COMMENTARIES

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PROTECTION OF CIVIL RIGHTS THROUGH MECHANISM FOR SUPPRESSION OF UNFAIR COMPETITION AND AVOIDANCE OF ABUSE OF EXCLUSIVE RIGHT TO A TRADEMARK

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Abstract: The article investigates separate issues of civil rights protection in case of violation of balance of rights and interests of participants of civil legal relations due to unfair competition and abuse of exclusive right to a trademark. The paper focuses on the study of the essence of abuse of rights and unfair competition and how the two categories relate to each other. The author has analyzed the possibility to define some special corpus delicti constituting the abuse of the exclusive right to a trademark and unfair competition and made a conclusion about the inexpediency of the legislative definition of such corpus delicti. The analysis of judicial practice has revealed a number of criteria that should be taken into account when qualifying actions to acquire and exercise an exclusive right to a trademark as an abuse of right or unfair competition and an obligatory component of any composition is the bad faith of participants of civil legal relations.

Keywords: unfair competition, abuse of exclusive right, trademark, balance of interests, protection of civil rights, means of protection of civil rights, general limits of realization of rights, limits of subjective right, limits of exercise of civil rights, exclusive right to a trademark

Much attention is now being paid to the problem of balancing the rights and interests of the parties to civil legal relations and protecting them. Persons, whose rights have

been infringed because of unfair competition or the abuse of rights by others, often seek the protection of a violation of the balance of rights and interests. Despite the fact that the institutions of unfair competition and abuse of law have long been known, many issues related to abuse of law and unfair competition remain unexplored. Disputes arise primarily in determining the essence of abuse of right and unfair competition and in deciding how the two categories are related. Court practice also faces the problem of defining what constitutes unfair competition and abuse of right, although the courts have gained some experience in defining the criteria to be taken into account when acquiring and using a right to be recognized as abuse of right or unfair competition. There is extensive court practice relating to unfair competition and abuse of the exclusive right to a trademark, but not all issues are resolved here either.

There is no legal definition of abuse of right and unfair competition in the Russian Civil Code. Article 10 of the Civil Code of the Russian Federation contains only prohibitions on actions that can be classified as abuse of right or unfair competition. Under Article 10(1) of the Civil Code, civil rights may not be exercised solely with the intent to cause harm to another person, to circumvent the law with an unlawful purpose, or to exercise civil rights in bad faith (abuse of right).

The use of civil rights to restrict competition and the abuse of a dominant market position are prohibited.

Since the law expressly prohibits such acts, the use and abuse of civil rights to restrict competition (unfair competition) is considered an offence. However, this is a special kind of offence. The specifics are as follows:

Firstly, it follows from Article 10(1) of the Civil Code of the Russian Federation that a person who is empowered to commit an offence is exercising the right granted to him by law.

Secondly, in exercising the right granted to the holder of right, the holder of right acts, on the one part, lawfully, within the specific boundaries established by law which define the content and scope of the right in question but, on the other part, in bad faith or consciously in bad faith by crossing the general boundaries of the exercise of rights, affecting and violating the rights and interests of others.

These characteristics are common to both right abuse and unfair competition offences. Are there differences between these types of offences? To answer this question, let us look at each of them. Let us look at the doctrinal definition of abuse of right.

V.P. Gribanov has very accurately characterised the abuse of rights, attributing it to a special type of civil offence "committed by an empowered person in the exercise of a right belonging to him, involving the use of impermissible specific forms within the general type of conduct permitted by law"[1].

[1] *Gribanov V.P.* [Osushchestvlenie i zashchita grazhdanskikh prav] Exercise and Protection of Civil Rights. M., 2001.

A.P. Sergeev holds a similar position in defining the concept of abuse of right, considering it as "actions of the subjects of civil legal relations, committed within the framework of the rights granted to them, but in violation of their limits". At the same time, he adds that it is a special type of civil offence, the main specificity of which lies in the fact that the actions of the offender formally rely on the right belonging to him, but in the concrete implementation of it, they take such a form and nature that it leads to the violation of the rights and protected interests of other persons[1].

In formulating the definition of abuse of right, A.P. Sergeev admits to an inaccuracy. There is a certain contradiction in the definition. On the one part, the author points out that in the case of abuse of rights, the actions of the subjects of civil legal relations are carried out within the limits of the rights granted to them and, therefore, are formally lawful. This conclusion also follows from the author's subsequent explanations.

