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TRADEMARKS IN RUSSIA: MAKING AND PROTECTING YOUR MARK

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I. Introduction

Counterfeit Barbie dolls manufactured in China flaunt their fashions on the shelves of Moscow kiosks.¹ Reebok estimates that there are as many imitation Reebok products as real ones sold throughout Russia.² The piracy rate for Levi's jeans in Russia is over fifty percent.³ Companies from the United States and other countries have faced innumerable problems when confronted with protecting their intellectual property in Russia and trademarks are no exception.

*2 U.S. companies operating in Russia say intellectual property protection is one of the four most important issues facing them. Within this rubric, their biggest concerns are piracy, counterfeit products, and other companies using their names.⁴ But trademark protection is of broader importance than simply guarding corporate profits. Consumers suffer when they are unable to distinguish between goods made by different producers, especially when counterfeiters have no incentive to create quality products. While admitting that protecting the company's profit margins and image were key considerations, Mattel's CIS (Commonwealth of Independent States) Manager noted that the manufacturer of Barbie dolls was also worried about "the tears of children."⁵

While in most respects the current trademark law in the Russian Federation is modern and similar to European and American

models, there are certain features of the legal regime which reduce trademark protection from optimal levels. More importantly, there are practical problems, including a severe lack of enforcement and an inexperienced, inefficient judiciary. If Russia is to become a full-fledged member of the world trading system and make premium goods available to its citizens, it must face and correct both legal and practical impediments to foreign business.⁶ The Soviet Union's breakup and economic reorganization complicate doing business in this area of the world, but the opportunities for development of domestic enterprises and expansion of Western companies have seemingly limitless potential. Thus the development of a fully effective system for protecting intellectual property in Russia, though a daunting challenge, promises substantial rewards.

This Article first discusses protection of trademarks under the Soviet system to provide a historical context. It then details the current law governing trademarks in Russia under both domestic regulation and international treaty obligations. Next, the *3 Article examines the current system's flaws, both on paper and in practice. Finally, it proposes responses to these problems, both for government to improve the business climate and for private enterprises to protect their own trademark property.

II. Trademark Protection Under the Soviet System⁷

The first trademark law in the Soviet Union was promulgated in 1918 as Lenin's decree "On Fees for Trademarks."⁸ The first comprehensive trademark protection, however, was the Decree on Trademarks of the U.S.S.R. Council of Ministers of 1962.⁹ This decree required all mass consumption goods and goods of productive and technical natures to carry trademarks.¹⁰ These trademarks had to be registered with the State Committee on Inventions and Discoveries (Soviet PTO) prior to use.¹¹ Fines and other sanctions could be assessed for the sale of goods without a registered trademark¹² and for the use of a trademark prior to registration.¹³ Only enterprises, not citizens, could own trademarks.¹⁴

Under the Soviet system, later codified in the Trademark Statute of 1974, the definition of trademark was "any sign registered in accordance with the established procedure and intended to distinguish the goods of one enterprise from similar goods of other enterprises."¹⁵ Thus, all rights flowed from registration alone.¹⁶ The Soviet system also contemplated service marks, which were introduced in the May 15, 1962 Decree.¹⁷ Service marks could be used by organizations that provided services (e.g., transportation companies, hotels, etc.) and received the same protection as *4 trademarks.¹⁸ They were subject to the same registration requirements. However, the 1962 Decree did not make the use of service marks compulsory.¹⁹ The traditional importance of tangible production and undervaluing of services in the Soviet system may explain this differential treatment.

Soviet law recognized three styles of trademarks: worded, artistic, and combined.²⁰ Original types of packing could serve as "three-dimensional trademarks."²¹ Prohibited marks included marks which had become generic for a certain kind of goods, marks which incorporated various state or international government symbols, marks which conflicted with the public interest or socialist morality,²² and marks for which registration would conflict with international agreements.²³ Marks containing false or misleading information were not registrable.²⁴ Descriptive marks were also barred from registration even if secondary meaning had developed.²⁵ The term of examination was fixed at six months past the filing date, thereby ensuring a prompt determination of registrability.²⁶ The Soviet PTO's administrative decisions regarding registration were final, binding, and not subject to judicial review.²⁷

Trademark protection lasted the statutory term of ten years, but could be renewed for subsequent ten year periods.²⁸ Licenses could only be granted if the license agreement guaranteed that quality would be maintained. All licenses had to be registered with the Soviet PTO to be enforceable.²⁹

*5 Remedies for infringement included civil and criminal sanctions.³⁰ Infringement and other trademark disputes could be settled through judicial rather than administrative proceedings. However, such litigation was rare, generally occurring only when disputes arose between foreign parties.³¹ Similar disputes between foreign and Soviet entities were generally settled through arbitration.³²

Foreign companies seeking to do business in the U.S.S.R. were generally subject to the same regulations as domestic enterprises, making registration in the U.S.S.R. the only method of protecting foreign trademarks.³³ Notably, all companies who had registered trademarks prior to 1917 were required to re-register them after the Revolution.³⁴ At the time, many foreign companies refused to do so.³⁵ The German company Bayer was one of them. Today, Bayer is unable to obtain protection in Russia for the trademark ASPIRIN, which is protected in 74 other countries, because during the Soviet period multiple manufacturers of analgesics adopted the name "aspirin." The Russian Chamber of Patent Appeals ruled in 1994 that

the word was no longer distinctive of Bayer's product.³⁶

The U.S.S.R. acceded to the Paris Convention for the Protection of Industrial Property in 1965³⁷ and the Madrid Agreement in 1976.³⁸ These treaties granted trademark petitioners and holders certain rights beyond those of domestic law.³⁹ These rights will be discussed further in the section describing current law in Russia, as Russia has now succeeded to these treaty obligations.

*6 III. Current Trademark Law in the Russian Federation

A. Domestic Law

All trademarks registered with the Soviet Patent Office prior to December 25, 1991 are automatically continued in Russia and are now administered by Rospatent, the Russian Patent and Trademark Office (Rospatent or Russian PTO).⁴⁰ For these trademarks and for new filings, the primary source of regulation is the Trademarks, Brand Names and Country of Origin Act of September 23, 1992.⁴¹ There are several additional laws which can protect trademark owners. Russian antitrust law prohibits the unauthorized use of trademarks through the Anti-Monopoly Act.⁴² A 1995 "Advertising Act" adopted by the State Duma protects against unfair competition in the sphere of advertising.⁴³ Finally, the Constitution of the Russian Federation states that "intellectual property is protected by law."⁴⁴

*7 The 1992 Law on Trademarks has several important features.⁴⁵ In conformity with current international practice, using a trademark prior to registration is permitted.⁴⁶ Indicative of Russia's trend toward a free market, either an enterprise or an individual engaged in entrepreneurial activity can register a mark.⁴⁷ Furthermore, the definition of trademark no longer rests on registration but on the mark's capacity to distinguish goods of one producer from those of another.⁴⁸ This is a fundamental change away from the old Soviet system in which rights stemmed from approval by the state.⁴⁹ Nevertheless, trademark protection continues to be based almost exclusively on being the first to file for registration in Russia, with certain exceptions based on international treaties.⁵⁰ Unlike U.S. law, there is essentially no protection for unregistered marks, even for those with widespread prior use in the Russian Federation or elsewhere.⁵¹

As under Soviet law, Russian Federation law allows registration of trademarks, service marks, and collective marks.⁵² A new category, appellation of origin, is also protected.⁵³ Collective marks⁵⁴ and appellations of origin receive somewhat *8 different protection than trademarks and service marks. For example, collective marks are not transferable.⁵⁵ Appellations of origin, not protected in many other countries including the United States, receive protection "in perpetuity" once registered in Russia (although renewal is required every ten years).⁵⁶ Appellations of origin also carry a somewhat different set of remedies for illegal use. For example, penalties designed to compensate community-based injuries and require the violator to pay into the local budget any profits received from unlawful use.⁵⁷

Since the Soviet era, an increasing number of styles of marks have been accepted as registrable. Now verbal, pictorial, dimensional, and other designations or combinations thereof in any color or color combination can be registered as trademarks.⁵⁸ Applications for registration are examined on both absolute and relative grounds,⁵⁹ which are now in line with modern trademark laws.⁶⁰ At least two commentators have noted that "the most common grounds for refusing registration are that the proposed trademark is generic, lacks distinctiveness, is likely to create confusion with a current or previously filed mark, ... or reproduces a title, name, or portrait of a renowned person or character without consent."⁶¹ Unlike U.S. practice, examination for similarity is based on the technical similarity of marks and does not generally consider data on actual consumer confusion.⁶² Significantly, *9 examination is no longer limited by statute to six months.⁶³ Given the dramatic increase in trademark applications (up 500 to 600% since economic reforms began),⁶⁴ the examination term can last as long as three years.⁶⁵ The Chamber of Patent Appeals, itself a division of the Russian PTO, hears appeals from original PTO decisions.⁶⁶

