

Responsibility for Illegal Use of Trademarks: International and Interstate Aspects

Julia Igorevna Selivanovskaya^{1,*}, Mariya Vyacheslavovna Talan² and Irina Mihailovna Sboeva¹

¹*Department of Economic Security and Taxation, Institute of Management, Economics and Finance, KFU, Russia*

²*Department of Criminal Law, Faculty of Law, KFU, Russia*

Abstract: A trademark is a widespread means of product individualization, which allows you to draw attention to the product, its manufacturer, or the seller. In fact, Goods, works, service individualization tools in the Russian Federation are the outcome of mental activity. Trademark registration makes it possible to form an easily recognizable brand and use it in order to sell it successfully among similar products. A manufacturer, promoting his product on the market, spends money on advertising, and increases the attractiveness of his products. Unscrupulous entrepreneurs are very tempted to produce goods using a famous brand, without corresponding costs, and without keeping a high quality of his goods. This article discusses the international and domestic aspects of accountability for the illegal usage of a trademark and provides recommendations for R.F. criminal law improvement. Moreover, Several investigation methods are utilized in the survey, including statistical, systematic and structural, historical and legal, formal and logical, specific sociological, as well as comparative law.

Keywords: Criminal liability, trademark, illegal use, individualization means, international aspects, interstate aspects.

INTRODUCTION

Unconfined circulation of goods and services, the maintenance of competition, the liberty of economic action, the ban of activities pointed at the unfair competition are the primary constitutional principles for entrepreneurial activity regulation in the Russian Federation (The R.F. Constitution (selected through a public vote on December 12th, 1993)). An integral part of the competition among business entities is individualization means by the latter targeted at corporations and their product identification among similar ones. As globalization strengthens, so does competition in various segments of the global market. The more extended the offer and the more active the buyer's struggle, the more critical all types of means of individualization become - both services and goods, and manufacturers. Individualization tools and legislative mechanisms for their protection guarantee healthy market competition and enhance product quality. A trademark is one of product individualization means (Enderle, 2020).

The current R.F. legislation and international acts provide for various ways of trademark protection. In contrast, criminal liability for a trademark's illegal conduct is recognized as one of the most efficient protection methods. M.O. Kleimenova notes that "in

recent years, they expanded remarkably the number of similar and absolutely similar means of individualization that are actively applied in entrepreneurial activity, and the necessity arose to produce effective mechanisms for their legal protection so as to sustain business entities liable for illegal competition" (Kleimenova, 2017; Hemel, & Ouellette, 2020).

METHODS

The frame of the examination is determined by the Paris Convention for the Protection of Industrial Property (The Convention for the Protection of Industrial Property, 1999), Madrid Agreement about the International Registration of Marks (Madrid Agreement on the International Registration of Marks (April 1891)., 1992), the Constitution of the Russian Federation (The R.F. Constitution (selected by public vote on December 12th, 1993)), Civil Code of the Russian Federation (Civil Code of the Russian Federation. Part Four of Number 230-FZ issued on December 18th, 2006), Criminal Code of the Russian Federation (The Criminal Code of the Russian Federation Number 63-FZ on June 13th, 1996), Tax Code (The tax code of the Russian Federation (part one) dated on July 31st, 1998). In the research, the subsequent investigation methods have been applied: specific sociological approach, systematic and structural method, historical and legal way, formal and logical method, statistical method, and the method of comparative law.

*Address correspondence to this author at the Department of Economic Security and Taxation, Institute of Management, Economics and Finance, KFU, Russia; E-mail: karava.kk@mail.ru

RESULTS

Products, works, service individualization means in the Russian Federation are the result of mental activity. I.A. Zenin notes the following: "However, their main value," in contrast to the scope of Art, science, and literature, is not concluded in themselves, but in facilitating the creation of a healthy competitive environment by manufactured product identification. Besides, exclusive rights to individualization means are assigned not to their developers (for example, artists, writers), but to the persons who have registered them as their own" (Zenin, 2015; Enderle, 2020).

A trademark is a designation used to individualize the goods of legal entities or individual entrepreneurs, to which a particular right is recognized, verified through a trademark certificate. The legal regulation of relations related to trademarks is aimed at producers and consumer protection and exists in almost all countries of the world.

