Russian IP Court remands FANTOLA mark cancellation action by Coca-Cola Company for retrial

08/11/2022 INTELLECTUAL PROPERTY, RUSSIA

Alisa Pestryakova

According to Russian law, a trademark may be registered in Russia subject to successful examination by the Russian Patent Office (Rospatent). Unlike to the EUIPO rules, the substantive examination of the application in Russia includes absolute and relative validity assessment. This means that the Rospatent checks both the distinctiveness of the mark and the existence of any conflicting rights (similar trademarks).

The existence of similar trademarks protected for similar goods prevents registration. Although a full opposition procedure similar to that in force under the EUIPO rules does not exist in Russia, the holder of an existing trademark may file with the Rospatent a letter of observations arguing that the mark under application should not be registered as being confusingly similar with existing mark. If the Rospatent disagrees with the position of a rightholder and grants protection to the mark applied for, a cancellation action against such registered mark can be filed claiming similarity with the earlier trademark and uncompliance with a legal requirement.

The Chamber for Patent and Trademark disputes (the Chamber) is an ad hoc body of the Rospatent competent to review objections brought against the Rospatent decisions under the administrative procedure, including those claiming the cancellation of trademark registration. According to Russian law, the decisions of the Chamber can be further challenged before the Russian IP Court.

Based on the provisions of articles 1512 and 1513 of the Russian Civil Code, US soft drinks multinational The Coca-Cola Company (Coca-Cola) had filed a cancellation action against a trademark owned by a Russian soft drinks producer with the Chamber claiming that the FANTOLA mark was confusingly similar with its own FANTA trademarks, and that the FANTOLA registration was therefore in breach of legal requirements and should be cancelled.

The Rospatent rejected the similarity claim with FANTA, and the FANTOLA trademark survived accordingly. For greater details please read our earlier article “Rospatent Chamber for Patent and Trademark Disputes: FANTOLA is not confusingly similar with FANTA by Coca-Cola” (at https://www.lexology.com/library/detail.aspx?g=0a3d158c-42c3-4d30-a32b-5d843f507f51).

Coca-Cola then filed with the Russian IP Court a lawsuit claiming invalidation of the Chamber’s rejection decision on the FANTOLA trademark's cancellation action.

The initial cancellation action was filed with the Chamber on 17 May 2021, and the rejection decision was dated 14 January 2022. The IP Court issued its ruling on the Coca-Cola lawsuit on 17 October 2022 (case SIP-353/2022).

In its lawsuit, the US company had challenged the Chamber's arguing that the marks were indeed similar, and that the registration of the FANTOLA mark created confusion with FANTA mark and lead to loss of customers and damage of the Coca-Cola reputation. Coca-Cola's key-reasoning was that FANTA had acquired an own significance as a brand of renown, whilst FANTOLA was plainly made up as a combination of words Fanta and Cola and quite obviously referred to these famous brands.

The owner of the FANTOLA mark filed a statement of defense, claiming an abuse of right by Coca-Cola, pointing out that the claimant had challenged only 2 out of 6 rejection decisions issued by the Rospatent on cancellation actions for different FANTOLA marks. The Russian company was arguing that bona fide conduct would be to challenge all rejections of all 6 cancellation requests, while doing the same for only 2 was not aimed at protection of trademark right and interests, but rather an unduly restricting a competitor. Besides, it argued that Coca-Cola could not be considered an interested party for procedural purposes (it is recalled that the interested party status is an essential qualification for filing a cancellation action) as it had suspended its business activity in Russia and accordingly did not meet the requirement of part 2 of article 1513 of the Russian Civil Code that a cancellation action can be initiated only by an interested party.

The IP Court reviewed the case and the Rospatent position and provided guidance for reconsideration of the similarity assessment made by the Chamber. We provide below the main arguments and reasoning of the Court, which may be of interest for rightholders in building up their defenses in trademark disputes before the Chamber.

The Court affirmed in the first place that Coca-Cola was an interested party for the purposes of seeking the cancellation request of the FANTOLA trademark and ruled that the ownership of a trademark with a priority date earlier than that of a similar challenged trademark was sufficient to satisfy legal requirements.

Besides, the Court noted that the cancellation action had been filed, and the rejection decision had been taken before the suspension of business in Russia, so that Coca-Cola’s rights could not be precluded as a result.

The IP Court moreover found the following faults in the decision of the Rospatent:
•level of phonetic similarity was not duly assessed;
•visual difference of marks was overestimated and did not dramatically affect the creation of an association between the marks;
•semantic features of the FANTA mark were neglected (with a note that contemporary dictionaries contain word “Fanta” as a generic word with the meaning of a soft drink with orange flavor);
•existence of a family of FANTA trademarks, its impact on similarity and potential perception of FANTOLA as a new mark in the family was not assessed;
•evidence provided by Coca-Cola was not duly scrutinized and taken into account.

The Court furthermore noted that to prove the linkage between the mark and a producer one should provide evidence of an emerging association between the product affixed with the mark and the producer. It was clarified that such element cannot be proved by evidence of mere presence on the market, but marketing efforts and actions of the producer to create the association in customers' minds between the product and the company should be provided as well.

This logical path may be interpreted in the sense that the marks shall be considered confusingly similar, unless the Russian producer convince the Rospatent that customers link the mark with the producer itself.

The Rospatent provided additional explanations in its submissions in the Coca-Cola case, but the Court ruled that these could not remedy ill-grounded arguments and erring decision taken within the cancellation administrative procedure.

The IP Court hence directed the Chamber to re-evaluate the FANTOLA cancellation claim in the light of the principles that it had laid down. It also clarified that the court cannot issue its decision on the merits of the case, as the litigation phase cannot circumvent the administrative one, and the Chamber is the legitimate body to settle the dispute.

This means that another decision is upcoming, which may radically change the balance of the trademark rights under dispute. The fate of the potential FANTOLA trademark cancellation though remains unclear, as the FANTOLA products are already marketed in Russia. If the mark was cancelled as confusingly similar with FANTA, Coca-Cola could file an infringement claim against the Russian producer and ban use of the FANTOLA mark, so that the eventual change of position of the Rospatent may have an actual material impact on the Russian soft drinks market.

By way of closing comment, we would like to add that the decision of the IP Court is a sophisticated document, substantively as well as procedurally, where legal arguments only have been weighed and applied in an unbiased fashion, fully independently of the nationality of the parties and, actually, so far recognizing to a large extent Coca-Cola 's rights and position. We are glad to note that the prophecies of those that foreshadowed the end of IP law in Russia with the advent of the Ukrainian crisis are being proven wrong.

Alisa Pestryakova

ASSOCIATE

a.pestryakova@dejalex.com

+7 495 792 54 92

Ulitsa Bolshaya Ordynka 37/4
119017 – Moscow

MILANO
Via San Paolo, 7 · 20121 Milano, Italia
T. +39 02 72554.1 · F. +39 02 72554.400
milan@dejalex.com

ROMA
Via Vincenzo Bellini, 24 · 00198 Roma, Italia
T. +39 06 809154.1 · F. +39 06 809154.44
rome@dejalex.com

BRUXELLES
Chaussée de La Hulpe 187 · 1170 Bruxelles, Belgique
T. +32 (0)26455670 · F. +32 (0)27420138
brussels@dejalex.com

MOSCOW
Ulitsa Bolshaya Ordynka 37/4 · 119017, Moscow, Russia
T. +7 495 792 54 92 · F. +7 495 792 54 93
moscow@dejalex.com