One particularly novel aspect of the law is the creation of the Supreme Patent Chamber, rendering the decisions of Rospatent's appellate division no longer definitive.⁶⁷ Under the 1992 Law, the Supreme Patent Chamber hears appeals from the Chamber of Patent Appeals concerning disputes over registration and invalidation of a mark.⁶⁸ It also has original jurisdiction over other disputes, including cancellation of a mark's registration based on non-use,⁶⁹ or the mark having become generic,⁷⁰ or cancellation of a collective mark if used with non-uniform goods.⁷¹ The full impact of this innovation is unknown, however, as the Supreme Patent Chamber has yet to come into existence. The Duma must pass implementing

legislation before the Chamber can form.⁷²

A recent decision by the Supreme Court of the Russian Federation regarding a trademark dispute over the mark SMIRNOFF for vodka clarified that unlike under the Soviet system, the Russian PTO's administrative decisions can be reviewed by the judiciary as well as through the administrative appeals process.⁷³ The U.S. *10 company Heublein tried to protect its use of the SMIRNOFF mark in Russia at the Russian PTO and the Chamber of Patent Appeals. Heublein lost at both levels.⁷⁴ As the Supreme Patent Chamber was not yet in existence, Heublein attempted an appeal to the Moscow City Court.⁷⁵ The court refused jurisdiction, stating that the Law on Trademarks required the Supreme Patent Chamber to hear all appeals from the Chamber of Patent Appeals. The court reasoned that appeal was therefore not possible to any other body. On Heublein's appeal, the decision was affirmed. However, the Presidium of the Supreme Court of the Russian Federation reversed and remanded the case to the Moscow City Court, on the basis that the Constitution ensures judicial protection of such rights.⁷⁶ This case was the first to establish the right to judicial recourse regarding Rospatent administrative decisions.⁷⁷

As under the Soviet system, the Russian Federation's system provides protection for a renewable ten year term, beginning not at the time the registration issues but at the time the application is received.⁷⁸ Also resembling Soviet laws, licenses may be granted only if they contain sufficient quality control provisions.⁷⁹ Licenses must be recorded with the Russian PTO to be effective.⁸⁰

There are both civil and criminal sanctions for trademark infringement, including specific equitable remedies such as injunction of the infringing activities.⁸¹ Other civil remedies include damages, publication of judicial decisions accusing the offending party, and removal or destruction of the illegal depiction of the trademark.⁸² Criminal fines, originally set at 3000 rubles, have been raised to a limit of three Russian minimum monthly salaries.⁸³ When parties seek resolution of disputes involving trademark infringement, contractual issues, or illegal use of the name of an appellation of origin, they can bring their cases before a court of general *11 jurisdiction, a commercial court (arbitrash), or an arbitration court.⁸⁴ Foreign entities or persons have the same rights as Russians under the 1992 Law on Trademarks.⁸⁵

B. International Law

While "trademark rights exist in each country solely according to that country's statutory scheme,"⁸⁶ international agreements play a significant role in trademark protection in Russia. The September 23, 1992 Law on Trademarks states in its final article that "if other rules have been established by an international treaty of the Russian Federation than those which are contained in the present Law, the rules of the international treaty shall apply."⁸⁷

Russia has for the most part succeeded to the treaty obligations of the U.S.S.R., including those concerning intellectual property. As discussed previously, these include the Paris Convention, which grants substantive rights to citizens of states that are parties to the treaty, and the Madrid Agreement Concerning the International Registration of Marks, an international trademark registration system.⁸⁸ The Paris Convention adds several rights to the Russian Law on Trademarks. First, it requires notorious marks to receive protection even in the absence of registration.⁸⁹ In *12 addition, Article 8 of the Convention extends protection to trade names.⁹⁰ Domestic law supplements this protection. It provides that if a trade name is known in Russia to belong to a third party, an identical name (or a name identical in part) may not be registered for goods of the same type.⁹¹

Under the Madrid Agreement, a treaty addressing procedural rather than substantive trademark law, member country trademark owners can obtain trademark rights in other member countries by filing an international application in which the owner specifies the countries in which it seeks protection.⁹² The registration is published in an international journal and forwarded through the World Intellectual Property Organization (WIPO) to the requested countries⁹³ who then have one year to examine the mark under domestic law. If a national trademark office does not refuse the mark within this period, the mark is considered protected in that country.⁹⁴

Russia is also making an effort to comply with the Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods (TRIPs)⁹⁵ developed during the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). Russia must comply with the Agreement on TRIPs in order to join the World Trade Organization (WTO) as a full member.⁹⁶ Although there are several small technical inconsistencies between current Russian law and TRIPs, the major change TRIPs requires is an increased effort to enforce trademark law, primarily by imposing criminal penalties as well as through seizure and forfeiture of infringing goods in the case of willful counterfeiting.⁹⁷ State parties are also

obligated to adopt procedures to prevent importation of counterfeit or infringing goods.⁹⁸ The overarching objective of both the Paris Convention and TRIPs is to mandate national treatment for all treaty members. Essentially, each contracting *13 state must grant the same protection to nationals of other contracting states that it grants to its own nationals.⁹⁹

Russia also has bilateral trade agreements with several states, some of which have provisions requiring Russia to increase intellectual property protection.¹⁰⁰ Notably, Russia could sacrifice some of the favorable trade relations it currently enjoys unless intellectual property protection improves.¹⁰¹

Finally, representatives of the Russian Federation recently signed the Trademark Law Treaty (TLT) developed by WIPO.¹⁰² This treaty simplifies the protection of trademarks and service marks and reduces costs by eliminating a range of formalities.¹⁰³ For example, it will no longer be necessary to legalize signatures, and national trademark offices cannot require additional formalities beyond the ‘maximum list’ provided by the treaty.¹⁰⁴ Appended to the treaty are sample forms that all national trademark offices must accept.¹⁰⁵ Countries must comply with the TLT in their domestic laws within six to eight years of entry into force, and no later than October 28, 2004.¹⁰⁶

***14 IV. Shortcomings of the Current System of Trademark Protection**

A. Legal Flaws

The lack of implementing legislation for the Supreme Patent Chamber has proven to be a source of great difficulty.¹⁰⁷ The 1992 Law on Trademarks assigns certain important functions to the exclusive jurisdiction of this nonexistent Chamber. For example, Article 22 dictates that the Supreme Patent Chamber shall act upon applications to terminate trademarks for non-use. No action has been or can be taken on these applications until the Chamber is formed. Article 13 specifies that a party has six months from the date of decision to appeal an unfavorable ruling of the Chamber of Patent Appeals to the Supreme Patent Chamber. For some would-be appellants, this period will have surely expired.

Were it not for the *Smirnoff* ruling,¹⁰⁸ there would be no remedy. The remedy that does exist requires the losing party to place itself into the unpredictable hands of the Russian judiciary. And the initial appeal from the Russian PTO to the Chamber of Patent Appeals is not sufficiently independent of the original action because the same individuals perform judicial functions in both proceedings.¹⁰⁹

A second unfortunate feature of the trademark protection regime is that although the 1992 law is generally protective of intellectual property rights, certain provisions are so broadly worded that they create the potential for misuse. For example, a provision of the Anti-Monopoly Act prohibits “misleading consumers concerning the character, mode and place of manufacture, consumer properties, and quality of products.”¹¹⁰ Such an open-ended proscription gives law enforcement officials too much discretion in enforcement, which may result in the suppression of useful information about a product.¹¹¹

Another potential shortcoming of the new Law on Trademarks is that it requires a licensor to ensure that the quality of products that a licensee produces is of equal quality to goods the licensor produces itself.¹¹² The Law on Trademarks has *15 therefore created problems for companies that deliberately vary the quality of products sold in different regions based on economic conditions or consumer preferences.¹¹³ However, the drafters may have wished to proscribe this very phenomenon, which makes the provision not a shortcoming but a legitimate policy choice.¹¹⁴

From a purely U.S. perspective, one of the most significant legal flaws in the Russian system of trademark protection is the refusal to protect nonregistered prior users.¹¹⁵ Unless a mark qualifies as “notorious” under Paris Convention Article 6-bis,¹¹⁶ in general protection vests exclusively in the first entity to register the mark in Russia. Therefore, a Russian company may register a foreign company’s mark that is well-known but short of notorious and stop that foreign company from operating with the mark in Russia, even if the original trademark owner has begun distributing its own products in Russia.¹¹⁷ In a variety of cases, domestic companies have taken this route, appropriating the names of larger, better known foreign companies, and winning the resulting disputes in local Russian courts.¹¹⁸

Unlike registration of a trademark, registration as a company with a certain name is insufficient to prevent other companies from registering with the same name.¹¹⁹ Hence, “there are thousands of Hermes companies, with local registration chambers continuing to register more.”¹²⁰ Because registering a trademark is the only way to gain protection for a corporate name and

that process can take up to *16 three years,¹²¹ consumer confusion reigns during the interim period. Consumer experience with inferior quality fakes may considerably tarnish the goodwill originally associated with a highly respected mark. However, if a trademark owner tries to avoid this pitfall by registering prophylactically in Russia without definite plans for using the mark, the owner risks losing registration for non-use if it fails to start using the mark within five years.¹²²

