INTA Comments for EU-Ukraine IP Dialogue May 2019

INTA would like to submit the following comments on the situation of intellectual property (IP) in Ukraine ahead of the next EU-Ukraine IPR Dialogue in Kiev on June 26, 2019.

INTA is encouraged by the EU-Ukraine IPR Dialogue discussions, which hopefully, together with the EU-Ukraine Association Agreement, will lead to a process of further improvements in terms of protection and enforcement of trademark rights in Ukraine. Trademarks play a significant role in the economy and employment of a country, as illustrated for the EU by the 2016 IP Contribution Study of the EUIPO and the EPO. An efficient protection of trademark rights in Ukraine is therefore crucial to protect consumers and the business community.

INTA submitted comments on IPR issues in Ukraine in May 2018. Most of these comments still apply and are reproduced below with updates, reflecting the current situation where needed. We hope you find this input helpful.

1. GENERAL COMMENTS

A new IP agency was created but is not yet operational:

INTA commends Ukraine for its laudable efforts to reform intellectual property rights protection. Ukraine proposed the creation of a national agency for intellectual property as a public organization within the Economic Development and Trade Ministry, on the basis of the current State enterprise Ukrainian Intellectual Property Institute (Ukrpatent) and the State Service of Intellectual Property.

In our last submission, we welcomed the creation of the national office for intellectual property. However, no competences were transferred from the Economic Development and Trade Ministry to the National Office for Intellectual Property as the latter is a separate entity, with a different legal status.

This has resulted in uncertainty and confusion with a number of different entities having competences on IP administration: the Economic Development and Trade Ministry functions as a central executive authority, Ukrpatent as the examination authority and the National Office for IP does not seem to have concrete functions as of now. As a result, the system of IP protection in Ukraine, notably the way in which the different competent public bodies coordinate, is unclear. INTA hopes that the EU is able to provide expertise and support to Ukraine in clarifying the IP administration system in the country and, in that way, ensuring legal certainty for brand owners and applicants.

Progress is needed in the adoption of the IP laws implementing the provisions of the EU-Ukraine Association Agreement.

In our submission of May 2018, we welcomed some notorious achievements regarding the adoption of IP laws implementing the EU-Ukraine Association Agreement. However, we note that, since then, not much progress has been achieved and urge the EU and the Ukrainian authorities to cooperate in the implementation of a legal framework that allows Ukraine to reap the benefits of the Association Agreement, signed and ratified by Ukraine in 2014 and already in force since September 1, 2017. In particular,
The draft laws on geographical indications (draft No. 6023) and topographies of integrated circuits (draft No. 5694) have been awaiting a second hearing, needed for adoption, for more than 1 year. We note the contribution of the EU to draft law No. 6023 and the fact the current impasse has put on hold the development of a GI protection system in Ukraine and the fulfillment of the EU-Ukraine Association Agreement;

A number of new draft laws submitted by the Ministry of Economic Development were registered in the Ukrainian Parliament in early April 2018, among them two draft laws related to court expertise (draft law No. 8223 (the Law on Court Expertise and Expert Self-Government) and draft No. 8249 (the Law on Revising Legislative Acts Aimed at the Improvement of the Court Expertise Procedures). No progress has been achieved since then.

The IP-related provisions of the EU-Ukraine Association Agreement, signed and ratified by Ukraine in 2014, came into force on September 1, 2017, but the relevant laws implementing these provisions into the national laws have not been adopted yet. Consequently, the IPR community and the courts are already facing dilemmas, particularly the issue of direct applicability of the EU-Ukraine Association Agreement.

The longer this status quo is maintained, the more right holders will be faced with uncertainty and unpredictability in the administrative and judicial practices, as well as unnecessary expenses involved with IPR enforcement. The situation is becomes even more critical due to the inconsistency of the legislative steps that have to be undertaken to approximate the Ukrainian legal framework to the EU acquis. For instance, in November 2018, the definition of whisky was introduced into Ukrainian legislation. Such definition is not in line with the EU one and contains an incorrect reference to the EU GI “cognac”, which is contradictory with Ukraine’s obligations under the Association Agreement.

