

Parallel Import: What are the practical implications of the new ruling of Russian Constitutional Court?

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Dear Ladies and Gentlemen,

We would like to inform you that on February 13, 2018 the Russian Constitutional Court (the "Court") issued the Ruling No. 8-П addressing some debated questions of parallel import in Russia and setting criteria for differentiating between importing counterfeit products and grey import. It will undoubtedly have impact on both trademark owners and parallel importers.

WHAT WAS THE PROBLEM?

During the last decade, Russian court practice has tended to interpret the import of products marked with a trademark as a form of using that trademark. For this reason, any import of original products without the trademark owner's authorization ("parallel import" or "grey import") constituted breach of intellectual property rights and led to civil liability. This approach caused a deep resentment to business, in particular in auto parts, electronic devices, cosmetics and the pharmaceutical industry.

PURE COUNTERFEIT AND PARALLEL IMPORT: DIFFERENT APPROACH TO REMEDIES

The crucial point stressed by the Court is that parallel import products continue to be infringing trademark rights. Thus, from the formal perspective, parallel import products are similar to products produced without the trademark owner's authorization ("pure counterfeit"). Substantial difference in their origin and quality shall be, however, taken into account when determining the scope of liability imposed on parallel importer:

- Amount of the compensation awarded in the case of pure counterfeit may not be the same as in the case of parallel import.
- Destruction of illegally-imported original products is an extraordinary measure and may be imposed on the parallel importers only in certain cases (e.g. due to their bad quality, or unsafe nature).

COURTS MAY REFUSE TO PROTECT TRADEMARK OWNER'S RIGHTS IN THE CASE OF ABUSE

The trademark owner shall behave in good faith and under no circumstances may abuse its rights. The Court emphasized that this principle has no exceptions and may not be obviated.

In this regard, unfair behavior, or abuse of rights by the trademark owner, shall be grounds for the courts, settling the disputes, to refuse protection of the trademark owner's rights. To explain this clearly, the Court has proposed certain criteria, that shall be cumulatively met, to qualify the behavior as unfair/ abusive, namely:

- Trademark owner restricts import of original products into Russia, or its products are unreasonably high-priced in the Russian market, in comparison with the other markets, and
- Such actions result in the limitation of consumers' access to the original products, especially to the vital ones (e.g. certain categories of medicines, life-support equipment etc.).

NEW APPROACH: WHAT TO EXPECT?

The Court's Ruling shall not be interpreted as legitimizing parallel import nor, moreover, that it will turn enforcement practice upside down. It, however, means that the courts will pay more attention to the trademark owner's behavior when considering parallel-import cases. For this reason, trademark owners

fighting against parallel imports must be capable of proving that they are acting in good faith and their actions do not constitute abuse of rights.

We hope that the information provided herein would be useful for you. If any of your colleagues would also like to receive our newsletters, please let us know by sending us his/her email address in response to this message. If you would like to learn more about our **Intellectual Property Practice**, please let us know about it in reply to this email. We will be glad to provide you with our materials.

If you have any questions, please, do not hesitate to contact the Partner of ALRUD Law Firm **Maria Ostashenko** at MOstashenko@alrud.com.

Kind regards,

ALRUD Law Firm

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