B. Practical Problems

Lack of enforcement of the existing law is the largest impediment to effective trademark protection.¹²³ Given the reasonably comprehensive and modern nature of the current legal structure, the poor record of judicial enforcement is particularly objectionable. Few Western firms have brought legal actions, claiming that court actions are slow and expensive, judgments unpredictable, and fines low.¹²⁴

The Russian judiciary's conspicuous lack of experience with trademark litigation,¹²⁵ compounded by the traditionally low level of societal respect for the judicial branch of government,¹²⁶ reduces parties' faith in a fair outcome. Under the Soviet system, judges were poorly paid functionaries with a reputation for taking bribes.¹²⁷ Second, the slow pace of the judicial system often makes filing a claim pointless, since by the time an order comes down from the court, a company found to be selling counterfeits will likely have changed names.¹²⁸ Finally, although fines have recently risen from a nominal sum to a slightly more significant one, penalties *17 for infringement may nevertheless be an insufficient deterrent given the low probability of being brought into court.¹²⁹

Inadequate judicial enforcement leads companies to pursue extrajudicial means to protect their trademarks, ranging from manipulation of the political system to use of less desirable means of coercion.¹³⁰ Circumvention of the legal system leads to further non-use. When parties do not bring disputes before these tribunals, no judicial record develops, leaving future parties reluctant to venture into such uncharted waters with their claims. Even under a civil law system, litigation helps develop a standard interpretation of the written code, providing litigants with some indication of their chances in court.¹³¹ The Russian PTO's failure to publish its decisions in a single comprehensive journal makes confusion over the actual meaning of the law even more prevalent.¹³² Furthermore, without litigation, the experience of the judges and court system with these sorts of cases never grows.

Another practical problem resulting from the economic conditions following the Soviet breakup is that the Russian PTO's meager budget has driven it to charge fees which are not specified in the law.¹³³ These extra-legal fees include, for example, an hourly charge for meeting with the Trademark Examiner, and a special expediting fee to push a given application forward in the line (preserving, however, its priority date as the date of filing). Often an applicant is made to pay twice for essentially the same service. For example, there is one official fee for filing an appeal against a Rospatent action. There is a second "provisional tariff" for attending the hearing where this appeal is heard.¹³⁴ One practitioner has noted that these fees make Russia the seventh most expensive place to register a trademark in the world.¹³⁵

Confusion over ownership, engendered by the spate of recent privatizations, presents a further impediment to those who wish to protect their trademarks in post-Soviet Russia. One such example involves Stolichnaya vodka. Immediately after the dissolution of the Soviet Union, a new joint stock company filed an application for formation under the name Soiuzplodoimport, the original state-owned holder of the STOLICHNAYA mark. It claimed to be the privatized successor to the state-owned Soiuzplodoimport, succeeding also to the mark, which it then licensed to *18 longtime U.S. importer PepsiCo.¹³⁶ A rival vodka importer claimed that the privatization was illegal, and that the transfer to PepsiCo was thus invalid. Extensive litigation ensued to resolve the dispute.¹³⁷

The dissolution of the U.S.S.R. and the resultant explosion of new firms and entrepreneurs have complicated trademark protection in other ways as well. In the counterfeiting area, the chaotic nature of the business environment can frustrate a foreign firm's attempts to locate a specific supplier or trader to sue.¹³⁸ Without a tangible suspect, Russian police and courts will not take action.¹³⁹ Additional complications arise from the significant participation of organized crime in Russian business.¹⁴⁰ This presence limits the ability of local authorities to prosecute infringers, either because the authorities are tied to organized crime networks themselves or because they fear reprisals from them.¹⁴¹

The ongoing controversy over the SMIRNOFF mark illustrates the problems foreign companies may confront when enterprising Russians decide to enter into new businesses. Soon after the liberalization of the economy, Boris Smirnov (the great-grandson of Piotr Smirnov, who first manufactured "Smirnov" vodka for the Russian czars) registered the SMIRNOV

mark. He beat Heublein, Inc., the U.S. producer of “Smirnoff” vodka,¹⁴² to the Russian PTO by approximately one month.¹⁴³ Heublein protested Boris’ use of the name and brought suit in a Russian district court in Krymsk.¹⁴⁴ Heublein claimed it had purchased the mark in 1939 from a Russian refugee who had bought it in turn from Vladimir Smirnov, son of *19 Piotr, when Vladimir failed in his efforts to continue the business outside of Russia after the Revolution.¹⁴⁵ Boris disagreed, claiming that Vladimir sold his interests in the vodka company back to the family in 1904 before fleeing the country.¹⁴⁶

While the property rights in this case are complex and the facts are buried in time, resolution of the trademark issue may well be governed by Article 6-bis of the Paris Convention. Under the Paris Convention, incorporated into Russian law by the 1992 Law on Trademarks, if SMIRNOFF for vodka is a notorious mark, then Russia must forbid Boris’ use despite its first-to-file policy. If not, the mark belongs to Boris and Heublein must end sales in Russia (currently at one million cases of vodka per year).¹⁴⁷ This controversy tests Russian incorporation of the Paris Convention into domestic law.

To date, Heublein has received unfavorable administrative rulings both from the PTO and the PTO Chamber of Appeals and is now seeking further appeal of these decisions in the Moscow City Court.¹⁴⁸ Heublein also lost its Krymsk suit--both at the district and regional levels--to enjoin Boris’ production of vodka. Pending the results of a further appeal, the Krymsk regional court enjoined Heublein from using the SMIRNOFF name in Russia at all.¹⁴⁹ Recently, Boris Smirnov has enlisted the help of the Russian American Spirits Company (RASCO) and its president William Walker (a former U.S. trade negotiator) in filing suit against Heublein in the U.S. Federal District Court in Delaware.¹⁵⁰ The court has yet to address Boris’ claim that Heublein has deceived customers about its rights in the Smirnoff name and history.¹⁵¹

The time required to prosecute a trademark application has significantly increased since the Soviet period, due in part to the removal of the six month time limit and the increase in number of applications.¹⁵² This presents a significant practical problem to many companies. Because registration is a prerequisite to *20 protection, these applicants are unable to defend their marks throughout the substantial period of time that the Russian PTO requires to examine them. Furthermore, as the ten year period of protection begins on the date of application, many trademark owners are left with significantly less than ten years of effective protection before renewal is required.

V. Proposals for Improving Trademark Protection in Russia

A. Government Actions

All the fundamental changes necessary for adequate trademark protection require action by the Russian government. While private firms can undertake defensive maneuvers before the government acts, a permanent solution will require government involvement.

The obvious first step is for the Duma to enact the implementing legislation required to form the Supreme Patent Chamber, thus enabling the administrative appeal system to function properly.¹⁵³ In disputes handled by the judicial system, all review of patent and trademark issues should occur in a limited set of courts rather than courts of general jurisdiction.¹⁵⁴ If all trademark and other intellectual property cases were consolidated into a discrete system of courts, a cadre of skilled judges would develop more quickly. The government could encourage use of these courts by expediting trademark litigation, increasing fines for infringement, and adding additional remedies such as lost profits or treble damages. Awarding criminal penalties may be particularly appropriate when investigation uncovers links to organized crime.¹⁵⁵

Next, the government should implement training programs for the judiciary to increase awareness of the laws, ensure conformity in application and help give credibility to the judicial branch.¹⁵⁶ Comprehensive training in trademark regulation and litigation for all judges in district, city, regional and other courts with jurisdiction over intellectual property disputes would be extremely useful. This *21 training might best be accomplished with the help of foreign judges,¹⁵⁷ in particular those with special expertise in intellectual property cases, such as the judges of the U.S. Federal Circuit (and the district court judges who most often funnel cases to them). Without substantial retraining, the judiciary’s lack of experience with intellectual property litigation will continue to lead companies to seek extrajudicial resolution of their trademark disputes. Regular and central publication of these decisions and regulatory information which clarifies ambiguities in Russian trademark law, provided in a form easily accessible to the public, would further facilitate growth of the legal system.¹⁵⁸ Putting the resolution of disputes back into the judicial system will help ensure that outcomes are fair and orderly,¹⁵⁹ as opposed to current disputes that (especially when between Russians) often get resolved through “uncivilized methods.”¹⁶⁰

Training for enforcement officials is also an important component to effective trademark protection. Customs officials and local and federal law enforcement officials must be trained in detection and apprehension of counterfeiters and other trademark violators. To date, most training programs have been directed at high-ranking officials, and training materials seldom reach enforcement authorities in the field.¹⁶¹

Strengthening customs enforcement may be the easiest governmental solution. Stopping counterfeit goods at the border would likely result in a significant reduction of trademark violations in Russia.¹⁶² Although a 1993 Customs Code authorized customs officials to enforce trademark violations, the power has rarely been used.¹⁶³ Notably, however, Mattel chose this approach in attacking the counterfeit Barbie problem. In August of 1994, Mattel arranged for the Russian Customs Committee to instruct custom posts to seize all unauthorized shipments of Barbie dolls attempting to enter the country, to hold them in custody for three days, and to confiscate the dolls if necessary.¹⁶⁴ Although the only precedent for this tactic has so far involved goods of a single trademark owner, broader protection *22 would result if the Customs Committee, working in conjunction with interested trademark owners, instructed officials to halt all unauthorized shipments of commonly counterfeited goods.