**Consistency and coherency are needed as several draft legislations continue to be in the pipeline:**

It appears that the draft laws proposed by the Ukrainian Ministry of Economic Development and Trade in the framework of the Implementation Plan for the EU-Ukraine DCFTA address several existing trademark issues. However, there have been some delays in the legislative reform. The draft law concerning trademark rights that includes a part of an omnibus revision act “On the Revision of Certain Laws of Ukraine Aimed at Strengthening Responsibility and Protection of Rights in the Intellectual Property Field” amending the Civil Code, the Commercial Code and the major IP laws in Ukraine ended up being rejected by the Parliament in September 2018 (draft law no. 5699).

That draft law initially contained a trademark international exhaustion principle which was finally removed upon discussion in the parliamentary committee. In the last submission, INTA recommended that a national exhaustion principle be introduced into the draft law. Following the rejection of this draft law, the Ministry of Economic Development and Trade prepared and filed draft law no. 9385 which is still awaiting the first hearing at the parliamentary committee. However, it seems that this draft law contains the same conflicting points that led to the rejection of draft law 5699. The situation is therefore still confusing and unclear. Notably, the applicable exhaustion regime (national/regional or international exhaustion) has not been clarified in the law.

Another Draft Law no. 2157a “On the Protection of Rights to Marks for Goods and Services”, dated May 24, 2015, addressing the implementation of the statutory damages mechanism was submitted to the Parliament in May 2016. However, its future remains unclear and, as of May 2019, this draft law is still being considered by relevant parliamentary committees. The draft bill introduces a very useful mechanism of statutory damages, but the proposed amount of damages varies from 10 to
It is important to emphasize the importance of consistency and coherency in this overall IP reform since for example, the mentioned omnibus act also contains provisions on statutory damages. It also contains provisions on the responsibility of infringers while other draft laws have been submitted to the Parliament by Customs.

Finally, a new law no.1404-VIII “On Execution Proceedings” of June 2, 2016 entered into force on October 5, 2016. INTA suggested the introduction of a mechanism to allow right holders to be involved in the execution proceedings and to oversee the process of destruction of infringing goods.

We understand that this mechanism has been introduced following exchanges in the EU-Ukraine IPR dialogues, for which we are grateful. According to this law, those who suffered from infringement of their IPRs are now listed among the participants to the execution proceedings for seizure or destruction of goods in accordance with Articles 176, 177 and 229 of the Criminal Code of Ukraine and Article 51-2 of the Code on Administrative Violations. We continue to look forward to the implementation of such a mechanism.

The treatment of parallel imports remains unclear

On November 17, 2016, another draft law no. 5419 was submitted to the Parliament, which has been considered by the Parliamentary Committees and recommended for the first reading by the Parliament. As of May 2019 this draft law is still awaiting the first hearing. This draft focuses notably on the definition of a national regime of exhaustion of rights. However, Ukrainian courts have adopted the principle of international exhaustion of rights. Coherency is essential among the legislation and the judicial practice. INTA supports the national exhaustion of trademark rights and we would thus recommend the adoption of the provision of the draft law no. 5419. In line with our Board Resolution of May 2015, if Ukraine decides to follow international exhaustion, a “material differences” standard should be adopted in order to exclude parallel imports that are materially different from those products authorized for sale by the trademark owner in the domestic market.

The establishment of the new welcome specialized judiciary authority requires support:

Consistency is also needed in the judicial reform. The judicial reform in the field of intellectual property has been substantially affected by the Law of Ukraine “On Judiciary and Status of Judges” of June 2, 2016 No. 1402-VIII and the relevant changes in the Ukrainian Constitution which entered into force on September 1, 2016. This law introduces the High Intellectual Property Court, a new independent court in the Ukrainian judicial system. Nonetheless, to this day, this Court is not yet up and running. The Council on Judicial Reform continues working on the approval of the structure of this court, its competences and jurisdiction, such as whether it has jurisdiction over criminal cases involving IP crimes. According to recently adopted changes to procedural legislation (see the below comment) the High Intellectual Property Court is due to have exclusive jurisdiction over all IP-related disputes, except for ones involving IP crimes and administrative offenses. It will be located in Kiev.

