https://doi.org/10.22364/jull.15.12

Liability for Unlawful Use of a Trademark

Dr. iur. **Jānis Rozenfelds**
Faculty of Law, University of Latvia
Professor at the Department of Civil Law Sciences
E-mail: *janis.rozenfelds@lu.lv*

The aim of this report is to provide a brief overview of litigation over trademark violations from 2014 until 2019. This period is significant for at least two reasons: first, the beginning of this period coincides with a decade since the accession of several East European countries, including Latvia, to the European Union; second, the end of this period coincides with the end of application of the Law On Trademarks and Indications of Geographical Origin of 1999, which was replaced by a new law enacted on 6 March 2020. The procedure for the opposition process as part of trademark registration was reformed as the Law on Industrial Property Institutions and Procedures came into force on 1 January 2016.[1] Although reform of trademark registration and the opposition procedure did not have a direct impact on trademark rights already in place, it could be anticipated that protection of trademark rights as established since 2016 would be more robust and the peculiarities of the previous period would be extinguished. As litigation over the registration and opposition procedure lags behind the filing of applications for registration of trademarks, no cases have been heard over applications filed under the new system, i.e., after 1 January 2016.

Keywords: counterfeit, fault, liability, license, trademark.

Contents

[1] Available: https://likumi.lv/ta/en/en/id/275049-law-on-industrial-property-institutions-and-procedures [last viewed 22.02.2022].

Introduction

It could be asserted that during the first decade since accession there was a gradual switch from applicants preferring national registration to those who preferred EU registration. During the same period, there was also a big influx of applications in Latvia for international trademarks registered under the Madrid system. Owners of internationally registered trademarks seem to be more active in seeking compensation from infringers.

The preconditions for liability for unlawful use of trademarks are very important. The "[v]alue of the trademark system depends on the extent to which the activities of others can be categorized by the trademark owner as 'infringing acts' so that the full force of the legal system can be brought to bear against them".[2] However, as this overview will demonstrate, the preconditions for civil, administrative and criminal liability for violation of trademark rights differ. Only the basic terms coincide in all three types of liability: the understanding of an infringing act, the term "use" of the victim's trademark by the infringer in the meaning of Article 5(1) of Directive 2004/48/EK)[3], interpretation of Article 5(4) of Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights (OJ 2003 L 196, p. 7) and Article 146 of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trademark (OJ 1994 L 11, p. 1), as amended by Council Regulation (EC) No 1992/2003 of 27 October 2003 (OJ 2003 L 296, p. 1; "Regulation No 40/94").[4]

Right holders could reasonably expect that if an "infringing act" (Article 10, part 3 Directive 2015/2436[5], which replaced Directive 2004/48/EK)[6] has taken place, then the trademark protection system not only prevents violation of trademark rights but also ensures that perpetrators are punished and damage suffered by the victims compensated. An overview of court cases involving trademark violations from 2014 to 2019 shows a relatively small number of compensation cases. There are significantly more cases where infringers escaped unscathed, with the court merely prohibiting violation of trademark rights but not imposing any duty of compensation of damage caused by such acts.

Directive 2004/48/EK was implemented in Latvian law on 1 March 2007, although it should have been implemented no later than 29 April 2006. Due to this delay, the Supreme Court Senate (court of cassation, the highest instance court) in Judgment SKC-96/2015[7] decided that the principles of civil liability of the Directive should be applied with retroactive effect, i.e., from the moment the Directive should have been transposed.

---

[2] *Philips, J.* Trademark Law. A Practical Anatomy. Oxford University Press, 2003, pp. 193–194.

[3] Available: https://eur-lex.europa.eu/legal-content/lv/HIS/?uri=CELEX:32004L0048 [last viewed 22.02.2022].

[4] See, for instance, case No. C-302/08 – Zino Davidoff. Available: https://curia.europa.eu/juris/document/document.jsf?text=&docid=73510&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=2554017 [last viewed 22.02.2022].

[5] Available: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015L2436&from=LV [last viewed 22.02.2022].

[6] Available: https://eur-lex.europa.eu/legal-content/lv/HIS/?uri=CELEX:32004L0048 [last viewed 22.02.2022].

[7] Available: https://www.at.gov.lv/lv/tiesu-prakse/judikaturas-nolemumu-arhivs/civillietu-departaments/hronologiska-seciba?lawfilter=0&year=2015 [last viewed 22.02.2022].