Another option for the Russian government is to *encourage* private enforcement as an interim stage by enacting legislation that would authorize self-help activities. Under such a structure, firms suffering from counterfeiting would have the right to seize counterfeit goods and sell them on the market (presumably after removing the offending trademark).¹⁶⁵ While this approach reduces the enforcement role of government, may encourage the use of illegitimate means, and lacks the safeguards of a judicial setting, some commentators nonetheless defend private enforcement. They assert that given the alternative of minimal or no enforcement due to the government's lack of sufficient resources, private enforcement is preferable to no enforcement during this transitional period.¹⁶⁶ These scholars would ameliorate some of the harsher effects of such a regime by leaving ultimate control in the hands of the state by making an appeal available to alleged counterfeiters.¹⁶⁷

To compensate for the problems created by the increased time of examination, the ten year term could commence at the time of registration instead of at the time of filing the application.¹⁶⁸ Whereas expediting the process would be the best solution in a system in which an entity is unable to enforce its rights until registration, measuring the ten year term from the point of registration would at least grant owners the full statutory period of protection.¹⁶⁹

The Russian government should also consider providing more funding to Rospatent. Although increasing the Russian PTO's budget may seem problematic in difficult economic times, it could reduce the need for the illegitimate fee structure now present as well as expedite the application process. Charging excessive fees without legislative authorization borders on the unethical and hampers small companies that seek trademark protection for their products. Now that Russia has an up-to-date legal structure on paper, it should do its best to see that it is time-sensitive, economical and fair in its processing of applications, as well as effective in its enforcement efforts.

Finally, the government should consider giving protection to prior users. A prior use policy would avoid the consumer confusion created by enterprising infringers who mimic popular but non-notorious marks, or marks that are not yet *23 popular but are effective even though they are the product of someone else's creativity. However, many developed countries depend on the first-to-file system, and if the Russian PTO adheres fully to the Paris Convention's Article 6-bis, this change may be unnecessary.

One positive step the government has taken is to form an Interagency Commission on intellectual property issues,¹⁷⁰ which includes the heads of law enforcement bureaus such as the KGB, the police, and Customs.¹⁷¹ The Commission's purpose is to identify violations and raise them with the appropriate governmental agencies.¹⁷² The Commission may also participate in educating judges.¹⁷³ So far, this Commission has prepared a Draft Presidential Decree giving various agencies (including the militia and Customs) specific roles in enforcement, and increasing criminal penalties for infringers.¹⁷⁴ Although coordination between ministries has been a problem in the past, some U.S. businessmen expect that this Commission will aid in ensuring all agencies have met their responsibilities and do not act inconsistently.¹⁷⁵ The creation of this Commission appears to indicate the Russian government's commitment to remedy its insufficient protection of trademark rights.

B. Actions by Private Firms

Until the Russian government is able to provide adequate protection against trademark infringement, companies who wish to

do business in Russia will have to take action themselves to protect their intellectual property rights.¹⁷⁶ Companies can accomplish this in several ways.

Attacking distribution of the goods is one approach. Some registration agencies have sent personnel to stores that sell imitation products and have advised managers that they will be arrested if they do not reveal the source of the fake goods.¹⁷⁷ Alternatively, a company can send letters threatening legal action. Once large suppliers are identified, a trademark owner can report them to law enforcement officials. Reebok, the U.S. sportswear manufacturer, has hired its own security *24 officers to monitor the market and track down counterfeits.¹⁷⁸ These private enforcers are becoming more common with the increasing popularity of so-called “security firms” (private businesses specializing in “hunting down trademark and copyright violators,” among other things).¹⁷⁹

Controlling production is a more difficult approach, since much of it is done outside of Russia, in places such as Southeast Asia or China.¹⁸⁰ Mattel was successful on this front, however, using China’s trademark law to close down one Chinese factory that had been exporting counterfeit Barbie dolls to Russia.¹⁸¹

Policing the border in cooperation with the Customs Committee is perhaps the most effective way to prevent the influx of infringing goods. Until the government develops a systematic approach to stopping these products, companies can make arrangements along the Mattel model, coordinating with Customs to identify all suspicious shipments.

Consumer groups also have a role to play. One consumer protection society compelled department stores who sold counterfeit Levi’s to refund customers’ money.¹⁸² Businesses could work with these groups to help consumers identify which goods are not genuine.

Contractual safeguards can be effective in some circumstances. When making distribution or license agreements, companies should structure the contract so that the distributor or licensee loses all rights and must pay significant liquidated damages if it misuses or devalues the trademark in any way or if product quality drops.¹⁸³ This provision is particularly important because under the 1992 Law on Trademarks, the licensor is responsible for quality control of its licensee. Additionally, contracts should include an international arbitration clause or choice of law provision indicating foreign law in order to avoid forced recourse to the Russian judicial and legal systems. However, companies should be aware that even the successful use of arbitration may not adequately address enforcement deficiencies.¹⁸⁴

One way to obtain contractual remedies is to identify distributors of gray market or counterfeit goods through some of the techniques listed above and then attempt to negotiate legitimate distribution contracts with them. This technique *25 proved successful for Mattel. When approached, all doll smugglers agreed to obtain a license from Mattel and follow Mattel’s pricing policies.¹⁸⁵

Finally, infringement victims should not ignore administrative and judicial options open to them. If the administrative procedures involved with contesting another entity’s use of the mark through Rospatent prove too costly or slow, or the claim fails, a company need not try immediate recourse to the courts. It is possible to bring an administrative unfair competition or false advertising claim before the Anti-Monopoly Committee, a collateral procedure that has several advantages.¹⁸⁶

First, review is fast: claims are resolved in approximately three months.¹⁸⁷ Second, much more substantial penalties are available than at the Russian PTO: the Anti-Monopoly Committee can award up to 200 minimum monthly salaries for violation of the new Advertising Act.¹⁸⁸ Third, and most importantly, the Anti-Monopoly Committee possesses its own enforcement mechanisms. To enforce a judgment, it can freeze bank accounts, seize goods, and compel the payment of fines up to 5,000 minimum monthly salaries.¹⁸⁹ Furthermore, a company damaged by infringement may find the Anti-Monopoly Committee’s method of analysis more favorable to its case. Unlike the PTO’s analysis of technical similarity between two marks, this Committee examines the actual impact of the alleged infringer on the business of the trademark owner, and considers market data in establishing whether or not consumer confusion is a real problem.¹⁹⁰ Moreover, a company can take this approach even after losing in the PTO. A PTO decision of registrability has no preclusive effect on an unfair competition claim.¹⁹¹ Finally, after all of these administrative procedures, and as unsatisfying as the judicial option may be, recourse to the Russian courts exists as a last resort.

Trademark protection in Russia is fraught with difficulties. Although Russia has adopted a modern and comprehensive legal regime to protect intellectual property, no law is meaningful absent enforcement. The Russian government must take steps to improve protection of trademarks, both to accelerate participation in the world economy and to ensure that Russian

consumers get what they expect in the *26 marketplace. Allowing consumer confusion will ultimately lead to consumer distrust of the choices offered by a free market economy and could lend popular support to regressive political forces. Enforcing trademarks encourages consumers to invest in higher quality goods because they have confidence in what they are buying. Until the government takes action, companies doing business in Russia must be creative in their efforts to defend their names against the onslaught of those who are seeking quick profits. A market with millions of under-served consumers depends on it.

Footnotes

^a Law Clerk, The Hon. Diana Gribbon Motz, U.S. Court of Appeals for the Fourth Circuit; J.D., Stanford Law School, 1996, M.A., The Paul H. Nitze School of Advanced International Studies, The Johns Hopkins University, 1996.

¹ Geoff Winestock, *Trouble in Toyland: Barbie Challenged by Fakes*, MOSCOW TIMES, Dec. 17, 1994, available in LEXIS, News Library.

² Astrid Wendlandt, *High Fashion Fakes Flood Into Russia*, MOSCOW TIMES, Apr. 3, 1996, available in LEXIS, News Library.

³ Winestock, *supra* note 1.

⁴ Irena Zamarina, Report on the International Conference on the Protection of Trademarks in Russia, February 8-9, 1996, Moscow (referring to statement of Peter Charow, Executive Director of the American Chamber of Commerce in Russia) (unpublished manuscript on file with *Texas Intellectual Property Law Journal*). Soyuz Patent, a Russian label registration agency, notes that complaints about sales of imitation brands have been increasing at greater than a 20 percent annual rate. Wendlandt, *supra* note 2.