With regard to its structure, on September 29, 2017, the President signed a Decree on the establishment of the High IP Court. On the next day, the High Qualification Commission of Judges announced a competitive examination for potential judges to fill 21 vacant positions. Only in March 2018 the High Qualification Commission of Judges announced qualification exams for potential IP judges, scheduling the end of examination terms in the 3rd quarter of 2018. The candidate appraisal was supposed to be completed by the end of 2018. However the court has yet to start functioning. While we understand that the process should not be rushed through in order to ensure that the most qualified judges are selected, it is important that Ukraine be supported in its efforts to
set up the Court as soon as possible.

INTA strongly supports this effort to provide for a specialized judiciary for IP. INTA has found that judges and prosecutors with substantive IP experience resolve IP disputes efficiently and fairly, and generate consistent case law which enhances understanding and certainty among IP users.

We believe that it is key that Ukraine be supported not only in making the necessary amendments to the Civil Procedural Code and the Commercial Procedural Code but also in ensuring the training of the future judges of this court.

2. SPECIFIC ISSUES

INTA believes that there continue to be several areas where improvement is needed for trademark protection and enforcement in Ukraine, as summarized below:

I. Criminal sanctions for counterfeiting

INTA encourages countries to enact legislation that go beyond the minimum enforcement standards contained in Part III of the TRIPS Agreement. Specifically, in order to increase the deterrent impact of fines, governments should develop calculation methods that lead to fines against counterfeiting that are proportionate to the harm caused.

Penalties are too low. Under Article 229 of Ukraine’s current Criminal Code, the only criminal sanctions for the illegal use of trademarks, irrespective of the crime and damages to the brand owner, are a fine from UAH 17,000/EUR 550 to UAH 255,000/EUR 8,225 and prohibition to proceed with certain activity or to occupy certain positions. These are rather low penalties compared to other European countries and are not a deterrent for counterfeiters.

Fines should not be the only sanction. In Ukraine, there are no sanctions of imprisonment, confiscation and destruction of counterfeit goods, equipment and materials used for their destruction. In fact, the Law “On Amending the Criminal and Criminal Procedure Codes of Ukraine Aimed at Implementing the Recommendations of Section VI of the Report of the European Commission on the Status of the Fulfilment of the Implementation Plan for Liberalization of the Visa Regime for Ukraine in the Part of the Improvement of the Mechanisms of Seizure of Property and the Institute of Special Confiscation,” which entered into force on February 28, 2016, eliminated the sanction of confiscation and destruction of counterfeit goods and their manufacturing equipment. This deletion left the existing low fines as the only available remedy. This is certainly a negative development and a serious step back in the fight against counterfeiting.

Enhanced cooperation between departments of Customs authorities is needed.

INTA recommends that governments revise their rules and procedures to provide prompt and reasonable access by trademark owners to relevant documents and information gathered by public authorities on counterfeiters. This documentation can assist trademark owners to conduct private investigations or file complaints to the courts or other government agencies.

Necessary improvement regarding the destruction of counterfeit goods

All the issues listed last year remain applicable. The draft legislation should ensure that there is no room for issuance of judgments allowing the return of counterfeit goods to trade channels. It should also ensure appropriate conditions for storage and an improved simplified procedure of destruction of goods.
Effective destruction: INTA recommends that governments take appropriate steps to ensure that all counterfeit goods are compulsorily destroyed, definitively removed from channels of commerce, or disposed of with the rights holders’ consent in cases where there is no health or safety risk.

Ukrainian legislation lacks effective procedures and legal norms governing the destruction of seized counterfeit products and equipment used for their manufacture. As a result, counterfeit products and equipment are not always destroyed in a proper way and may even find their way back to the market. For instance, equipment may not be destroyed if it belongs to another person (e.g. if it is rented by an infringer).

The State Execution Service may dispose of the goods without asking consent from the IPR holder. Theoretically, the goods can be given for "educational purposes, to medical institutions, or other social care of cultural institutions financed from the State budget, or should be processed or destroyed" (Art. 243 of the Customs Code). This gives too much discretion to the authorities to dispose of “confiscated” counterfeits. It does not sufficiently guarantee the IP rights at stake and that the goods will not end up in the marketplace.

Moreover, in most instances, when a criminal case is initiated and later suspended, there is no clear direction to investigators and judges regarding what should be done with material evidence, including equipment and counterfeit products.

