

# Hidden dangers

Company and commercial names have a direct impact on trademark registration in Russia. At present, the non-registration of commercial names does not prevent them from opposing registered trademarks – meaning that potentially no mark is safe

The rules on company and commercial names in Russia pose a number of challenges to trademark owners. While in general terms the legal framework has been brought into line with recognized international standards, the protection of company names and other means of individualization is also governed by local legislation – specifically, Part IV of the Civil Code. Similarly, Russia is currently a party to some international treaties (eg, the Paris Convention for the Protection of Industrial Property), but not others (eg, it is not a party to the Agreement on Trade-Related Aspects of Intellectual Property Rights, as it is only now preparing for accession to the World Trade Organization (see page 41)). This, combined with differing interpretations of international practice, creates a complex picture for those seeking to register marks.

Although legislative shortcomings are often overcome through court action, this is no substitution for good law, and too often subjects are left open for discussion. Despite the legislative framework, disputes over company names, trademarks and commercial names are common. And even where a name has been officially registered, this does not guarantee that its use will not be challenged.

## Company and commercial names

As enshrined in the Civil Code, a commercial legal entity acts under its company name, which is indicated in its constitutive documents and included in the Uniform State Register of Legal Entities (USRLE) once officially registered.

The law does not provide for special registration of company names. The exclusive right to a company name originates from the date of registration of the legal entity and terminates when the legal entity is struck off the USRLE due to dissolution or a change in company name. A company name, unlike a commercial name, is a personal non-property right which may not be disposed of, including through alienation or through grant of a right of use to another person.

A legal entity cannot use a company name that is identical or confusingly similar to the company name of another party if both legal entities are engaged in similar activities. However, despite this prohibition, the law does not require verification of a new company

name against existing names, as well as other means of individualization. As a result, there are many commercial organizations of the same legal form, with identical names, engaged in similar activities in Russia. Furthermore, there are also numerous legal entities with company names that are identical or confusingly similar to the registered trademarks or commercial names of other legal entities and individual entrepreneurs.

Commercial names, which are not company names and thus need not be registered in the USRLE, are used by individuals and legal entities engaged in entrepreneurial activity (including non-commercial organizations to which the right to conduct commercial activity, as stipulated in their bylaws, is granted by law) for the individualization of trade, industrial and other enterprises owned by them.

Such names are not published or recorded in company bylaws or registers. Rather, the exclusive right to a commercial name originates immediately through use on, for example, external signage, letterheads, advertising, accounts and other documentation, and goods and packaging. However, this exclusive right terminates if the name is not used for one year.

As with company names, Russian law prohibits the use of a commercial name that may cause confusion as to the identity of the enterprise owner, such as a name that is confusingly similar to a third party's company name, trademark or commercial name which is protected by exclusive rights that arose at an earlier date. Infringers in such instances can be obliged to stop using the disputed commercial name and compensate the rights holder for losses incurred.

Similarly, in accordance with Article 1483(8) of the Civil Code, names which are identical or confusingly similar to a company or commercial name (or certain elements thereof) which is protected in the Russian Federation (and other entities' rights which arose in the Russian Federation prior to the date of priority of a trademark pending registration), may not be registered as a mark with regard to similar goods.

A dispute between OOO Accounting Service, Moscow and OOO Accounting Service, Volgograd illustrates this with regard to the exclusive rights to company names. Accounting Moscow wanted the defendant to stop using its company name, which it alleged was confusingly similar to its own with regard to accounting activities and infringed its earlier rights. The plaintiff's demands were sustained in full, with the court basing its decision based on the earlier date of priority of the plaintiff's company name.

## Lack of investigation

However, the picture is complicated by the fact that in the course of



the trademark application process, the existence of similar or identical company names is not investigated. Moreover, as stated earlier, in the course of registration of a legal entity there is no legal requirement for an examination to establish authenticity. Even were a search to be performed, it would be almost impossible to verify the use of a company name with regard to similar goods. As a result, a duly registered trademark can easily clash with an existing company name. In such cases the applicable legislation imposes responsibility for the potential infringement on the applicant.

Recent court practice has also revealed additional problems in protecting the rights of company and commercial names belonging to non-Russian parties – particularly those which are not registered as legal entities in their country of origin.

In addition to domestic legislation, the protection of company and commercial names is governed by Article 8 of the Paris Convention and Article 2 of the Convention Establishing the World Intellectual Property Organization (WIPO) – both of which Russia is a party to. However, the Russian courts do not apply Article 8 of the Paris Convention in the same way as it is applied internationally. Instead, they take a literal stance (ie, that Article 8 covers only company names and not commercial names), rather than the wider interpretation that both company names and commercial names should be covered.

While Part IV of the Civil Code was the first attempt to distinguish between, and specify regulation of, the rights of company names versus commercial names, in the authors' opinion this attempt has not succeeded. In fact, the drafters of the law replaced the notion of the 'company name' with the notion of the 'commercial name', as used in Article 2 of the Convention Establishing WIPO. As a result, court practice has given rise to a number of issues relating to the enforcement of company and commercial names in Russia.

#### **Challenges for foreign companies**

The case of Polish company PP Bi-es Cosmetic demonstrates how a foreign company that is not registered as a legal entity in its country of origin can have difficulty protecting the rights to its company or commercial name in Russia.