However, in characterising the abuse of rights, he links the actions of a person to a violation of the limits of the right. One cannot agree with this interpretation of the category of abuse of rights. A person's actions that go beyond the content of the right (the limits of the right) are unlawful, violating specific rules of law and have nothing to do with the abuse of the right. "In the science, the limit of a subjective right is understood as the measure of permissible behaviour, the sphere of subjective right outside of which there is no right and overstepping it would mean intrusion into the sphere of another person's right"[2].

Take, for example, the exclusive right to an appellation of origin. Pursuant to Article 1519 of the Civil Code of the Russian Federation, the holder of this right is given the opportunity to use this designation in any manner not inconsistent with the law, including: on goods, on labels, on the Internet and by other means specified in clause 2 of Article 1519 of the Civil Code. However, disposal of the exclusive right to the appellation of origin of goods, including through its alienation or granting another person the right to use the appellation of origin, is not allowed.

The boundaries of the exclusive rights to a firm name are similarly narrow. In accordance with Article 1474 (1) of the Civil Code of the Russian Federation, a legal entity has the exclusive right to use its firm name as a means of individualization in any way that is not contrary to the law, including by indicating it on signboards, letterheads, bills and other documentation, in advertisements, in advertising on

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[1] [Grazhdanskoe pravo] Civil Law. Vol. 1 / Under the editorship of A.P. Sergeev and Y.K. Tolstoy. M., 1996.

[2] *Nazarov A.G.* [Predely osushchestvleniya isklyuchitel'nogo prava na rezul'taty intellektual'noy deyatel'nosti] Limits of Exercising the Exclusive Right to the Results of Intellectual Activity. M.: Prospekt, 2017.

goods or on packaging, on the Internet. Like the exclusive right to the appellation of origin, the exclusive right to a firm name lacks the power of disposal.

Exclusive right to a trademark has the most comprehensive content. Possession of an exclusive right to a trademark allows the owner to use the trademark to indicate the goods produced and marketed by it, as well as to freely dispose of it.

An exclusive right does not only have limits that determine its content. There are also limits to the scope of exclusive rights defined by the rules of law (temporal, subjective, territorial and others). In the literature, they are also referred to as the limits on the existence of the right[1]. Outside these boundaries, the right also does not exist and cannot be relied upon.

For example, the exclusive right to a trademark has a time limit of existence (the duration of the exclusive right to a trademark is 10 years, counted from the date of receipt of the application at Rospatent), territorial and others. Moreover, the validity of an exclusive right to a trademark is limited to a certain list of goods in respect of which the trademark is registered.

It is not the boundaries of the right that are violated, but the limits of the exercise of civil rights, which are not defined by law. Therefore, the person abusing the right acts, without violating specific rules of law, within the limits of the rights granted to him or her. The limits on the exercise of civil rights are set by imposing general prohibitions on acts in the exercise of one's right, whether deliberately or not deliberately disregarding the rights and interests of other parties of civil proceedings.

Unfair competition is legally defined unlike abuse of right, which has no legal definition. The Law On Protection of Competition defines unfair competition as any actions of business entities (a group of persons) which are aimed at obtaining advantages in business activities, contrary to the legislation of the Russian Federation, customs of business turnover, requirements of good faith, reasonableness and fairness and which have caused or may cause losses to other business entities, i.e. competitors, or have caused or may cause damage to their business reputation.

As follows from Part 2 Article 14 of the Federal Law No.135-FZ of July 26, 2006 On Protection of Competition, these acts are connected, in particular, with the acquisition and use of the exclusive right to the means of individualization of a legal person, products, works or services. Examples of such acts, acts of unfair competition, are listed in Article 10 bis of the Convention for the Protection of Industrial Property (Paris, March 20, 1883). These include:

1) all acts capable of causing confusion in any way with respect to the business, products or industrial or commercial activities of competitors;

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[1] [Kommentariy k chasti chetvertoy Grazhdanskogo kodeksa RF] Commentary to Part Four of the Civil Code of the Russian Federation / Under the editorship of A.L. Makovsky. M., 2008.

2) false statements during the conduct of business that could discredit a competitor's company, products or industrial or commercial activities;

3) indications or statements, the use of which in the course of business is likely to mislead the public as to the nature, manufacturing method, properties, suitability for use or quantity of the goods.

Acts that would constitute an act of unfair competition can take place both at the stage of acquiring exclusive rights (e.g. at the registration stage) and at the stage of using them. This point of view is held by some academics[1]. The same position can also be seen in judicial practice.

The definition of unfair competition contained in the Act and the list of acts of unfair competition make it possible to identify its characteristic features and to compare unfair competition with abuse of law.