Final destination of counterfeit goods and manufacturing equipment seized within the criminal case may vary depending on the decision by the investigative body and courts. Such material evidence could be transferred for sale, utilization, destruction or returned to the owner, if the case is suspended or closed, with no criminal sanctions being applied. Effective destruction procedures, properly monitored by law enforcement agencies and right holders, are crucial to prevent both counterfeit products from ending up into legitimate trade channels and manufacturing equipment from returning to illicit factories, regardless of the sanctions. Also, there are not enough adequate facilities with the necessary capacities and respective licenses to destroy certain types of counterfeit products, such as counterfeit agrochemicals.

Participation of right holders: Right holders should be granted access to or be allowed to participate in the destruction process and ensure that seized counterfeit products and equipment are properly destroyed. Currently, only the Customs and holders of goods (importers) are considered to be parties in the proceedings dealing with suspected goods.

In its comments submitted on the Draft law on the amendment of the Customs Code of Ukraine (border measures), INTA noted that the list of parties to administrative proceedings initiated by Customs still does not include trademark owners (Article 497 and Article 399 of the Customs Code on the Suspension of Customs). In accordance with the attached Board Resolution, adopted in May 2019, INTA believes that right holders and their agents are best placed to identify their own genuine products. Currently, Customs can only accept “independent” expertise, conducted by court experts, in order to initiate administrative proceedings. Expert opinions in trademark proceedings are costly, lengthy and unnecessary, unless there is another question of fact with a need for an independent party. IPR holders and their agents should be allowed to certify the nature of the suspected goods as they are the only ones capable of making the best assessment of the goods that infringe their trademarks. INTA would thus like to stress again that, in our opinion, trademark holders should be involved in custom procedures related to protection of their trademarks.

Simplified procedure: Although the Ukrainian Customs Code provides for a simplified procedure, in practice it is still a time-consuming, complicated and expensive process, mainly because:

1. The holder of the goods (importer) who consents to destroy the counterfeit goods is entirely responsible for all stages of the destruction. The goods’ holder must find a recycling company
and sign an appropriate agreement on destruction, find a proper vehicle for transportation of the counterfeits to the place of destruction and obtain all necessary documents and permits allowing the destruction.

2. Only a limited number of licensed recycling companies are eligible to destroy counterfeit goods. It is difficult to find a licensed company and to sign a corresponding agreement. It also happens that such company can be located far away from the customs point, in another city or even region. In order to speed up the process of destruction of counterfeit goods, it would be also very helpful that all Ukrainian Customs Offices cooperate with licensed recycling companies and provide adequate transportation means depending on the goods to be destroyed.

There is limited experience and a lack of knowledge about the simplified procedure among Ukrainian Custom officers. Only few Custom points in Ukraine are experienced in the process of simplified destruction.

There is still a need to further specify the simplified procedure (including the documents required to obtain the consent of the customs checkpoint to declare the goods in the customs regime of destruction) and the criteria recycling companies shall comply with.

Furthermore, as noted the comments submitted on the Draft law on the amendment of the Customs Code of Ukraine (border measures), INTA is of the opinion that clarification some of its provisions require clarification, in particular the definitions provided. For instance, counterfeit goods are defined in the proposed law as goods that, without consent, bear a sign which is identical to a trademark duly registered in Ukraine, with respect to the same type of goods or which is non-distinguishable in its individual characteristics. However, the general trademark law does not contain the relevant definitions of “type of goods” and “non-distinguishable”. This may lead to the difficulties in enforcement.

Small consignments: It is also recommended to develop clear recommendations and standards for the procedure concerning the destruction of small consignments of counterfeit goods.

The situation with storage of seized counterfeit goods is also worrying. We have noticed that sometimes the conditions of storage are so poor that there is practically nothing left to destroy by the end of a trial in a criminal case. This is particularly problematic for dangerous counterfeit products such as agrochemicals, which can leak in the soil.

Training of customs officers on a regular basis and harmonization of practices between customs checkpoints are needed. We suggest that the EU considers providing technical assistance for the training of Custom officers in Ukraine. Trainings offered by trademark holders should be allowed and encouraged, in respect of the procedure, from recognition of counterfeits to seizure and destruction.

