakings, intellectual capital even became the sole asset. Yet for many years, the infringements of IP rights have accompanied intellectual property developments as there was a constant need to develop efficient means of confronting such violations. Seeking the assistance of the Antimonopoly Committee of Ukraine (the AMCU) to protect intellectual property rights has proved over the years to be one of the most effective means of combating those infringements.

The legal procedure and administrative remedies that may be imposed by the AMCU are in a number of aspects more efficient than judicial procedures and remedies. The latter is confirmed by the practice of the AMCU itself with a number of investigated infringements relating to unfair competition being doubled in 2009 in comparison to 2008, of which violations of intellectual property rights constitute about 15.

Types of Protected Objects

According to effective Ukrainian laws, the AMCU must protect the following intellectual property rights:

- names and commercial names;
- trademarks;
- advertising materials; and
- packaging designs.

The above-mentioned list of protected objects is definitely not exhaustive, e.g. intellectual property rights to any other identification marks and designs previously used by an undertaking in any commercial activity are protected by the AMCU as well.



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Legal Procedure

Who Can File

An application for the protection of particular objects of intellectual property rights shall be filed by the applicant within a prescriptive period in accordance with the rules of jurisdiction.

Applicants asking the AMCU to protect their rights shall have a legal interest in the particular case. More precisely, they bear the burden of proving that actions and omissions of the respondent may directly and negatively affect their rights.

The prescriptive period for the applicant whose intellectual property rights have been violated is limited to a 6-month period from the moment when such applicant has learned or should have learned about the infringement. Upon expiry of this period, the proceedings may still be initiated by the AMCU *proprio motu*.

Scope of Protection

The AMCU has the power to pass its decision solely in relation to company names, trade names, trademarks and service marks, industrial designs and other designations. At the same time, Ukrainian courts, whether civil or commercial, are authorized to adjudge with respect to matters relating to all intellectual property objects. It should be noted that as a matter of practice, the AMCU will ordinarily apply the rules of unfair competition law in cases when they are in conflict with the rules set forth by intellectual property laws. Moreover, the protection is afforded to the proprietors of IP rights regardless of any harm caused to them. The mere possibility of causing such harm may be qualified as an act of unfair competition by the AMCU.

Subject-Matter and Jurisdiction of the Application

An application is to be submitted in written form and shall contain, *inter alia*:

— content of the claims and indication of a decision that it expects to be granted by the AMCU;

— grounds for and arguments in support of such claims.

In any event, the AMCU is not limited in its actions by the subject-matter of the application. Generally, the AMCU can, but is not obliged to, establish its jurisdiction over any and all cases. An administrative board of the AMCU's territorial division has jurisdiction if both claimant and respondent are in one region, and a State Commissioner has jurisdiction if claimant and respondent are in different regions.

Moreover, comparing with a court's authority to adjudicate, which is limited to the subject-matter of the claim, the AMCU may detect other infringements in the course of investigation and impose the respective sanctions.

Producing Evidence

As for burden of proof, the applicant is obliged to produce valid evidence in support of its claim under the judicial proceedings. According to the procedural requirements, the applicant shall provide the AMCU with *prima facie* evidence of IP rights infringement. Explanations provided by the parties to the dispute or third parties, explanations of public officers and other persons, evidence in a written form, material evidence and expert conclusions are deemed to be validated before the AMCU. In the course of collection of the evidence, the authorized officers have the power to seize any evidence related to the alleged infringement. All collected evidence shall be filed with the AMCU body that has jurisdiction in each particular matter. The decision of the AMCU shall be adopted on the basis of such evidence. As a matter of practice, although it does not

have to prove the violation, the applicant should submit as much evidence as possible since the AMCU is usually overburdened with cases.

Review Terms

An application shall be considered by the AMCU within 60 days at the most. However, in order to investigate applications thoroughly the AMCU usually uses its right to extend the above-mentioned term. The extension is supported by the legislation since the review term commences from the date of submission of all the requested information to the AMCU. At the same time, the AMCU is not limited by the number of information requests to be issued during the case review to applicants and/or third parties. Therefore, if the AMCU starts reviewing a case and finds it necessary to request certain additional information, the review term will be suspended and then a new one will commence upon the receipt of all such requested information. As a matter of practice, the minimum period for consideration of an application is 6 months. The AMCU notifies the parties to the dispute on the hearings of the case.

Administrative Remedies

According to the law, the violator of IP rights may be held responsible for unfair competition during a period of three years beginning from the moment when the violation occurred and, in case of continuing violation, from the moment it ceased.

Types of Possible Remedies

The AMCU has the authority to impose the following remedies:

— Ascertainment of unfair competition. It is solely within the power of the AMCU to determine whether a particular act constitutes unfair competition. The court, however, has the authority to invalidate such a decision. According to recent statistical data, decisions of the AMCU which are challenged in court are rarely repealed. Approximately 90% of all cases submitted to the court are adjudicated in favor of the AMCU. Once a fact of unfair competition is established by the AMCU, the applicant may seek indemnification of damages and/or issuance of order for seizure of the products which contain the infringing elements in court.

— Seizure of goods with unlawful use of IP objects not only from the producers of such goods but the sellers/distributors as well.

— Official refutation at the expense of the infringer for untrue, inaccurate or incomplete information.

Imposition of fines of up to 5% of the revenues earned during the preceding financial year (courts have such right only in cases of copyright issues).

Determining Fine Amount: Mysterious Methodology

Practically, the most common type of remedy imposed by the AMCU is a monetary fine. Pursuant to the effective laws, the amount is calculated based on the revenues of the violating undertaking (including revenues generated by all entities connected to such undertaking through control relations) for the preceding financial year.

The effective regulations do not provide any methodology which the AMCU should use when determining the fine. In fact, the AMCU may at its sole discretion impose different fines for similar facts of unfair competition, e.g. those having similar competition consequences. The uncertainty of this procedure should be resolved, for example, by establishing the criteria for the violations' consequences that threaten competition in Ukraine, especially taking into consideration the AMCU's well-established practice of imposing fines. Hopefully, the grey area which currently exists in the methodology of fine amount determination will be cured in the near future, as the AMCU tends to harmonize the regulations effective in Ukraine with the provisions of European competition laws.

The decision on filing an application to the AMCU greatly depends on the client's objectives. In many instances, the remedies that may be afforded by the AMCU do not suffice to satisfy the interests of the suffering party. The damages, for example, may be indemnified only after the respective decision of the court have come into force. However, applying to the AMCU for the intellectual property rights protection is more time and cost efficient than a litigation procedure.

Profile

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For the last five years the firm has been No. 1 by the number of the largest transactions in The 50 Largest Deals in Ukraine research by Yuridicheskaya Praktika Publishing, the leading Ukrainian legal research house. The firm consistently tops the league tables for Ukrainian M&A, finance, debt and equity capital markets deals (Mergermarket, Thomson Reuters, Ukrainian Law Firms).

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