The company is a well-known European manufacturer of perfume products under the trademark BI-ES. It is engaged in the sale and distribution of its products across Europe and, since 1999, in Russia. The company holds the rights to the company name PP Bi-es Cosmetic and the combined trademark BI-ES, which has been registered in Poland, the European Union and under the Madrid Agreement, and has been entered in the Trademark Register of the WIPO International Bureau.

However, the international trademark was not afforded legal protection in Russia, because the Russian partner of the Polish company had incorporated a Russian company called LLC Bi-es Cosmetic and registered trademarks identical to those of the Polish company without notifying the latter.

In order to protect its right to its company name, the Polish company filed an action against LLC Bi-es Cosmetic aimed at prohibiting the use of the distinctive part of its company name, BI-ES Cosmetic. The action was filed on the basis of the priority of the company name of the Polish company (incorporated on May 27 1996; the company name being protected in Russia by virtue of its use since November 18 1999) over the company name LLC Bi-es Cosmetic (incorporated on February 14 2000), and its similarity to the company name of the Russian company.

The commercial court of first instance (*Arbitrazh* court) dismissed the claims of the Polish company on the grounds that it





had acted as an individual entrepreneur in 1996; it later changed its legal form, first to a simple partnership and then to a full partnership, and obtained the status of a legal entity in Poland only in 2003. Meanwhile, the Russian company had been incorporated as a legal entity in 2000. This ruling was upheld at appellate and cassation level.

#### Inconsistencies in approach

This case reveals a number of alarming inconsistencies. First, pursuant to the Federal Law on Enactment of Part IV of the Civil Code, the provisions of the Regulation on Firms, adopted in 1927, should apply to the rights to a company name which arose before the enactment of Part IV of the Civil Code (this was later confirmed in a joint decree of the Supreme Court and the Supreme *Arbitrazh* Court on March 26 2009). Therefore, the evidence was not interpreted correctly.

In violation of the provisions set out in Article 14 of the *Arbitrazh* Procedure Code and Article 1203 of the Civil Code, the courts also failed to apply the provisions of foreign law, even though the Polish BI-ES Cosmetic was a foreign organization incorporated under Polish law, meaning that Polish law should have been considered in determining the company's legal status.

In this instance, the courts also erroneously interpreted the norms of Article 8 of the Paris Convention and concluded that the convention protects company names of legal entities only, and does not protect the names identifying the enterprise of a legal or natural person (ie, commercial names), as happens in other signatory states.

Similarly, the courts did not take into consideration that Russian law treats foreign organizations which are not legal entities in the country of origin as legal entities, and that further to Article 1203 of the Civil Code, where Russian law applies, the activities of a foreign organization which is not a legal entity under foreign law shall still be subject to the rules which regulate the activities of legal entities.

This case sets a dangerous precedent, leaving open the prospect that foreign parties will be denied protection of their rights in Russia. The courts ignored the allegation that the Russian company had unfairly used another company's protected company name and trademarks with earlier priority for the promotion of its own business, and thereby endeavoured to drive a foreign investor out of the Russian market. Moreover, the case is evidence of violation of an international treaty – the Paris Convention, to which the Russia Federation is a party.

#### Minimizing risk

In cases of alleged confusion or similarity, then, a good-faith rights holder may face the possibility of cancellation of its trademark arising from a challenge by a legal entity whose company name pre-dates the mark. In such instances, the rights holder of a company name with an earlier priority date is entitled to claim against a mark that incorporates its company name, or certain elements thereof, as well as to have the trademark invalidated.

A dispute between LLC Chastnoe Agentsvo po Okhrane Argus (ChAO Argus) and LLC Okhrannoe Agentsvo Argus (OA Argus) illustrates this.

ChAO Argus applied to the *Arbitrazh* court with a claim aimed at stopping OA Argus from using the 'Argus' element of its name when offering security services, and prohibiting its use in advertising and other materials. It also wanted the court to specify the effective rights holder, as well as to recover monetary compensation for illegal use of the plaintiff's trademark ARGUS.

The stated claims were based on the Civil Code and alleged that the defendant, for the purposes of rendering similar services, was

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illegally using a verbal designation that was confusingly similar to the trademark owned by ChAO Argus.

The *Arbitrazh* court dismissed the claim. It found that the defendant's right to the company name OA Argus originated prior to the date of priority of the trademark owned by ChAO Argus.

The verbal designation in question was also examined for similarity and it was found that the verbal designation ARGUS used by OA Argus, together with the graphic design of an eagle, differed sufficiently from the protected trademark of ChAO Argus.

The complex interaction between trademarks and company and commercial names means that, even if a designation were examined prior to registration to confirm eligibility for protection, a rights holder would not be guaranteed that its duly registered trademark did not violate the exclusive rights of a third party to a company or commercial name.

Furthermore, given that the legal validity of trademarks can be contested on these grounds, the rights holder cannot be certain that its registered mark will be safe from potential challenges. Thus, the legal protection of a trademark appears to be undermined to a certain extent.

In this respect, the best way to minimize the possible risk is through a thorough verification of the designation to be used as a trademark in order to avoid any conflict with the exclusive rights of third parties.

Existing company names may be verified against USRLE, which is maintained by the tax authority. However, as mentioned above, even following such verification the rights holder may not be completely certain that its rights to the trademark will not be challenged.

Clearly, rights holders are faced with a number of challenges when protecting their rights in court, due to the way in which IP rights have been codified in Russian legislation; the courts do not always properly interpret the effective laws. However, both the legal framework and court practice are starting to meet European rules and standards, and brand owners – whether Russian or international – should not be afraid to assert their rights. [WTR](#)

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