⁵ Winestock, *supra* note 1.

⁶ Note these passages from the preamble of the consensus statement for the recent International Conference on the Protection of Trademarks and Patents in Russia:

Whereas ... current application, adjudication, and enforcement of existing intellectual property law in Russia is inconsistent at best and continues to present major problems for both Russian and foreign companies with negative implications for Russian consumers; and,

Whereas, the protection and enforcement of trademark and patent rights is an essential component to achieve Russia's strategy to attract and maintain foreign investment in the country, protect the legal interests of entrepreneurs and protect the rights and interests of consumers;

International Forum Announces Unified Call to Strengthen Protection of Trademarks and Patents in Russia, PR NEWSWIRE, Feb. 10, 1996, available in LEXIS, News Library [hereinafter *International Forum*].

⁷ Directly prior to the dissolution of the U.S.S.R. in July 1991, the Supreme Soviet passed a comprehensive and modern law on trademarks and service marks. Jonathan Cohen & Serge Bauer, *The New Trademark Law in the Soviet Union*, 81 TRADEMARK REP. 397, 397 (1991). This law was similar in many ways to the current Russian Law on Trademarks. However, the law was not to become effective until January 1, 1992, *id.* at 397, and it was almost immediately replaced by the Russian 1992 Law on Trademarks (*infra* note 41). Therefore, this Article will not consider the provisions of the 1991 law as a part of traditional Soviet trademark law.

⁸ Cohen & Bauer, *supra* note 7, at 398.

⁹ *Id.* at 398 n.5 (citing SP SSR 442 of May 15, 1962 (Council of Ministers Decree), *reprinted* in 4 INDUS. PROP. 252 (1965)).

¹⁰ An even earlier decree required that goods of mass consumption carry trademarks. SP SSR of February 16, 1962 (Council of

Ministers Decree), *cited in* M. BOGUSLAVSKY & I. CHERVIAKOV, PROTECTION OF INDUSTRIAL PROPERTY IN THE U.S.S.R. 48.

¹¹ BOGUSLAVSKY & CHERVIAKOV, *supra* note 10, at 50.

¹² Cohen & Bauer, *supra* note 7, at 398.

¹³ Trademark Statute of 1974, § 2, *cited in* Cohen & Bauer, *supra* note 7, at 402, *reprinted in* 14 INDUS. PROP. 154 (1975).

¹⁴ Cohen & Bauer, *supra* note 7, at 400.

¹⁵ Trademark Statute of 1974, § 13, *quoted in* Cohen & Bauer, *supra* note 7, at 399.

¹⁶ *See* Cohen & Bauer, *supra* note 7, at 399.

¹⁷ BOGUSLAVSKY & CHERVIAKOV, *supra* note 10, at 48-49.

¹⁸ *Id.* at 49.

¹⁹ *Id.*

²⁰ *Id.* at 47.

²¹ *Id.*

²² This prohibition against marks “contrary to socialist morality” extended to marks such as PARANOIA, MAFIA and COCAINE for perfumes and cosmetics. Cohen & Bauer, *supra* note 7, at 401.

²³ BOGUSLAVSKY & CHERVIAKOV, *supra* note 10, at 50.

²⁴ *Id.*

²⁵ Cohen & Bauer, *supra* note 7, at 400. For example, the Soviet PTO found FOR FACES ONLY for cosmetics, an American brand, to be unregistrable because the mark was descriptive. This rule differs from U.S. law, as marks which are descriptive but nonetheless have developed secondary meaning are registrable under § 2(f) of the Lanham Act, ch. 540, 60 Stat. 428, 429 (1946) (codified as amended at 15 U.S.C.A. § 1052(f) (1996)).

²⁶ Eugene A. Arievich, *Firm and Welcome Step*, 7 MANAGING INTELL. PROP. 27 (Sept. 1994).

²⁷ Trademark Statute of 1974, § 25, *cited in* Cohen & Bauer, *supra* note 7, at 403.

²⁸ BOGUSLAVSKY & CHERVIAKOV, *supra* note 10, at 51.

29 *Id.* at 55.

30 Abraham B. Hsuan & Judith L. Church, *The Russian Parliament Tackles Intellectual Property Rights*, 4 J. EUR. BUS. 10, 11 (1993).

31 See Cohen & Bauer, *supra* note 7, at 405. The best known case of trademark litigation during the Soviet period occurred in 1965 in a Moscow City Court between an East German owner of the registered mark AGFA and a Belgian company that used the mark at a Moscow exhibition. *Id.*

32 Cay Hober, *Protection of Foreign Trademarks in the Soviet Union*, 14 TEX. INT'L L.J. 367, 385 (1979).

33 BOGUSLAVSKY & CHERVIAKOV, *supra* note 10, at 49. However, foreign companies could register trademarks in the U.S.S.R. only if the mark had been registered in the company's country of origin. *Id.* at 53.

34 Sergei Gornov & Sergei Muravyov, *Bayer Aspirin Empire Develops a Crack*, RUS-DATA DIALINE-BIZEKON NEWS, June 3, 1994, available in LEXIS, News Library.

35 *Id.*

36 Yevgeny Fokin, *Protecting Your Rights*, MOSCOW TIMES, April 19, 1995, available in LEXIS, News Library. Bayer plans an appeal. Gornov & Muravyov, *supra* note 34. For a more detailed analysis of the opinion, see *Annual Review: Russian Federation: Generic Names*, 84 TRADEMARK REP. (BNA) 987 (1994).

37 Paris Convention for the Protection of Industrial Property, July 14, 1967, 21 U.S.T. 1629, 828 U.N.T.S. 305 [hereinafter Paris Convention].

38 Agreement of Madrid for the International Registration of Trademarks, Apr. 4, 1891, 583 U.N.T.S. 3 [hereinafter Madrid Agreement].

39 See Cohen & Bauer, *supra* note 7, at 398. The U.S.S.R. took these treaty obligations seriously. After the "W"-shaped stitching on the back of Wrangler jeans was refused registration due to lack of distinctiveness, the U.S. owner cited a provision of the Paris Convention requiring a registration office to consider the length of time in use. The owner then presented evidence of widespread use and numerous foreign registrations. The Soviet PTO reversed its refusal to register. See Cohen & Bauer, *supra* note 7, at 400-01.

40 In other successor states to the U.S.S.R., a trademark holder must revalidate applications with each state's newly established national Patent and Trademark Office. See Bruce W. Slayden II, *Recent Developments in Trademark Law*, 3 TEX. INTELL. PROP. L.J. 125, 137 (1995). Marks which were still under prosecution from the U.S.S.R. system on October 17, 1992, had to be revalidated prior to June 30, 1993 or the application was deemed abandoned. Susan J. Keri & Tamara Istomina, *Trademarks in Russia*, 84 MANAGING INTELL. PROP. 104 (1994).

41 RF Act No. 3520-1; RF Supreme Soviet Decree No. 3521-1; RF Supreme Soviet Decree No. 3522-1, 23 Sept. 1992, Vedomosti Fed. Sobr. RF (1992), available in LEXIS, INTLAW Library, RUSLEG File. Also printed as Law on Trademarks, Service Marks, and Names of Places of Origin of Goods, Vedomosti SND RF (1992), No. 42, item 2322, adopted by the Supreme Soviet of the Russian Federation, 23 Sept. 1992, translated in INTELLECTUAL PROPERTY IN THE RUSSIAN FEDERATION 56 (W.E. Butler, trans. 1994) [hereinafter 1992 Law on Trademarks]. There are also two Decrees amending and implementing this legislation: the Decree on the Introduction into Operation of the Law of the Russian Federation "on Trademarks, Service Marks, and Names of Places of Origin of Goods," Vedomosti SND RF (1992), No. 42, item 2323, adopted by the Supreme Soviet of the

Russian Federation, 23 Sept. 1992; and the Decree on the Second Consideration of the Law of the Russian Federation “on Trademarks, Service Marks, and Names of Places of Origin of Goods” *Vedomosti SND RF* (1992), No. 42, item 2324, adopted by the Supreme Soviet of the Russian Federation, 23 Sept. 1992. These laws were some of the earliest actions by the Russian government in the field of consumer protection, presumably because of the close nexus with business development. *See* James P. Nehf, *Empowering the Russian Consumer in a Market Economy*, 14 MICH. J. INT'L L. 739 (1993) (discussing the development of consumer protection laws in Russia). With the growing number of new entrepreneurs, the potential for deceptive conduct may increase, prompting consumer complaints which will shift the focus of trademark protection away from protecting corporate profits to preventing fraud or deceptive conduct towards consumers. *Id.* at 741-42.

⁴² RSFSR Competition and Restriction of Product Market Monopoly Act, RSFSR House of Soviets, Moscow, Mar. 22, 1991, art. 10, available in DIALOG, File No. 496574 [hereinafter Anti-Monopoly Act].