Article 56 of the Law on Trademarks[8] provides a remedy for the victim in the form of recovering material and moral damages. This right could be executed, if certain conditions are met. The victim must prove violation of trademark rights, damage, and causation between the violation and damage.

Whether a violation of trademark rights has taken place depends on whether the acts of the offender interfere with the scope of the victim's trademark rights, and also if the person who has violated the IP right "should have known" of the existence of that right. Nowhere does the new Latvian trademark law expressly point to the subjective attitude of the infringer. Nevertheless, on the one hand, courts are call attention to knowingly committed acts as an additional feature which somehow should aggravate the amount of liability. On the other hand, there are no clear indications that a subjective attitude translates into a greater degree of liability, as the Latvian courts tend to slash the amount of damages calculated by claimants (see below: civil liability).

In case No. C-690/17[9] the ECJ ruled accordingly concerning use of a sign that was identical with, or similar to, an individual trademark consisting of a quality label by using the quality label for "consumer information and consultancy" services, which are covered by the services for which those marks are registered.

1. Trademark rights as an object of protection

Trademark rights as a specific object of protection appear in the case law of the inter-war period of independent Latvia (1918–1940). There are references to regulation of trademark rights. After Latvia regained *de facto* independence following Soviet and German occupation (1940–1991), the first trademark law was set in force (1993). Paradoxically, registration of trademarks started earlier. Owners of internationally recognised brands were entitled to file for registration of their brands, which were already registered in the Soviet Union. Re-registration of those brands was carried out by the newly established[10] patent board. The procedure was provided by Regulations No. 72 of 28 February 1992 as enacted by the Council of Ministers.[11] Registration boomed. Within the first months after registration started and even before any legal framework would be created regarding the scope of rights which registration involved since the first law on trademarks was rushed through parliamentary commissions, the number of registered trademarks grew from zero to several thousand. The newly registered international trademarks immediately fell victim to distributors of underground counterfeit goods. Local brands soon followed suit and were registered as Latvian national trademarks. First came Soviet brands, which existed without any registration, in the form of labels, which were widely applied to various products for consumption – from candies to alcoholic beverages. As identical products were still being imported from other newly established countries of what used to be the Soviet Union, the right holders of newly registered ex-Soviet

[8] Available: https://likumi.lv/ta/id/312695-precu-zimju-likums [last viewed 22.02.2022].The law on trademarks was enacted by the *Saeima* (Latvian Parliament) on 21 February 21 2020.

[9] Available: https://curia.europa.eu/juris/document/document.jsf?text=&docid=212909&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=878090 [last viewed 22.02.2022].

[10] Latvijas Republikas Ministru Padomes lēmums Nr. 72 [Regulation No. 72 of the Council of Ministers of 28 February 1992]. *Ziņotājs,* Nr. 17, 1992.

[11] *Rozenfelds, J.* The Concept of Property and Intellectual Property in Latvia. Juridiskā Zinātne (Journal of Legal Science. University of Latvia, 2010, No. 1, 2010, p. 102. Available (in Latvian): https://www.journaloftheuniversityoflatvialaw.lu.lv/fileadmin/user_upload/lu_portal/projekti/journaloftheuniversityoflatvialaw/No1/J_Rozenfelds.pdf [last viewed 22.02.2022].

trademarks instantly found themselves involved in legal battles over different trademarks, which in their appearance were almost identical, as were products, which still came out of various enterprises – survivors of the highly standardized and centralized Soviet economy. There were, for instance, more than fifty factories producing and distributing sparkling wine using the method of second fermentation. The product was still called *Sovetskoye Shampanskoye*. This name was used on labels either in Latin or Russian letters. Products of this kind flooded the Latvian market not only from nearby countries but even from places as far away as Italy. Local producers struggled to seize such products as counterfeit. To their frustration, one of the respondents – a local company which imported drinks from Belorussia – filed a counterclaim stating that sparkling wine of Latvian, as well as Belorussian origin is a product of one and the same type. Consequently, the *Sovetskoye Shampanskoye* brand as registered by the claimant was generic, and as such should be annulled. The court of first instance – the Riga Regional Court – duly declared trademark registration by the claimant null and void. The court of appeal (Supreme Court of Latvia) considered the judgment by the Riga Regional Court too harsh and handed down a judgment which spared controversial registration of the trademark by the claimant but disclaimed the key words *Sovetskoye Shampanskoye* from it. Only recently have courts abandoned the ill-founded practice of establishing limitations on trademark rights in the shape of disclaimers by court judgment.[12]