II. Unfair competition

Protection of Trademark holders against Unfair Competition is needed. According to Article 6 of the Law of Ukraine “On Protection against Unfair Competition”, outward appearance of products is protected against unfair competition. Unfortunately, this article does not seem to apply to products protected by intellectual property rights. Intellectual property right holders are thus formally deprived of the possibility to apply for protection to the Antimonopoly Committee, and are only entitled to resort to the court. Nevertheless, the Antimonopoly Committee of Ukraine tends to accept such cases for consideration which creates an inconsistency in the enforcement practice. The aforesaid law should be amended or another draft law should explicitly resolve this inconsistency by ensuring the protection of products protected as objects of intellectual property against unfair competition.
III. Substantive trademark law

Refusal or invalidation on the grounds of bad faith should be allowed:
Bad faith trademark registrations are frequent in Ukraine. The Ukrainian Office and the Board of
Appeal seem reluctant for the past few years to evaluate bad faith as a ground for refusal and are
keen to pass the cases to the court.

There is no provision in Ukrainian law that would enable a right holder to oppose trademarks filed
in bad faith. In fact, nothing prevents the registration in bad faith of trademarks that have a
reputation abroad. Applying article 6 septies of the Paris Convention in court proceedings is difficult
in practice since Ukrainian courts are bound to the provisions of the national legislation when it
comes to definitions such as “agent” or “representative” (for example, we refer to point 4.2
Application in the agent’s name of the EUIPO Trade Mark Guidelines on article 8(3) of the EU
Trade Mark Regulation about “lifting the corporate veil”). Bad faith should be available and clearly
defined both for opposition and invalidity proceedings in the trademark legislation. The draft law
No. 9385 provides the effective measures for such cases, so, again, it is recommended to facilitate
its consideration in the parliament.

INTA’s position is that the filing of a trademark application or procuring a registration in bad faith
should be an available ground for trademark owners to oppose or seek to cancel the trademark
application or registration. Therefore, INTA recommends the introduction of such provisions in
Ukrainian law. In its Board Resolution of September 22, 2009, INTA recommends that the following
requirements be imposed for a finding of bad faith application/registration:
1. the applicant/registrant knew of the third-party’s rights or legitimate interests in a mark
   identical to or substantially identical to the mark applied for/registered, where such
   knowledge is actual or may be inferred from the surrounding circumstances; and
2. the applicant/registrant’s conduct in applying for/registering the mark is inconsistent with
   norms of reasonable, honest, and fair commercial behavior. In order to determine whether
   the applicant’s/registrant’s conduct is inconsistent with norms of reasonable, honest and
   fair commercial behavior should, INTA recommends that a non-exhaustive list of factors
   is considered.

Opposition proceedings are needed:

Under the current legal framework, third parties may file “oppositions” against a trademark
application “before it is examined by the PTO”. There is no information available indicating whether
an application has been already examined or not. Therefore, it is very difficult for third parties to
establish whether they can still file oppositions against a certain application. Such system gives too
much discretion to the PTO officials to accept or reject an opposition, and does not provide the legal
certainty required for third parties to ensure they can defend their rights in a timely manner.
Moreover, the deadline to file an opposition is rather short, often less than a week for a fast track
procedure.

Also, third parties do not become a party in the proceedings, and their role is merely limited to submit
their “observations” to the IPO. The possibilities to prevent a third party from obtaining a similar
trademark registration are: (a) filing a preliminary unofficial opposition at the stage of its examination
or (b) filing a cancelation action before the court. However, costs for cancellations are high and the
proceedings are challenging because effective competitiveness must be established.

INTA recommends the adoption of a proper opposition procedure, similar to the one existing in most
EU countries, with trademarks being published after a certain procedure and with a sufficient period
for oppositions to be filed by third parties. We recommend amending the trademark legislation to
that end. The current Draft Law no. 9385 seems to be adequate in respect of opposition procedure.
and, therefore, we recommend its consideration by the Ukrainian Parliament be expedited.

Proof of Use

In order to prove trademark use, courts require that both the purchasing and the selling take place in the Ukrainian territory. This poses a problem to trademark owners which conduct business in Ukraine without having a physical presence in the territory such as a physical shop (e.g. via the Internet): they are not able to prove trademark use under these circumstances, which makes their trademarks vulnerable to cancellation actions due to “non-use” and thus not easily enforceable.

This, in turn, forces trademark owners to re-file new registrations in order to make sure they always have registrations which are within the post-registration grace period.

