

Current trends and practices for anti-counterfeiting in e-commerce in Russia

Anton Bankovsky, Counsel at Gorodissky & Partners, evaluates the current approaches to tackling IPR infringement through online sales across the Internet and marketplace platforms.

According to the Association of Internet Trade Companies (AKIT), in 2023 the volume of online trade in Russia increased by 27.5% and amounted to 6.4 trillion rubles. Between 2019 and 2023, the Russian e-commerce market more than tripled.

According to Data Insight's forecast, the share of online trading in the domestic retail market will continue to grow this year – with expectations for up to 19% of the total retail trade volume. At the same time, sales volume will amount to 7.9 trillion rubles, which should make an increase of 38%.

This growth has been taking place in the context of the departure of a number of foreign brands from the Russian market, brands that had accounted for a fairly large market share. However, the rapid replacement of the departed brands, as well as partially legalized parallel importation, made it possible to stabilize the situation and maintain the trade turnover.

This has triggered a series of amendments to Russian legislation in the e-commerce area, and the process is still ongoing. The main ongoing legislative trends in e-commerce in Russia include increasing state control over the internet; increasing the responsibility burden for marketplaces and other information or sales intermediaries; and spreading the use of e-signatures both by legal entities and individuals.

This situation also led to an increase of fakes in Internet sales, especially on marketplaces, which *inter alia* raises legal responsibility issues for both sellers and marketplaces themselves.



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The concept of "owner of a product information aggregator" was introduced into the Law on the Protection of Consumer Rights in 2018. Marketplaces are defined by the Law as aggregators of information about goods or services that have a corresponding resource – e.g., software or websites through which consumers can learn about goods or services and purchase them. We still do not have a single comprehensive regulation for online trading through marketplaces in Russia. The parties independently develop contractual provisions, taking into account the requirements of the Civil Code, the Law on the Protection of Consumer Rights, Government resolutions, and other by-laws.

Different marketplaces enter into various types of legal relationships with their clients, the sellers of goods. Some sites, under a contract, provide only services for publishing the seller's information, organizing delivery, and all document flow (checks, returns, etc.).

Other marketplaces enter into other types of legal relationships with sellers, acting on behalf of the sellers and retaining a percentage of sales. In this case, we do not talk only about merely information intermediation. Thus, if a counterfeit product is sold on this marketplace, it is logical that the marketplace will also be held liable for IP rights infringement. This position was supported by the Supreme Court of the Russian Federation; similar recommendations are reflected in the Ruling of the Plenum of the Supreme Court No. 10 of 23 April 2019.

In this regard, internet service providers (ISPs), internet hosting providers, marketplaces, social

media, and peer-to-peer networks, among others, are considered information intermediaries in Russia and they can also be held liable for IP infringements. According to Article 1253.1 of the Civil Code, ISPs, internet hosting providers, and other information intermediaries can be held liable for IP infringements except in cases where they can prove that:

- They do not initiate the transmission of data;
- They do not modify data in the process of their transmission;
- They were not and should not have been aware of the fact that the content is infringing;
- On receipt of a written notice of the rights holder containing links to the infringing content, they made all necessary actions to cease the infringement;
- Compensation for infringement may be claimed only from guilty information intermediaries; and
- Claims for removal of infringing content or restriction of access to this content may be applied against innocent information intermediaries.

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Résumé

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Anton graduated from MGIMO University and received a PhD at the Institute of State and Law of the Russian Academy of Sciences.

Anton started his career in the United Mining and Metallurgical Company LLC., later he worked in various Russian and international legal firms such as Baker & McKenzie CIS, Hogan Lovells CIS, Simless Legal LLC, and others.

Since 2024 he has been working at Gorodissky & Partners, where he represents and advises clients on trademark and intellectual property rights protection, Internet and domain disputes, enforcement of intellectual property rights, fight against counterfeit goods and parallel imports, suppression of distribution of counterfeit goods on the Internet, customs registration of IP, registration of license agreements and franchising contracts.

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Thus, the above provides the possibility to send takedown notices not only to the direct infringers but to information intermediaries as well, since they have technical options for blocking or removing infringing offers or other content (i.e., cease the infringement).

Practically, at this stage, anti-counterfeiting regulations remain, in general, varied among major market players in e-commerce, and various marketplaces use different approaches in this regard. Some of them ensure that they track counterfeit products, including using a neural network. They do not support negative assessments, emphasizing that all transactions are tracked in real time, and before purchasing, the buyers can familiarize themselves with the ratings of products and sellers. They also use different approaches in their cooperation with the IP owners.

While total refusals to cooperate are infrequent, some marketplaces can be slow in responding to inquiries – they might be trying to buy some time until the goods are sold out. Some of the marketplaces prefer to merely refer to the sellers directly.

Noteworthy, while civil, administrative or criminal liability is envisaged by Russian law for selling fakes; warning letters and further negotiations with the marketplaces remain the most preferable option chosen by most brand or copyright owners.