Another peculiarity of Latvian case law is reluctance to admit evidence from the parties, which was submitted as a proof of the notoriety of trademarks in cases where internationally recognized famous but still unregistered trademarks were not recognized by the Latvian courts as well-known trademarks deserving wider protection due to extensive and long-standing use. The peculiarity of the Latvian approach is that courts are reluctant to admit international recognition of a trademark as evidence that this very trademark should be recognized as well-known, even if the mark has not been extensively used and advertised in Latvia. For instance, as recently as in a judgment handed down by the court for the Vidzeme suburb of Riga on 7 June 2018 in case No. C30587217[13], the court dismissed a claim by *Apple Inc.* that a slogan which was introduced and extensively used by late Steve Jobs (ONE MORE THING) should be regarded as a well-known trademark in Latvia. The court reasoned that such a finding could not be corroborated on the basis of international (not local) publications and advertisements, as if Latvian consumers were still relying only on local media as sources of information.

As those episodes of trademark litigation demonstrate, judgments are far from perfect.

It did not help the matters that since the early 1990s the Latvian judicial system survived several stages of reform. The first step in establishing a judicial system capable of protecting trademark rights was to establish a kind of specialised court. From 1993,

---

[12] *Rozenfelds, J., Mantrovs, V.* Is a National Court Competent to Introduce a Disclaimer into a Trademark Registration? The Latvian Supreme Court Finally Says 'No'. GRUR International, Vol. 70, No. 8, 2021, pp. 760–763. Available: https://doi.org/10.1093/grurint/ikab084 , URL: https://academic.oup.com/grurint/article-abstract/70/8/760/6315021?redirectedFrom=fulltext ISSN 2632-8623 [last viewed 22.02.2022].

[13] The judgments referred to in this article with few exceptions are not available to the wider public. The author of this publication has an access to the internet site maintained by the Courts Administration under the auspices of the Latvian Ministry of Justice. In the internet site "Manas tiesas" ("My Courts") the court judgments could be identified by the number of the case consisting of eight figures which are provided as reference numbers.

the Riga Regional Court was chosen as the court with an exclusive jurisdiction in all disputes over trademark rights. Since 1 February 2004, all the disputes regarding the trademark registration procedure became a subject of administrative procedure.[14] As of 1ˢJanuary 2015, the trademark disputes are under the jurisdiction of the Court for the Vidzeme district of Riga.[15] The Riga Regional Court at the same time became the court of appeal.

2. Civil liability

In each case, where a compensation claim is based on an assertion by the claimant that the defendant's action amounts to unlawful use of a trademark owned by the claimant (or the claimant is the rightful holder of trademark rights), the claimant must prove the likelihood of confusion caused in the perception of consumers by signs, trade names, packages, etc., which are exploited by the infringer in their business activities. This part of the factual background in reviewed cases was dealt with by the courts in Latvia in line with the guidelines for interpretation of EU law, as interpreted by the ECJ, usually (but not always) including a reference to European case law, such as case No. T-104/01,[16] C-251/95,[17] C-39/97,[18] C-425/98,[19] C-292/00,[20] joined cases No. C-414/99 to C-416/99,[21] case No. T-108/08.[22]

One of the unsolved questions is whether a claimant who seeks compensation has to prove not only that their trademark rights have been violated, but also that the defendant has acted knowingly. Liability for damage in the IP area tends to be objective, i.e., an obligation to compensate arises even if no positive action by the defendant has taken place,[23] notwithstanding whether the defendant has been aware or should have known about the claimant's IP rights. The situation in Latvia is different: Latvian law points to fault as a precondition for liability.

If unlawful use of a trademark has occurred due to someone's fault, the owner of the trademark, as well as a licensee are entitled to claim damages and compensation for moral damage caused (Article 56, Trademark Law[24]; Article 28[1], Law On Trademarks

---

[14] *Rozenfelds, J.* Intelektuālais īpašums. Otrais, labotais un papildinātais izdevums [Intellectual property. Second, amended and supplemented edition]. Riga, 2008, pp. 259–260.