Article 16 of the Law of Ukraine “On the Protection of Rights to Marks for Goods and Services” (the Trademark Law of Ukraine) provides examples of evidence of use of a trademark which are not that restrictive: “...its application on any goods for which it was registered, their package, signboards related to these goods, labels, tabs, tags or any other subjects fixed to the goods, storing goods bearing the said mark for the purpose of offering for sale, offering these goods for sale, sale, importation and exportation of these goods; its use in business papers or advertising, as well as on the Internet”. Article 18 of that Law refers to use/non-use of a trademark by its owner or other person under control of the trademark owner on the territory.

According to court guidelines (Y2012), a trademark owner must prove use of its trademark by demonstrating that it carries out at least some of the activities provided for in Article 16 of the above law. Such evidence could be, for example, products bearing the trademark, documents depicting the mark (catalogues, price lists proposals for the provision of services or delivery of goods, etc.). An extension of goods bearing the trademark on the territory of Ukraine can be confirmed by checks, receipts, invoices and other documents containing information on the name of the product and the place of its acquisition. In case the trademark owner is a non-resident, custom declarations and other custom documents may serve as a confirmation of import of goods to Ukraine.

However, it seems that the courts are taking a case-by-case approach, and that evidence of sales in a third country and import to Ukraine are not sufficient to prove use of a trademark before the courts. Along with other evidence, a purchase and sale agreement bearing the trademarks, an agreement on the advertising of these products in appropriate promotional materials etc. may be provided to the court to confirm use of the trademark. The absence of real sales of the goods in Ukraine seems to play in favor of the trademark owner’s opponent.

A clarification in the law is needed so that the approach of the courts is harmonized and not unduly restrictive regarding the nature of evidence that can be provided. It is essential also to summarize court practices in this respect and to publish some court guidelines for the development of and consistent court practice.

Moreover, stable and consistent court practice is needed with regard to domain name disputes which currently appear rather inconsistent: while some courts decided for the transfer of unfairly registered domain names to the corresponding trademark owners, some other courts refuse such transfer.

Non-traditional marks

According to Article 5 of draft Law number 9385, in order to be registered, a trademark must be “capable of being graphically represented”. This draft law also extends the list of non-traditional
marks that can be registered with the possibility to register product shapes and configuration (packaging). The current law only provides for ‘registrability’ of colors.

The new provisions on non-traditional marks meet the general requirements of the Association Agreement. However, the introduction of the graphical requirement may be regarded as outdated: the work on the proposed amendments to the Ukrainian IP-related laws started before the EU Trademark reform and the targeted harmonization with EU practice considered the provisions that preceded the reform. In order to achieve better alignment with the current EU legal framework that removed graphical representation as a registration condition, it is suggested that Ukrainian law is updated accordingly. INTA took the removal of the graphical representation requirement in the EU Trademark reform as a positive change from the point of view of non-traditional marks as it opened up possibilities for representation of such marks on the register and, therefore, the possibility of registering a broader range of marks.

About INTA

The International Trademark Association (INTA) is a global association of brand owners and professionals dedicated to supporting trademarks and related intellectual property (IP) to foster consumer trust, economic growth, and innovation.

INTA’s members are more than 7200 organizations from 191 countries. INTA members collectively contribute almost US $12 trillion / €8.8 trillion / ¥73 trillion to global GDP annually. For comparison, the 2013 annual GDP of the top three markets was $9.2 trillion (China), $17.9 trillion (European Union) and $16.7 trillion (United States). The Association’s member organizations represent some 30,000 trademark professionals and include brand owners from major corporations as well as small- and medium-sized enterprises, law firms and nonprofits. There are also government agency members as well as individual professor and student members. INTA has over 1400 member organizations in the European Union and 35 members in Ukraine.

INTA undertakes advocacy work throughout the world to advance trademarks and related rights, and offers educational programs and informational and legal resources of global interest. Headquartered in New York City, INTA also has offices in Brussels, Shanghai, Singapore, Santiago de Chile and Washington D.C. and representatives in Geneva and New Delhi.

Further information about our Association can be found at www.inta.org.

For further information, please contact: Hélène Nicora, Representative Officer, Europe a thnicora@inta.org / +32 2 880 37 22.

Attachment: INTA’s Board Resolution on Appointment of Third Party Expert Witnesses in Judicial Anticounterfeiting Cases