Firstly, it follows from the definition that in case of unfair competition actions are committed which contradict not only the requirements of good faith, reasonableness and fairness, but also the legislation of the Russian Federation. However, this does not mean at all that the rules determining the limits of the right of the person engaged in unfair competition are violated. Actions contrary to the legislation of the Russian Federation in the meaning of Article 14 of the Law On Protection of Competition shall include such actions, which violate the limits of exercise of civil rights established by law. In particular, such general limits of exercise of civil rights are set out in Article 10 of the Civil Code of the Russian Federation, Article 10-bis of the Convention for the Protection of Industrial Property. Chapter 4 of the Civil Code of the Russian Federation also contains a number of rules defining the limits of the exercise of the exclusive rights to the means of individualization. For example, according to §2 of Article 1488 of the Civil Code of the Russian Federation, the alienation of the exclusive right to a trademark is not allowed if it may mislead the consumer regarding the goods or the manufacturer. Article 1486 of the Civil Code of the Russian Federation also defines the limits of the exclusive rights to a trademark. This article contains a rule on the possibility of early termination of the exclusive right to a trademark in respect of the respective goods for the individualization of which the trademark is registered due to its non-use for three years.

It follows from the above that the use of exclusive rights to means of individualization by business entities, which is restricted by law, is lawful, which is also characteristic of the actions of abusers of their rights.

Secondly, the person engaged in unfair competition is the holder of right who is engaged in entrepreneurial activities. The direct object of protection against such unfair competition is free competition, so it is necessary to establish the existence

[1] *Korneev V.A., Rassomagina N.L.* // [Zhurnal Suda po intellektual'nym pravam] Journal of the Court of Intellectual Rights. 2015. No. 8.

of competitors of the right holder whose interests may be infringed by the actions of the right holder and due to which he acquires advantages in order to recognize the actions of the holder of right to use the exclusive right to means of individualization as unfair competition.

Since unfairness shall be present against the background of a competitive relationship, it is necessary to establish the existence of competitors both at the time of the acts to acquire the exclusive rights and at the time of their use.

The scope of protection against abuse of rights is broader. In an abuse of rights, not only business entities but also consumers and individuals are affected. Their interest will be the subject of protection.

Thirdly, in order to recognize the actions of the right holder to acquire and use exclusive rights as an act of unfair competition it is necessary to identify the unfairness of the purpose of acquisition of the means of individualization and the intention to cause harm to other business entities, competitors of the right holder. It directly follows from Article 10 bis of the Paris Convention, according to which, in the process of qualifying the acquisition of an exclusive right to a trademark as an act of unfair competition, one must take into account the presence of dishonesty, the desire to use the situation to one's advantage, to profit from it to the detriment of the interests of others.

If no bad faith target is identified (e.g. there were no competitors at the time the exclusive right to the trademark was acquired), but nevertheless the interests of business entities were affected by the exercise of exclusive rights by the holder of right, then other means of protection using the mechanism of avoiding abuse of right can be applied.

Thus, the institute of abuse of right and unfair competition, with some differences, have much in common. What they have in common is the specifics of the offences: the common purpose of prohibiting actions abusing rights and restricting competition, namely, seeking to achieve a balance between the interests of participants in civil legal relations. The form and nature of rights exercised in abuse of rights and unfair competition may also be common. In both cases, the principle of good faith is violated.

It can be agreed that there is little difference between these institutions. Some even tend to regard unfair competition as a form of abuse of right.

Unfair competition and abuse of exclusive rights to a trademark are possible both at the stage of their acquisition (registration) and at the stage of use. The forms of unfair competition and abuse of the exclusive right to a trademark are not legally defined.

A proposal has been made in the literature to define "certain special offences constituting abuse of right and unfair competition"[1] in the general provisions. The

[1] *Dozortsev V.A.* [Intellektual'nye prava. Ponyatie. Sistema. Kodifikatsii.] Intellectual rights. Concept. System. Codification. M.: Statut, 2005.

feasibility of defining such offences may be questioned because, firstly, only an indicative list is proposed. Secondly, the law already defines the criteria based on which actions related to the purchase and use of exclusive rights to a trademark may be recognized as an abuse of right or unfair competition. Thirdly, there is no need to distinguish between forms of unfair competition and abuse of right. Because whenever, in exercising one's exclusive rights to a trademark, one acts in violation of the rights of third parties, there is unfair competition, which we associate either with unfair competition if it restricts competition, or with abuse of right if the rights of third parties are infringed, not the competitors rights, either with both.