⁴³ RF Act No. 108-FZ, adopted by the State Duma, June 14, 1995, available in LEXIS, INTLAW Library, RUSLEG File [hereinafter Advertising Act]. The Act is intended to prevent misleading advertising, which damages “honor, dignity, or business reputation.” *Id.*, art. 6. This Act is particularly significant in that it authorizes a penalty of up to 200 times the minimum monthly wage and recognizes a private right of action. *Id.*, art. 31. *See also Intellectual Property Developments*, EAST/WEST-EXECUTIVE GUIDE, March 1, 1996 available in LEXIS, World Library.

⁴⁴ KONST. RF, art. 44 (1993) cited in *International Copyright Treaties and Laws*, 1994 ABA SEC. INTELL. PROP. L. REP. 245.

⁴⁵ *See* Slayden, *supra* note 40, at 138.

⁴⁶ Arievich, *supra* note 26.

⁴⁷ 1992 Law on Trademarks, *supra* note 41, art. 2 (3).

⁴⁸ *Id.* art. 1. A trademark (or service mark) under the 1992 law is a “designation [made] to draw a distinction, respectively, between the goods and services of one legal or natural person and similar goods and services ... of the same type of [an]other juridical or natural person.” *Id.*

⁴⁹ The U.S.S.R. Trademark law, passed immediately before dissolution of the country, shared this change. *See* Cohen & Bauer, *supra* note 7, at 399-400.

⁵⁰ For example, filing in another Paris Convention country within six months of filing in Russia will establish the first filing as a “priority date” (the effective date of filing for determining which application for a certain trademark is first). Keri & Istomina, *supra* note 40, at 105.

⁵¹ The narrow exception for “notorious marks” present in the Russian system is dictated by Article 6-bis of the Paris Convention. However, there has yet to be a case which explicitly holds that there is no relief for the owner of a well known (but not notorious) foreign trademark if a third party attempts to register the mark in Russia. *See* Slayden, *supra* note 40, at 138; text accompanying notes 89, 117, *infra*.

⁵² 1992 Law on Trademarks, *supra* note 41, chs. 1, 3, 7.

⁵³ The 1992 Law on Trademarks defines an appellation of origin as:

(1) The name of the place of origin of a good is the name of the country, population centre, locality or other geographic object (hereinafter: geographic object) used to designate a good whose special properties are exclusively or principally determined by natural conditions or human factors characteristic of the particular geographic object or by natural conditions and human factors simultaneously.

The name of a place of origin of a good may be the historical name of the geographic object.

(2) A designation, although representing or containing the name of a geographic object but which in the Russian Federation has come into general use as the designation of a good of a specified type not connected with the place of its manufacture, may not be deemed to be the name of the place of origin of a good.

1992 Law on Trademarks, *supra* note 41, art. 30. This type of protection might be particularly appropriate for certain agricultural products, such as wines and cheeses, as well as works by regional artisans. *See* Interview with Michael Solton, an American attorney specializing in U.S./Russian transactions, in Stanford, Cal. (Apr. 19, 1996) (proposing use of the category for agricultural products); *See also* Steven Erlanger, *For Icon Artists, Freedom Brings Iconoclasm*, N.Y. TIMES, Apr. 28, 1994, at A3 (discussing the problem of imitation Palekh boxes).

⁵⁴ Collective marks, also recognized under U.S. law, are marks such as those belonging to a particular union or other association of enterprises and indicate common characteristics among products. 1992 Law on Trademarks, *supra* note 41, art. 20.

⁵⁵ *Id.* art. 20 (2).

⁵⁶ *Id.* art. 31(4).

⁵⁷ *Id.* art. 46(3).

⁵⁸ *Id.* art. 5. This grouping is not, however, as broad as the U.S. trademark law allows. *See, e.g.*, Qualitex Co. v. Jacobson Products Co., 115 S. Ct. 1300, 34 U.S.P.Q.2d (BNA) 1161 (1995) (allowing registration of color as a trademark).

⁵⁹ 1992 Law on Trademarks, *supra* note 41, arts. 6 and 7. An absolute limit is one which flatly forbids registration of a mark because it contains a specific forbidden feature (such as a state emblem). *Id.* art. 6. A relative limit examines the mark in light of rights owned by third parties, such as a rule that a trademark may not be registered if it is too similar to a previously registered mark. *Id.* art. 7.

⁶⁰ Slayden, *supra* note 40, at 139.

⁶¹ Andrea F. Rush & Jeffrey T. Imai, *Patents, Trade Marks, and Copyright: New Developments in the Russian Federation*, 12 MANAGING INTELL. PROP. 35 (Nov. 1993).

⁶² Interview with Michael Solton, *supra* note 53. Similarly, “distinctiveness” is measured by a mark’s analytical distinctiveness, which means the Russian system generally refuses protection to initials, consonants, and/or digits which do not form a pronounceable word, absent a design element. Jennifer L. Morton, Tamara Istomina & Robert A. MacDonald, *Special Considerations for Trade Marks in Russia*, 1995 TRADEMARK Y.B., MANAGING INTELL. PROP. 47. Presumably this would exclude from registration marks such as DHL for package delivery services or CNN for news. However, these particular marks might be registrable nonetheless as notorious marks under the Paris Convention’s Article 6-bis, as application of this rule to internationally famous marks is unclear. *Id.*

⁶³ Arievich, *supra* note 26, at 27.

⁶⁴ Statement of Svetlana Gorlenko, Advisor to the Chairman of Rospatent, *reported in* Zamarina, *supra*, note 4. The Rospatent office now receives 23 to 25 thousand trademark applications per year. *Id.*

⁶⁵ Arievich, *supra* note 26, at 29.

⁶⁶ 1992 Law on Trademarks, *supra* note 41, art. 13.

67 The Russian PTO had wanted to create a Patent Court having final authority in all intellectual property cases. However, opposition to this idea from Russian lawyers led Rospatent to pursue the formation of a supreme administrative body. Zamarina, *supra* note 4 (Statement of Vitaly Rassokhin, Chairman of the Russian Federation Committee on Patents and Trademarks).

For duties of the Supreme Patent Chamber, *see* 1992 Law on Trademarks, *supra* note 41, arts. 13, 21, 22, 28, 29, 34, 42, and 45.

68 1992 Law on Trademarks, *supra* note 41, arts. 13, 28. After five years, the trademark becomes contestable with respect to relative grounds (such as similarity to other marks). *Id.* arts. 28(1) and 7.

69 *Id.* art. 22(3).

70 *Id.* art. 29.

71 *Id.* art. 21(3).

72 Commentators believe that this implementing legislation is too low a priority with many legislators for the Chamber to be formed at any time in the near future. Arievich, *supra* note 26.

73 Eugene A. Arievich, *International Review of Trademark Jurisprudence: Russian Federation: Jurisdiction/Authority*, 85 TRADEMARK REP. 947, 948 (1995) [hereinafter Arievich, *International Review*].

74 *Id.* Boris Smirnov, a descendant of the famous Russian distiller Piotr Smirnov, registered SMIRNOV for vodka approximately one month prior to Heublein's attempt to register SMIRNOFF. Alan Cooperman, *How do Russians Cure a Hangover? A High Stakes Brawl in the Vodka Business*, U.S. NEWS & WORLD REP., Apr. 15, 1996, at 48. *See also* Arievich, *International Review*, *supra* note 73, at 947 (reporting Appeal of Heublein, Inc., USA, Rospatent Chamber of Patent Appeals (Nov. 25, 1992)). The text accompanying notes 142-152, *infra*, gives more factual details of this controversy.

75 Arievich, *International Review*, *supra* note 73, at 947.

76 *Id.*

77 *Id.*

78 1992 Law on Trademarks, *supra* note 41, art. 16(1).

79 *Id.* art. 26.

80 *Id.* art. 27.

81 *Id.* art. 46(1).

82 *Id.* art. 46(2).

83 Slayden, *supra* note 40, at 139. Rapid inflation made it impractical to have a definite ruble figure. A better measurement system uses multiples of the Russian minimum monthly salary, a figure set by the state. *Id.* This number is still remarkably low.

84 1992 Law on Trademarks, *supra* note 41, art. 45(1).

85 *Id.* art. 47.

