



The Supreme Court of the Russian Federation reverses decision on reimbursement of attorney's fees based on principles of justice, equality and balancing of interests.

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📁 INTELLECTUAL PROPERTY, RUSSIA

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The Civil Code of the Russian Federation provides that in a case of infringement of trademark rights, the holder may claim either the reimbursement of losses suffered or a fixed compensation in a range between 10.000 Rubles (about 140 Euro) and 5.000.000 Rubles (about 68.500 Euro). The exact amount of the compensation is set at the discretion of the court based on the specific features of the infringement committed.

Article 110 of the Code of Arbitral Procedure of the Russian Federation provides that attorney's fees incurred by the winner can be charged to and reclaimed from the other party. If a claim

is upheld in part, the costs of either party are charged on pro rata basis in proportion to success. This is construed to mean that the claimant should bear or reimburse judicial costs to the extent the claim remains unsatisfied.

In case A40-14914/2018, the claimant "Institute of Human Stem Cells" ("Institute") claimed compensation for the infringement of its trademark right in the amount of 5 mln. Rubles. A commercial court of Moscow found that the right had been infringed; however, it dramatically reduced compensation awarding the winner 100.000 Rubles only, which was just 2% of the sum claimed. In turn, the defendant, who was a private individual, had filed a counter-claim against the trademark owner for reimbursement of 98% of attorney's fees in the amount of



392.000 Rubles. The court awarded full repayment to the defendant, as the sum reflected the pro rata ratio to the reduced compensation. Based on such decision, the right holder was obliged to pay the infringer a much larger amount than that of the compensation awarded. The outcome sounds clearly odd, but it is not an isolated case. Such approach of the Russian courts raised much concern among right holders, and arguably jeopardizes the very rationale for and effectiveness of the protection of IP rights.

The Institute appealed the decision of the commercial court in two instances, both of which upheld the first judgement. The right holder then filed an appeal of law with the Supreme Court. The Supreme Court held that the courts of lower instance were correct in the assessment of the trademark infringement. However, the Supreme Court reversed the previous decisions on the reimbursement of the defendant's costs, and found that the lower courts had failed to give fair consideration to the substance of the claim for compensation for the trademark infringement, and furthermore to compare the amount of compensation and that of claimed charges. The

Supreme Court held that the full recovery of the defendant's charges led to an undue limitation of protection of the intellectual property right, did not restore the financial situation of the right holder and even failed to serve the public interest of promoting good faith and lawful behaviors.

The Supreme Court criticized the decision upheld by the lower courts and argued that compelling the right holder to pay the defendant a sum far outweighing the compensation awarded for the infringement did not comply with principles of justice and the balancing of interests between the parties. The Court also referred to Article 4 of the Civil Code providing that no one can take advantage of its own unlawful or unfair conduct, and further held that the decision of the lower courts did not meet the very aims of the judicial system.

The Supreme Court remanded the case on reimbursement of the defendant's costs, directing the lower court to re-adjudge the claim of the defendant for reimbursement of attorney's fees and the corresponding claim for compensation of the right holder.



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