Marketplaces normally try to respond to requests made by the IP owners, and this is a

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good way to quickly stop the sale of counterfeits. Thus, there are chances that it will be possible to resolve the issue without going to court and save time and money. When a marketplace receives a complaint, it usually first requests information from the seller and only then, after studying all the materials, decides how to respond. Lawyers who work closely with the infringements on marketplaces note that very often the reason for refusal to block a seller is an insufficiently well-drafted claim. Typically, a claim contains not one, but several claims – both monetary and non-monetary. If compensation is sought, the amount is supposed to be calculated at this stage. IP owner will need to prove the cost of one product and the number of units sold. Sometimes this information is collected from the product card during a notary inspection. The card may indicate the price and the number of purchases. Proving the value of a relevant IP object (trademark, photo, or video) is more difficult. If an IP owner sells similar goods under a license agreement, calculations can be made on its basis. Otherwise, an independent assessment may be required.

The complaint should be issued in written form and contain key information, i.e., a detailed description of the infringement, proof of the title, identification of the infringing content, preferably in the form of a link to the particular site, counterfeit features, contact details of the IP owner or its representative, and power of attorney if the complaint is filed by the right owner's representative.

Practice shows that it is difficult to manage online IP infringement cases manually in a traditional way due to the huge number of cases and the difficulty of identifying the infringers' personalities. Therefore, brand owners should look for efficient tools that leverage modern IT technologies to detect infringements automatically, and send any number of takedown notices to the infringers within a short period.

The perspectives of the court action against marketplaces vary depending on the role that the marketplace has in the sale of goods. In some cases, a marketplace may act as a direct seller of the product. Alternatively, it may just provide infrastructure for third parties to sell their own products. While the liability of the marketplace in the first situation should not be difficult to substantiate, the second case can be more challenging for IP owners. The courts have not yet developed a unified approach to assessing the status or actions of marketplaces in these cases. Thus, the perspective of the court action should be analyzed in each case depending on the role of the marketplace in a particular transaction.

In some cases, courts refused to hold a marketplace liable if the site did not request confirmation

of the rights to use the disputed mark from the seller or could not even confirm this right. This happened e.g., in a dispute over the image of rolls in one of the popular food delivery services - the court found that the marketplace simply could not check the owner of the images used by the seller. The company demanded more than a million rubles from the online platform as compensation for 15 photographs that had been published on the product card without the consent of the copyright owner. The company sent a claim to the marketplace before proceeding to court, indicating that the site did not take proper measures to eliminate the infringement. The case went through several rounds of consideration. The Intellectual Property Rights Court of the Russian Federation ultimately rejected the claim saying that:

"the online platform, as a person relying on the assurances about the circumstances that were given by the seller when accepting the offer, did not know and should not have known that the use of the results of intellectual activity or means of individualization contained in this is unlawful".

Consequently, an online platform, relying on assurances about the circumstances from its counterparty and guided by the presumption of good faith of participants of the civil turnover, can be considered to have exercised due diligence when choosing a counterparty and concluding an agreement with it.

In a number of cases, the information intermediary cannot independently determine, based on the name of the work, whether the fact of its downloading is illegal or not, in particular, taking into account the peculiarities of the emergence of copyright due to the fact of the creation of the work, which does not require any registration, the lack of connection between the name content assigned by the user and the content, as well as the lack of a detailed and complete register of rights of the copyright objects. Due to these circumstances, without requests from copyright owners to provide evidence of their exclusive rights, the online platform is deprived of the opportunity to determine whether the posted material could potentially infringe upon someone else's rights. Thus, for the purpose of detecting a specific infringement, the information intermediary must have sufficient information (including information that allows one to establish the status of the copyright owner and the disputed object, as well as information that allows one to detect a specific fact of infringement, according to the Ruling of the Intellectual Property Rights Court of the Russian Federation of 31 August 2022 in case No. A41-47401/2021



After the first infringement, the seller's activities should be suspended for three months, and after a second infringement, the seller should be denied the opportunity to place product offers on all trading platforms in the country.



In 2022, the biggest Russian marketplaces created a system for exchanging information about sellers of counterfeit products. This system should collect information about cases of placement of counterfeit goods, as well as information about the seller and data from documents confirming the infringement. Having detected a counterfeit, the marketplace is supposed to block it. If the same seller is noticed on another trading platform, one can request documents from the seller and, if they are missing or unreliable, also block that seller. The marketplaces also confirm their readiness to work together with the Federal Antimonopoly Service to develop a mechanism for suspending the activities of counterfeit suppliers. It is assumed that after the first infringement, the seller's activities should be suspended for three months, and after a second infringement, the seller should be denied the opportunity to place product offers on all trading platforms in the country.

In March 2024, a bill "On state regulation of trade activities of aggregators of information about goods in the Russian Federation" and amendments to the Federal Law "On the fundamentals of state regulation of trade activities in the Russian Federation" was submitted to the lower house of parliament. The new regulation will apply not only to platforms but also to sellers and operators of delivery points. To some extent, indirectly, the provisions of the bill are intended to regulate and facilitate the fight against the circulation of counterfeit products. However, we believe that the IP owners are looking forward to seeing not only more active work of the enforcement bodies in the future, but also a more profound and uniform regulation of the cooperation process between IP owners and various e-commerce platforms.

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