86 Person's Co. v. Christman, 900 F.2d 1565, 1569, 14 U.S.P.Q.2d (BNA) 1422, 1479 (Fed. Cir. 1990) (citing Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha, 754 F.2d 591, 599, 225 U.S.P.Q. (BNA) 540, 546 (5th Cir. 1985) (citing *Ingenohl v. Olson & Co.*, 273 U.S. 541, 544 (1927))). To give a recent example, registration of the trademark STOLICHNAYA for vodka was canceled in Russia on a finding that it was a general term for certain types of vodka. Gosudarstvennoe Patentnoe Vedomstvo SSSR [The State Patent Office of the U.S.S.R.], Decision No. 10/30-314/50, Aug. 7, 1991 [hereinafter Stolichnaya Decision] (cited in Peter B. Maggs, *Importing Russian Intellectual Property: The Interaction of Russian and United States Law*, 1 PARKER SCH. J. E. EUR. L. 47, 69 (1994)). Despite the Russian cancellation, United States courts held that the trademark could remain registered in the United States. *Financial Matters Inc. v. PepsiCo Inc.*, 806 F. Supp. 480, 485, 25 U.S.P.Q.2d (BNA) 1456, 1460 (S.D.N.Y. 1992). However, PepsiCo's problems have not evaporated. Because Russians no longer consider STOLICHNAYA a reputable brand, one PepsiCo official predicts a significant impact on the U.S. market. "What happens when tourists come [to Russia] and they can't find Stoli in restaurants? Sure, it's going to hurt." Cooperman, *supra* note 74, at 49. See text accompanying notes 136-137, *infra*, for further discussion of the Stolichnaya story.

87 1992 Law on Trademarks, *supra* note 41, art. 48.

88 See text accompanying notes 37-38, *supra*. Although Russia, China, and most European nations rank among the approximately 40 members, the United States is not a party to the Madrid Agreement. WORLD INTELLECTUAL PROPERTY ORGANIZATION, WORLD INTELLECTUAL PROPERTY ORGANIZATION GENERAL INFORMATION 30 (1993). For a discussion of why the United States has declined to join, see Jeffrey M. Samuels & Linda B. Samuels, *The Changing Landscape of International Trademark Law*, 27 G.W. J. INT'L L. & ECON. 433, 443-44 (1993).

89 Paris Convention, *supra* note 37, art. 6-bis. To establish that a mark qualifies as notorious, the owner must file evidence supporting the claim, including financial statements detailing international volume and value of sales, newsletters, and advertisements. Marks which Rospatent has accepted as sufficiently notorious include XEROX, MERCEDES and DIOR. Morton, Istomina, & MacDonald, *supra* note 62, at 47.

90 Paris Convention, *supra* note 37, art. 8.

91 1992 Law on Trademarks, *supra* note 41, art. 7(2).

92 Madrid Agreement, *supra* note 38, art. 3(1).

93 *Id.* arts. 3(4), 5.

94 *Id.* arts. 5(1), (2), (5).

95 Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods, GATT Doc. MTN/FA I-AIC (Dec. 15, 1993) [hereinafter GATT Agreement on TRIPs].

96 *International Forum*, *supra* note 6. See also Press Conference with Chairman of Russian Federation Antitrust State Committee, Official Kremlin Int'l News Broadcast, February 22, 1995, available in LEXIS, World Library (stating that intellectual piracy must be improved if Russia is to be admitted to the WTO). However, membership in the WTO is not a top priority for Russia and will not by itself force Russia to improve trademark enforcement. Interview with Michael Solton, *supra* note 53.

⁹⁷ GATT Agreement on TRIPs, *supra* note 95, art. 61.

⁹⁸ *Id.* art. 51.

⁹⁹ Paris Convention, *supra* note 37, art. 2(1); GATT Agreement on TRIPs, *supra* note 95, art. 3(1). See Samuels & Samuels, *supra* note 88, at 435 (defining national treatment).

¹⁰⁰ See e.g., Most Favored Nation Treatment: Union of Soviet Socialist Republics, Pub. L. No. 102-197, 105 Stat. 1622 (1991).

¹⁰¹ In May of 1995, U.S. Trade Representative Mickey Kantor downgraded Russia's status with respect to § 301 of the U.S. Trade Act and moved Russia to the "watch-list" of countries where intellectual property rights are abused, a "first warning" that Russia risks trade sanctions unless intellectual property protection improves. *Intellectual Property Developments*, *supra* note 43. This may be an empty threat, given the strategic importance of stable U.S.-Russia relations. Interview with Michael Solton, *supra* note 53.

¹⁰² Russia, along with 34 other states (including the U.S.), signed the TLT at the closing ceremony of the WIPO diplomatic conference on October 28, 1994. WORLD INTELLECTUAL PROPERTY ORGANIZATION, PRESS RELEASE ON THE TRADEMARK LAW TREATY (Oct. 28, 1994), *reprinted in* Slayden, *supra* note 40, at 140-41. See also *Thirty-five Countries Sign Trademark Law Treaty*, ASIAN CENTURY BUS. REP., (Nov. 1994) available in LEXIS, News Library; U.S., 96 Other WIPO Members Conclude International Trademark Treaty, 49 Pat. Trademark & Copyright J. (BNA) 22 (1994). Significantly, eleven other countries from the former Soviet bloc signed the TLT, thus facilitating trademark protection throughout the region. *Trademark Law Treaty Signed by 12 Former Soviet Bloc Nations*, E. Eur. Rep. (BNA) 130 (Feb. 26, 1996).

¹⁰³ Slayden, *supra* note 40, at 140.

¹⁰⁴ 97 Countries Agree to Treaty on Global Protection of Trademarks, 11 Int'l Trade Rep. (BNA) 1689 (Nov. 2, 1994).

¹⁰⁵ WORLD INTELLECTUAL PROPERTY ORGANIZATION, PRESS RELEASE, *supra* note 102.

¹⁰⁶ *Id.*

¹⁰⁷ See Arievich, *supra* note 26.

¹⁰⁸ See text accompanying notes 73-76, *supra*.

¹⁰⁹ U.S. Council for International Business, Intellectual Property Committee Working Group on Central Eastern Europe/CIS at 1 (General Discussion Points for Meeting with USTR Officials Regarding IPR Enforcement in Russia) (Mar. 15, 1996) [hereinafter USCIB/USTR Discussion Points] (unpublished manuscript on file with *Texas Intellectual Property Law Journal*).

¹¹⁰ Anti-Monopoly Act, *supra* note 42, art. 10.

¹¹¹ See Paul H. Rubin, *Growing a Legal System in the Post-Communist Economies*, 27 CORNELL INT'L L.J. 1, 37 (1994) (expressing the fear that over-regulation may suppress information useful to the market and consumer, and giving examples in post-Communist nations where Western-style advertisements were judged deceptive by regulatory authorities).

¹¹² 1992 Law on Trademarks, *supra* note 41, art. 26.

¹¹³ Address by Dr. Alexander von Funer, AIPLA 1991, Mid-Winter Institute (January 23, 1991) at A-17, *cited in Cohen & Bauer, supra note 7, at 406.*

¹¹⁴ One common complaint from less economically developed countries is that multi-national companies produce lower quality goods for their consumers than for those of richer nations. This provision would address that concern. However, the provision may simply be intended to protect Russian consumers from being unable to distinguish between high and low quality goods with the same mark, which is one of the traditional purposes of trademarks. If this is the case, then it would seem that even without the law, companies would have an incentive to preserve the value of their marks by ensuring that quality levels do not drop when the product is licensed. The provision would then be unnecessary.

¹¹⁵ Note, however, that many European nations follow a similar practice. Interview with Michael Solton, *supra* note 53.

¹¹⁶ Paris Convention, *supra* note 37, art. 6-bis.

¹¹⁷ Furthermore, many Western brand names were known in the U.S.S.R. even though the products were not for sale. Winestock, *supra* note 1. A canny entrepreneur could begin production of an identically named good, capitalize on the associated goodwill and register the mark for himself, thus blocking the foreign company from later participation in the Russian market so long as the foreign mark was not "notorious." Even a provision protecting prior Russian use of a mark would not reach this behavior.

¹¹⁸ USCIB/USTR Discussion Points, *supra* note 109, at 4. These small companies are often not aware that their behavior is legally questionable. *Id.*

¹¹⁹ However, if a firm's name is well known in Russia, art. 7(2) of the 1992 Law on Trademarks (*supra* note 41) refuses registration for marks which reproduce the name or parts of the name.

¹²⁰ Zamarina, *supra* note 4.

¹²¹ Arievich, *supra* note 26.

¹²² See 1992 Law on Trademarks, *supra* note 41, art. 22(3) ("[R]egistration may be terminated [due to] ... failure to use the trademark uninterruptedly during five years").

¹²³ See *International Forum*, *supra* note 6 (listing enforcement as a primary recommendation to lawmakers).

¹²⁴ Slayden, *supra* note 40, at 139.

¹²⁵ "The courts don't have the necessary experience to solve these matters." Wendlandt, *supra* note 2 (quoting Yevgeny Arievich, vice president of the Intellectual Property Agency, a private Russian firm specializing in trademark issues).