The private right to a trademark is presented by the possibility of its use in any way that does not contradict the law. The copyright holder can use the trademark protection mark, which is located next to the trademark, consisting of the Latin letter "R" or the Latin letter "R" in a circle or represented by the word "trademark" or "registered trademark". In Russia, unlike foreign countries, the trademark designation TM (Trade Mark) is not used as a trademark protection means.

Criminal liability for the illegal use of product (works, services) individualization means in Russia appeared due to international obligations undertaken by the USSR and recognized by the Russian Federation. In particular, Russia acceded to the Paris Convention for the Protection of Industrial Property of 1883 (The Convention for the Protection of Industrial Property, 1999), which, along with other industrial property rights, protects trademarks, service marks, company names and indications of origin or production location name. Other international documents include the Madrid Agreement Concerning the International Registration of Marks on April 14th, 1891 (Madrid Agreement on the International Registration of Marks, 1992).

The public danger of this crime consists in causing damage to the business reputation of business entities (for example, product manufacturers) if a trademark is used illegally, also in order to conceal the poor quality of goods.

The subject of a trademark illegal use is a foreign trademark or similar designations for homogeneous

goods. A trademark is considered as the property of others if it is registered on behalf of another person and is not assigned under some agreement in respect of all or part of the goods, or the right to use which was not granted by the owner of the trademark to another person under a license agreement. Thus, the term "foreign" trademark does not fully comply with the civil legislation of the Russian Federation. In this regard, there are proposals to bring criminal law in line with civil law. So, for example, I.A. Goloviznina considers it is necessary "to replace the term "foreign trademark" with "registered on behalf of another person" (Goloviznina, 2008; Hemel, & Ouellette, 2020).

The following debate has long been lasted in the legal literature: whether the concepts of "trademark" and "brand" are synonyms. Law enforcement practice does not bring clarity to this issue, either. A number of legal acts use the concepts of "trademark" and "brand" as an independent. These include, for example, paragraph 37 of the International Financial Reporting Standard (IAS). However, more often, the concepts of "trademark" and "brand" are used in the legal acts as synonyms. So, the letter No. 01-28-07 / 12862 "On Recommendations for Improving the Procedure of Customs Value Control" of the North-West Customs Administration of the Russian Federation dated on 03.11.2000, defined a trademark as a special mark or "logo" that serves to distinguish between industrial and commercial enterprise. Usually, trademark protection in comparison with copyright requires the registration of a trademark by the relevant state organization (The Letter of the North-West Customs Administration of the Russian Federation No. 01-28-07 on 03.11.2000. 12862).

Objectively, the crime under the Art. 180 of the Criminal Code, is the illegal use of someone else's trademark (The Criminal Code of the Russian Federation Number 63-FZ on June 13th, 1996). Based on Part 1 of Art. 180 of the Criminal Code of the Russian Federation, the illegal use of someone else's trademark, or similar designations for homogeneous goods means the use of a trademark or designation similar to the extent of confusion without the permission of the copyright holder of the indicated individualization means: 1) on the products, labels, product package that are composed, appeared for sale, traded, exhibited at fairs and festivals or else entered into civilian distribution on the region of the Russian Federation or deposited and (or) deported for this purpose, or carried into the territory of the Russian Federation; 2) on documentation associated with the introduction of

goods into civil circulation; in attempts for selling products; 3) over the Internet, especially in a realm name and with other addressing techniques.

It is worth mentioning that the use of someone else's trademark is not always recognized as illegal. Thus, the Arbitration Court of St. Petersburg and the Leningrad Region established that "the use of the designations "GAZ" and "GAZEL" on automobile spare parts is not a trademark right violation in some cases. For example, when the product packages have the designations "GAZEL" and "GAZ" which are not aimed at product (auto parts) individualization, but to indicate the applicability of the sold spare parts to automobiles, that is, the product consumer properties" (Hemel, & Ouellette, 2020).

Particular attention must be given to the fact that Part 1 of the Art. 180 of the Russian Federation Criminal Code provides criminal liability only for the illegal use of trademarks, and not for illegal trafficking of counterfeit goods in general. That is, the transportation or storage of counterfeit products does not entail criminal liability, except when these activities are carried out as part of illegal use.

The Criminal Code of the Russian Federation limits the possibility of criminal liability for the illegal use of individualization means only with homogeneous goods, that is, if someone else's trademark is illegally used with respect to heterogeneous goods, criminal liability is excluded. We believe that this fact does not allow us to protect the registered means of individualization adequately, as the consumer often spreads his negative opinion about the product to all other goods with the same trademark.