Most often, bad faith manifests itself already at the stage of trademark registration. The most common manifestation of bad faith in registration is the filing of a trademark application without the purpose of further use. Trademarks in this case are registered with a view to their subsequent reimbursable assignment to the real manufacturer, or with a view to removing from the market the goods marked by the real manufacturer.

A rightfully acquired trademark monopoly may also be regarded as an act of unfair competition if the trademark is not used by the holder of right continuously for any three years after its state registration (§1 of Article 1486 of the Civil Code) and if unfairness on the part of the holder of right is established.

The principle of compulsory use of a trademark enshrined in the Civil Code is inextricably linked to the principle of preventing the knowingly unfair exercise of civil rights and has certain aims:

– minimize trademark ownership by those who do not actually produce goods or provide services, thus preventing real manufacturers with identical or confusingly similar designations from entering the market for goods and services;

– exclude the possession of registrations of such modifications of the same mark, as a result of the existence of which obstacles are created in the production and trade of other parties to civil litigation.

Another case of bad faith is the filing of an application for registration, as a trademark of a designation, which has been developed and put into civil circulation by another person, but for some reason, has not been registered by that person in Russia.

As an example, the case connected with the use of the OVIMEX trademark, which was registered with priority on 29.03.1989 and was used, inter alia, by branches of the original holder of right. Use of this trademark without proper registration continued even after the branches had been transformed into a limited liability company. In 2009, a group of persons entered the market claiming registration of the OVIMEX trademark and all other persons, including affiliates of the original holder of right, using the trademark without the consent of the company were considered as offenders.

The court agreed with the Federal Antimonopoly Service's decision that the actions of a group of persons relating to the registration and use of a trademark contained elements of unfair competition. Attention was drawn to the following:

– when applying for registration of the trademark, the applicant was aware of the use of the OVIMEX designation by other business entities. However, for the individualization of its activities and registration of the trademark it chose this particular designation;

– knowing that the use of the disputed trademark had been carried out long before its registration, being a bona fide business entity and not wanting to cause losses to competitors, the group of persons should have notified business entities using the OVIMEX designation as a means of individualization of their intention to register the designation as their trademark. However, such information was communicated to the relevant persons after the purchase (registration) of the trademark.

Another glaring example of bad faith in applying for registration as a trademark of a designation that was used before registration by others is the use as a trademark of famous Soviet brands such as, for example, Yantar, Druzhba and others. The registration of famous Soviet brands in the name of individual private Russian organizations is "an unfair act in relation to other legal entities which were the same legal successors of other Soviet enterprises"[1] and is considered as an act of unfair competition.

In addition to these cases, manifestations of bad faith are actions related to the registration as designation trademarks presenting or containing elements, which are false or capable to mislead consumers about goods or its manufacturer. Such actions may be regarded as both an abuse of right and unfair competition where they may result in obtaining an unjustified advantage by means of acquiring the business reputation of the holder of a well-known trademark.

An example of unfair competition involving the use of designations misleading as a trademark is the registration of a trademark, which is known as a means of individualization of a certain group of goods, for the individualization of another group of goods in respect of which the trademark was originally not registered. An act of unfair competition can occur in such cases only when the possibility is allowed, using the trademark, to join the popularity of the company that manufactures its products marked with a similar trademark. In fact, such registration of trademarks is made not only for the purpose of individualizing goods, works or services, but also to promote them at the expense of previous financial and other investments made by another business entity in the trademark as such and to acquire its competitiveness.

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[1] *Gavrilov E.* ["Sredstva individualizatsii tovarov i kachestvennye kharakteristiki tovarov"] "Means of individualisation of goods and qualitative characteristics of goods" // Economy and Law. 2014. No. 3.

The unfair competition case of Tessir Partners LTD, which registered the well-known VACHERON CONSTANIN trademark (registered much earlier in relation to goods in Class 14 of the International Classification of Goods and Services (watches, clockworks, etc.) in relation to goods in Class 25 of the International Classification of Goods and Services (clothing, footwear, headwear), is a prime example.