¹²⁶ See Lee Hockstader, *Russian Chief Judge Faces Clock, Hard-Liners; Tumanov, Nearing Retirement, Trying to Restore Top Court's Prestige Amid Skepticism*, WASH. POST, Mar. 4, 1995, at A18. Compounding the effect of poor respect for the judiciary is the reality that people in formerly Communist societies tend to be less confident in the future and more likely to believe that institutions are likely to change than people in capitalist societies are. Robert J. Schiller et. al., *Hunting for Homo Sovieticus: Situational Versus Attitudinal Factors in Economic Behavior*, 1 BROOKINGS PAPERS ON ECON. ACTIVITY 127 (1992). The results of this study indicate that Russian entrepreneurs may be less likely to invest in developing their own goodwill and trademark capital, fearing adverse legal and institutional change. See Rubin, *supra* note 111, at 15.

¹²⁷ Carol Watson, *Soviet Lawyer Holds No Brief for Her Country's Justice*, L.A. TIMES, Feb. 15, 1990, Part J (Ventura County

edition), at 1 (quoting a Soviet lawyer saying, “Everybody knew that the judge was not independent in his decision because it’s easy to bribe the judge.”).

128 Wendlandt, *supra* note 2.

129 The fact that a recently prepared Draft Presidential Decree would increase criminal penalties further supports the proposition that penalties still are not sufficiently high. Statement of Vitaly Rassokhin, *supra* note 67.

130 *Id.*

131 *See generally* Rubin, *supra* note 111, at 9 (advocating the benefits of at least a temporary use of common law-like processes in post-Communist countries).

132 USCIB/USTR Discussion Points, *supra* note 109, at 2.

133 Arievich, *supra* note 26.

134 *Id.*

135 Interview with Michael Solton, *supra* note 53.

136 Maggs, *supra* note 86, at 48. For more details regarding the facts of this case, *see also Russian Proclamation Did Not Alter U.S. Trademark Rights in Imported Vodka*, 45 Pat. Trademark & Copyright J. (BNA) 127 (1992).

137 *Id.* at 48-49. Note that there has been dispute over the STOLICHNAYA brand on another front. In August of 1991, the Chairman of the Soviet PTO canceled trademark registrations for 12 vodka labels (STOLICHNAYA among them) on the ground that the marks had become generic. Stolichnaya Decision, *supra* note 86. This led to chaos in the distilling business and damaged the value of famous marks such as STOLICHNAYA. In 1994, the Chairman of the Russian PTO reinstated the marks, finding that they were merely similar and not identical to the generic marks and were thus registrable. *Annual Review*, *supra* note 36, at 988. However, in January of 1996, the Russian PTO reversed, finding that Stolichnaya was indeed a generic name, and that all 150 Russian alcohol factories could lawfully use the mark. Cooperman, *supra* note 74, at 49.

138 Winestock, *supra* note 1.

139 *Id.*

140 USCIB/USTR Discussion Points, *supra* note 109, at 4.

141 *Id.*

142 SMIRNOFF is the anglicized version of SMIRNOV. *GrandMet Dismisses Ruling by Russian Court*, BRAND STRATEGY, Sept. 29, 1995, at 2. Heublein is a U.S. subsidiary of Grand Metropolitan (GrandMet), a U.K.-owned international food and drink company. *Id.*

143 Cooperman, *supra* note 74, at 48.

¹⁴⁴ *GrandMet Dismisses*, *supra* note 142. Heublein also participated in an administrative dispute in the Russian PTO. *See text accompanying notes 74-78, supra. See also Roderick Oram, Spirit of Smirnoff Wins Legacy from GrandMet*, FIN. TIMES, Sept. 22, 1995 [hereinafter Oram, *Spirit of Smirnoff*].

¹⁴⁵ Paul Rodgers, *A Strange Case of Smirnoff*, INDEPENDENT (London), Dec. 31, 1995, at 4. According to a GrandMet investigation, most of Piotr Smirnov's 100 living descendants subscribe to this version of events. *GrandMet Dismisses*, *supra* note 142.

¹⁴⁶ *GrandMet Dismisses*, *supra* note 142. According to Boris, "Vladimir wasn't involved in the vodka business. He just liked to play the horses." Oram, *Spirit of Smirnoff*, *supra* note 144.

¹⁴⁷ *See GrandMet Dismisses*, *supra*, note 142.

¹⁴⁸ Arievich, *International Review*, *supra* note 73, at 947. *See text accompanying notes 73-76, supra.*

¹⁴⁹ Cooperman, *supra* note 74, at 49. See Roderick Oram, *GrandMet Faces Loss of US Rights for Vodka Distribution*, FIN. TIMES, March 7, 1996, at 21, for a discussion of Boris Smirnov's plans for expanding his new-found vodka business. *See also Oram, Spirit of Smirnoff*, *supra* note 144.

¹⁵⁰ *Joint Stock Soc'y v. Heublein*, 936 F. Supp. 177 (D. Del. Aug. 2nd, 1996) (dismissing a defamation and disparagement cross action against Walker and a third party, and denying motion of transfer to Connecticut). *See also Cooperman* *supra* note 74 at 49.

¹⁵¹ *Joint Stock Soc'y*, 936 F. Supp. at 184.

¹⁵² *See text accompanying note 64, supra.*

¹⁵³ Many sources advocating better trademark protection urge this action. Notable among these is the Consensus Statement and List of Recommendations emanating from the "International Conference on the Protection of Trademarks and Patents in Russia," held in Moscow in February 1996. The gathering of 200 Russian government officials, business leaders, and international experts topped their list of recommendations to the Duma with the request for formation of the Supreme Patent Chamber. *International Forum*, *supra* note 6. Unfortunately, given the multitude of pressing domestic problems, a prompt response to this call for action seems unlikely.

¹⁵⁴ *Id.* This suggestion may not be politically feasible, given the strong opposition by Russian lawyers to such a proposal. *See Zamarina, supra* note 4.

¹⁵⁵ USCIB/USTR Discussion Points, *supra* note 109.

¹⁵⁶ *See International Forum*, *supra* note 6.

¹⁵⁷ Statement of Vitaly Rassokhin, *supra* note 67.

¹⁵⁸ USCIB/USTR Discussion Points, *supra* note 109, at 2. The USCIB also suggests that abstracts of the decisions be distributed in English to other PTOs. *Id.* While this would surely be helpful to U.S. companies, it seems a somewhat unrealistic demand to make of the struggling Russian government.

¹⁵⁹ See *International Forum*, *supra* note 6.

¹⁶⁰ Statement of Vitaly Rassokhin, *supra* note 67.

¹⁶¹ USCIB/USTR Discussion Points, *supra* note 109, at 2.

¹⁶² The World Customs Organization recommends that Russian customs bodies play a greater role in fighting counterfeiting and piracy. *International Forum*, *supra* note 6.

¹⁶³ Winestock, *supra* note 1.

¹⁶⁴ *Id.* Under the Mattel agreement, Russian Customs will consider all Barbie shipments that do not have a contract from the Mattel Amsterdam office, do not come from Holland, or do not follow predetermined routes to be illegal. *Id.*

¹⁶⁵ See Rubin, *supra* note 111, at 36.

¹⁶⁶ Richard S. Higgins & Paul H. Rubin, *Counterfeit Goods*, 29 J.L. & ECON. 211, 230 (1986).

¹⁶⁷ Rubin, *supra* note 111, at 36.

¹⁶⁸ Arievich, *supra* note 26.

¹⁶⁹ *Id.*

¹⁷⁰ Statement of Vitaly Rassokhin, *supra* note 67.

¹⁷¹ Interview with Michael Solton, *supra* note 53.

¹⁷² Statement of Vitaly Rassokhin, *supra* note 67.

¹⁷³ *Id.*

¹⁷⁴ *Id.*

¹⁷⁵ USCIB/USTR Discussion Points, *supra* note 109, at 3.

¹⁷⁶ See generally Rubin, *supra* note 111, at 42-46 (arguing that in transition economies, often private enforcement is the most effective means of facilitating commerce, and will ultimately aid in the development of the new legal code).

¹⁷⁷ Wendlandt, *supra* note 2.

178 *Id.*

179 Bruce Clark, *Strong-Arm Russians Go Private*, TIMES (London), May 11, 1992.

180 Wendlandt, *supra* note 2.

181 Winestock, *supra* note 1.

182 Wendlandt, *supra* note 2.

183 Liquidated damages are now enforceable under Russian contract law. GK RF Art. 330 *translated in RUSSIA AND THE REPUBLICS LEGAL MATERIALS*, No. 33, 160 (John N. Hanland & Vratislan Pechota eds. 1996).

184 See USCIB/USTR Discussion Points, *supra* note 109, at 2.

185 Winestock, *supra* note 1.

186 Interview with Michael Solton, *supra* note 53. This U.S. practitioner knows of seven cases brought in the last year by trademark owners to the Anti-Monopoly Committee: in five of these cases, the trademark owner won.

187 *Id.*

188 Advertising Act, *supra* note 43, art. 31.

189 *Id.*

190 *Id.* This method of review might also provide protection for owners of certain unregistrable marks, such as those composed of unpronounceable combinations of alphanumeric figures, if the owner could establish a separate basis for the claim, such as unfair competition. See Morton, Istomina & MacDonald, *supra* note 62, at 47.

191 *Id.*