In accordance with paragraph 3 of the Art. 1484 of the RF Civil Code, no one has the right to use designations similar to his trademark without the permission of the copyright holder with respect to the products for the individualization of which the trademark is registered, or similar goods, if such use creates the possibility of confusion (Civil Code of the Russian Federation. Part Four of No. 230-FZ issued on December 18th, 2006). Consequently, the use of similar trademarks in relation to heterogeneous goods is not prohibited by the legislation of the Russian Federation. The Tax Code of the Russian Federation recognizes that "homogeneous goods are the goods that have similar characteristics and consist of similar components, while not being identical, which allows them to perform the same functions and (or) be

commercially interchangeable" (Clause 7, Article 40) (The tax code of the Russian Federation (part one) dated on July 31st, 1998). According to the Art. 10 bis of the Paris Convention, an act of unfair competition is an act of competition that contradicts fair customs in industrial and commercial matters. In particular, all actions that could in any way cause confusion with respect to a competitor's enterprise, products, or industrial or commercial activities are subject to prohibition (The Convention for the Protection of Industrial Property, 1999; Enderle, 2020).

In this regard, we consider it is appropriate to amend the Criminal Code of the Russian Federation and to exclude the indication of product homogeneity from the disposition of part 1, article 180 of the R.F. Criminal Code.

The designations similar to trademarks, service marks, the product manufacture places for homogeneous goods are the designations that are identical or similar to other people's marks and names to the extent of their confusion (for example, Panasonix or Panasonik instead of Panasonic - for household appliances).

A designation is considered to be confusingly similar to another designation if it is associated with it as a whole, despite their individual differences. In practice, the question often arises on how to determine whether a trademark is similar to the point of confusion with registered means of individualization and whether it is necessary to involve experts to establish this fact in court. Most scholars note that "the issue of designation similarity to the point of confusion is a matter of fact and, as a general rule, can be resolved by the court even without an expert examination" (Danilov, 2014; Hemel, & Ouellette, 2020).

In accordance with the criminal legislation of the Russian Federation, the mandatory conditions of liability for the unlawful use of a trademark are the frequency of actions specified in Part 1, Art. 180 of the Criminal Code, or major damage from such actions.

Repeatability within the meaning of Part 1, Art. 180 of the R.F. Criminal Code provides for the commission of two or more acts by a person which are interpreted as the illegal use of a trademark for homogeneous goods. At that, there may be both repeated use of the same means for product individualization, and the simultaneous use of two or more foreign trademarks. B.V. Volzhenkin notes that "multiple uses of a foreign

trademark on goods belonging to one consignment (for example, use of labels with a foreign trademark on the alcoholic beverage bottles of one consignment) does not create a sign of repeated commission of this crime, since it forms a single continuing crime" (Volzhenkin, 2007). The key to the recognition of repeatability is the re-formation of criminal intent on the illegal use of someone else's trademark.

Major damage is recognized as the damage, the amount of which exceeds two hundred and fifty thousand rubles.

The damage from the illegal use of someone else's trademark is most often represented as the lost profit by the trademark owner in connection with the free use of his mark, as well as in connection with the deterioration of his business reputation due to marking of poor quality goods. The fact of damage in such a situation is obvious. The problem is in damage volume determination. I.V. Serebruyev notes that "the content of the sign "major damage" in the Art. 180 of the Criminal Code of the Russian Federation is exhausted by negative consequences of a property nature that arose as the result of the illegal use of products, works or service individualization means" (Serebruyev, 2016; Enderle, 2020).

Damage from the unlawful use of someone else's trademark may be the loss of profits; the amount of income derived from the illegal use of trademarks; the cost of royalties that the copyright holder could receive if a license agreement were concluded; various kinds of losses; moral injury. Law enforcement practice, determining the amount of damage, most often comes from the amount of income received from the sale of counterfeit products and the cost of unsold counterfeit products.

Taking into account the fact that the development of a universal methodology for damage calculation from the illegal use of someone else's trademark is not possible due to the multidimensional nature of the object and the variety of negative consequences of this crime, we propose amendments to the Art. 180 of the Criminal Code, replacing the sign "major damage" with the sign of "large-scale income generation". Income is simply calculated and easily proved.

