

Largest-ever amount of compensation awarded in trademark infringement dispute  
between publishing houses  
Russia - A.Zalesov & Partners

Confusion  
Infringement  
Enforcement

May 31 2018

- Plaintiff sought compensation amounting to double the price of the infringing goods
- Court awarded \$60,582,000 - the largest-ever amount of compensation
- Decision sheds light on pre-trial warning letters

On May 11 2018 the Moscow City Arbitration Court issued its decision in a trademark infringement dispute between two publishing houses, awarding the largest-ever compensation in an IP case in Russia. In particular, the court ruled that the defendant should pay compensation amounting to \$60,582,000 for trademark infringement. The court also ordered the seizure and destruction of all the infringing goods.

This case between two publishing houses related to a logo used on books for primary and secondary schools. The Prosveschenije Publishing House, as a trademark owner, sought an injunction, the seizure of the goods and monetary compensation for alleged infringement of a device trademark consisting of the abbreviation of the words 'Federal State Educational Standard' and the stylised image of a globe (RU 473734). Both logos were used to show that the books at issue complied with the requirements of the Federal State Educational Standard. The use of the logo is not obligatory and its outer appearance is not standardised.

The Russian Civil Code (Article 1252) allows trademark owners to file a claim for monetary compensation instead of damages without having to prove the exact amount of the damage suffered.

There are three ways to calculate the amount of compensation under Article 1515 of the Civil Code:

1. a lump sum of up to \$80,000;
2. double the reasonable royalty rate; or
3. double the price of all the infringing goods.

It is up to the trademark owner to choose how it wants the compensation to be calculated by the court. A judge cannot change the option chosen by a claimant. Compensation by way of a lump sum can be decreased by a judge at his own discretion, depending on the guilt of the defendant, and the character, duration and scale of the infringement. However, reducing the amount of compensation calculated in another way at the judge's discretion is allowed only in exceptional cases (decision of the Supreme Court of April 25 2017, based on the ruling of the Constitutional Court of December 13 2016 (N 28-П)).

In the case at hand, the plaintiff sought to calculate compensation based on the third option - double the price of the manufactured goods - and the judge accepted the reasonability of the plaintiff's calculation.

This decision is also interesting because it sheds some light on the position of the courts as to the content of pre-trial warning letters. Under the law, a trademark owner should warn a future defendant of an infringement 30 days before filing a suit, if it intends to file monetary claims. However, it was unclear whether the amount of the final claim and the amount indicated in the letter should coincide. Last summer saw two controversial rulings of the IP Court on this matter: a ruling of July 10 2017 upheld the decisions of the lower courts refusing the plaintiff's claims because the final amount claimed was twice the amount stated in the warning letter; in contrast, a ruling of August 30 2017 held that the mere indication of an infringement and reference to the rule of law on the right for compensation is sufficient to file a monetary claim of any amount at a later date.

In the case at hand, the initial warning letter demanded an amount that was considerably smaller than the final claim. Nevertheless, the final claim was upheld, as the court agreed that a trademark owner is not bound by the sum demanded in the warning letter if the defendant refuses to settle the case amicably.

The decision is not yet in force and can be further appealed within a month of being prepared in full.

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