In April 2012, the Presidium of the Supreme Arbitration Court of the Russian Federation considered a dispute between two companies, one of which (Swiss) had exclusive rights to the VACHERON CONSTANTIN (VACHERON & CONSTANTIN) trademark in respect of goods in Class 14 of the International Classification of Goods and Services (watches, watch movements, etc.), while the other had exclusive rights to the same trademark but in respect of goods in Class 25 of the International Classification of Goods and Services (clothing, footwear, headgear). The Swiss company challenged the granting of legal protection to the VACHERON CONSTANTIN trademark for goods in Class 2 of the International Classification of Goods and Services (clothing, footwear, headgear). The Presidium of the Supreme Arbitration Court of the Russian Federation, without denying the fact that both companies are producing and marketing homogeneous goods, referring to §3 of Article 1483 of the Civil Code of the Russian Federation, recognized as obvious the unfair competition from the company, which used the popularity of the VACHERON CONSTANTIN trademark, selling clothing, shoes, hats, the same group of consumers as the Swiss company. In particular, the Presidium of the Supreme Arbitration Court of the Russian Federation drew attention to the following: "In view of the evidence available in the case, including sociological surveys of different segments of consumers confirming the sale of both watches and clothing under the disputed designation to a certain circle of consumers with a high level of income, consumers may have an idea of the possible attribution of these goods to the same place of origin and manufacturer".

In this case, the registration of the disputed trademark, identical to a well-known trademark in respect of goods of another class of the International Classification of Goods and Services, may be aimed at obtaining an unjustified advantage by exploiting the established goodwill of a well-known global brand and may create a risk of misleading the consumer about the goods or their manufacturer.

Thus, the registration under another class of the International Classification of Goods and Services of the disputed VACHERON CONSTANTIN trademark constitutes an act of unfair competition contrary to fair practices in industry and trade matters, prohibited by Article 10-bis of the Paris Convention for the Protection of Industrial Property and Article 10 of the Civil Code".

The registration of a trademark that bears a distant resemblance to a popular trademark with a competitive advantage may also be considered an act of unfair competition and an abuse of right.

The risk of confusion between a trademark that bears a distant resemblance to a well-known trademark is increased by the popularity of the latter, and thus the possibility of obtaining commercial advantages and benefits, which is what the person interested in registering a similar trademark expects or admits.

A typical example is the decision of the Presidium of the Supreme Arbitration Court of the Russian Federation No. 2050/13 dated 18.06.2013, which did not agree with the conclusions of the appellate and cassation jurisdictions to allow ROSHEN to register the combined trademark with the word element "Lastochka-Pevunya" in connection with the lack of graphic and visual similarity with the previously registered Rot Front combined mark with the verbal elements "Lastochka", "Lastochki".

While agreeing with the propriety of comparing trademarks in terms of their graphic and visual similarity, the Presidium of the Federal Antimonopoly Service nevertheless pointed out that, "it is sufficient to be dangerous rather than actually confusing the trademarks in the eyes of the consumer for trademark similarity to be recognized". Rot Front trademarks in relation to confectionery products have a significant distinctiveness, some of the most popular candies in Russia are marked with them. The distinctiveness is enhanced by the presence of a group of trademarks with the specified verbal and pictorial elements, as well as by the length of use of these marks in the Russian market.

Thus, ROSHEN's application for registration in its name of the above combined designation in respect of homogeneous goods is aimed at improperly obtaining commercial benefits and advantages at the expense of the well-known products of Rot Front.

The use as a registered trademark of other designations with a distinctive function belonging to others may also be indicative of unfair competition or an abuse of rights. In particular, Article 10-bis of the Convention for the Protection of Industrial Property (Paris, March 20, 1883) obliges states to prevent any use of geographical indications, which constitutes an act of unfair competition. The Convention also establishes the obligation of States-parties to refuse to register a trademark or to invalidate a registration already made if the trademark contains a false geographical indication that is likely to mislead the public as to the true place of origin of the goods.

It is an abuse of right or an act of unfair competition to use the name of a non-commercial organisation, a domain name, as well as objects of cultural heritage in a trademark. We would like to pay special attention to the objects of cultural heritage, which are widely used in trademarks (e.g. such elements of folklore as Baba Yaga, Ded Moroz, etc.). To what extent is their use in a trademark legitimate?

On the one part, §6 (3) of Article 1259 of the Civil Code of the Russian Federation states that works of folk art (folklore) that do not have specific authors do not constitute objects of copyright and, consequently, are not subject to protec-

tion as objects of intellectual property rights. Thus, the legislator gives everyone the opportunity to freely use objects of folklore. On the other part, the creation of intellectual property, in particular trademarks, on their basis should not restrict the rights of others to use the same objects of popular creativity. In order to ensure a balance of interests and to avoid abuse of right, I believe that the object of folk art can be used in a trademark only as a non-protected element.

The above examples of unfair competition and abuse of the exclusive right to a trademark do not exhaust all the possible special elements constituting this act. There are many of them and each of them is based on the bad faith of the participants in civil legal relations. That is why it is so important to understand the essence of unfairness of participants of civil legal relations in order to qualify acts as abuse of right and unfair competition.

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