Thus, the signs of illegal use of a trademark today are imperfect and require improvement by making appropriate changes to the Art. 180 of the R.F. Criminal Code.

CONCLUSIONS

Nowadays, no doubt that the role and significance of trademark in product individualization are beyond question. Overall, In this survey, we have concentrated on the domestic and transnational features of accountability for the illegal use of a trademark and provides criminal law improvement recommendations. To that end, we have utilized several common and standard analyzing measures, such as historical and legal, formal and logical, systematic and structural, specific sociological, statistical, and comparative law. Having done that, we can make some recommendations.

1. It is necessary to exclude product homogeneity indication from the disposition of Part 1, Art. 180 of the R.F. Criminal Code.
2. It is necessary to replace the sign "major damage" with the sign "large-scale income generation", making formal the corpus delicti provided by the Part 1, Art. 180 of the R.F. Criminal Code.

ACKNOWLEDGEMENT

The work is performed according to the Russian Government Program of Competitive Growth of Kazan Federal University.

REFERENCES

- Civil Code of the Russian Federation. Part Four of No. 230-FZ issued on December 18th, 2006 (as amended on July 18th, 2019). Russian Newspaper, 2006. 289.
- Danilov, D.B. (2014). On the issue of a trademark illegal use determination in an arbitration court: theoretical and practical aspects. *Arbitration and Civil Procedure*, 7, 32 - 36.
- Enderle, G. (2020). Corporate responsibility for wealth creation and human rights. Cambridge University Press. https://doi.org/10.1007/978-3-319-68845-9_99-1
- Goloviznina, I.A. (2008). *Illegal use of a trademark*: Abstract. from the dis. by the cand. of legal sciences. - M., p. 9.
- Hemel, D. J., & Ouellette, L. L. (2020). Trademark Law Pluralism. University of Chicago Law Review, Forthcoming. <https://doi.org/10.2139/ssrn.3697529>
- Kleimenova, M.O. (2017). The administrative and legal mechanism for the suppression of unfair competition in connection with the illegal use of a company name, trademark, and service mark. *Property Relations in the Russian Federation*, 8, 28 - 31.
- Madrid Agreement on the International Registration of Marks (1992). WIPO Publication, 260 (R).
- Serebruyev, I.V. (2016). Major damage as a constructive sign of the illegal use of individualization means for goods (works, services): problems of criminal legal assessment. *Business, Management, and Law*, 3-4, 100-102.
- The Convention for the Protection of Industrial Property(1999). (Concluded in Paris on 03.20.1883) (as amended on 02.10.1979). Law, 7. (extraction).

The Criminal Code of the Russian Federation No. 63-FZ on June 13th, (1996) (as amended on April 7th, 2020). Collection of the Russian Federation legislation, June 17, 25, - Art. 2954.

The Letter of the North-West Customs Administration of the Russian Federation No. 01-28-07 on 03.11.2000. 12862 "On recommendations to improve the procedure of customs value control."

The R.F. Constitution (adopted by popular vote on December 12th, 1993) (as amended by the Laws of the Russian Federation on amendments to the Constitution of the Russian Federation No. 6-FKZ dated on December 30th, 2008, No. 7-

FKZ dated on December 30th, 2008, No. 2-FKZ dated on February 5th, 2014, No. 11-FKZ, dated on July 21st, 2014) // Russian Newspaper, 1993. - December 25th.

The tax code of the Russian Federation (part one) dated on July 31st, (1998). No. 146-FZ (as amended on April 1st, 2020) // the collection of the Russian Federation legislation, 1998. - No. 31. - 3824.

Volzhenkin, B.V. (2007). *Crimes in the field of economic activity under the criminal law of Russia*. - SPb., p. 448.

Zenin, I.A. (2015). *The problems of Russian intellectual property law (selected works)*. - M.: Statute, p. 14.

Received on 25-10-2020

Accepted on 30-11-2020

Published on 31-12-2020

DOI: <https://doi.org/10.6000/1929-4409.2020.09.327>

© 2020 Selivanovskaya *et al.*; Licensee Lifescience Global.

This is an open access article licensed under the terms of the Creative Commons Attribution Non-Commercial License (<http://creativecommons.org/licenses/by-nc/3.0/>) which permits unrestricted, non-commercial use, distribution and reproduction in any medium, provided the work is properly cited.