[15] Amendments to Article 24 Civil Procedure Law since 1 January 2015. Available: https://likumi.lv/ta/en/en/id/50500-civil-procedure-law [last viewed 22.02.2022].

[16] Available: https://curia.europa.eu/juris/showPdf.jsf?text=&docid=47801&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=2918725 [last viewed 22.02.2022].

[17] Available: https://curia.europa.eu/juris/showPdf.jsf?text=&docid=43450&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=2921478 [last viewed 22.02.2022].

[18] Available: https://curia.europa.eu/juris/document/document.jsf?text=&docid=44123&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=2917713 [last viewed 22.02.2022].

[19] Available: https://curia.europa.eu/juris/showPdf.jsf?text=&docid=45384&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=2922356 [last viewed 22.02.2022].

[20] Available: https://curia.europa.eu/juris/showPdf.jsf?text=&docid=47953&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=2554017 [last viewed 22.02.2022].

[21] Available: https://curia.europa.eu/juris/showPdf.jsf?text=&docid=46851&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=2554017 [last viewed 22.02.2022].

[22] Available: https://curia.europa.eu/juris/document/document.jsf?text=&docid=107530&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=2554017 [last viewed 22.02.2022].

[23] Monsanto Canada Inc. v. Schmeiser. Supreme Court Judgments, 2004. Available: https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/2147/index.do [last viewed 22.02.2022].

[24] Article 56, Law on trademarks of 2020, instead of fault, provides objective criteria as a precondition for liability. A person is responsible for an infringement if they knew or should have known of the existence of trademark rights.

and Indications of Geographical Origin). The Law of 1999 (the old trademark act) lays down almost identical preconditions for liability as compared to the latest act.

Preconditions for civil liability in the IP area have not been a specific subject of research. Although there is an abundance of research on fault as a general precondition for civil liability in Latvian legal doctrine,[25] research work in the IP area is fairly limited. Some publications (in Latvian) are devoted mainly to problems of implementing EU law and court injunctions in particular.[26] The mainstream view leans towards liability for knowingly violating a competitor's rights, i.e., away from the concept of strict liability.[27]

Regulations (EC) No. 3295/94 and No. 1383/2003 provide objective criteria for liability, whereas Article 28[1] of the Law On Trademarks and Indications of Geographical Origin, as well as the Law of 1999 (old trademark act) provides fault as one of the preconditions for liability.[28]

The law provides that the precondition for liability is "If unlawful use of a trademark has occurred due to someone's fault" (Article 28[1], Law On Trademarks and Indications of Geographical Origin of 1999 (the old trademark act which was in force until 6 March 2020, when the Law on trademarks of 1999 was replaced by new act "On Trademarks"). Due to this law, the method of calculating damages based on the amount which may be received by the owner of the trademark for handing over the rights to use the trademark to a licensee was only provided as a substitute under the condition that the actual damages cannot be determined in accordance with the traditional method of the calculating damages under Latvian Civil Law. It seems that Latvian judges were reluctant to apply this method because they were used to following the rule that

> *mere possibilities shall not be used as the basis for calculating lost profits, rather there must be no doubt, or it must at least be proven to a level that would be credible as legal evidence, that such detriment resulted, directly or indirectly […], from the act or failure to act which caused the loss* (Article 1787, Civil Law).

The method which involves calculation for a fictional licensee brings an element of speculation and involves probabilities, which could lead to overcompensation.[29]

In case No. C04181114, the Riga Regional Court allowed a claim by a company, which was importing dairy products from Russia. The claimant owned a trademark, which was registered under the Madrid registration system in relation to various goods in class No. 29., 30., 31., 32 Nice classification, *inter alia*, on different products in class No. 29. The claimant asserted that the defendant violated its registered

---

[25] See, for instance, *Brants, E.* Role of foreseeability in imposition of civil liability. Socrates RSU elektroniskais juridisko zinātnisko rakstu žurnāls [Journal of electronic articles on legal science of Rīga Stradiņš University], No. 2 (20), 2021, pp. 268–286. Available: https://dspace.rsu.lv/jspui/bitstream/123456789/6276/1/Socrates-20-2_19-Brants_268-286.pdf [last viewed 22.02.2022].

[26] *Pētersone, Z.* Intelektuālā īpašuma civiltiesiskās aizsardzības līdzekļi [Legal remedies for protection of intellectual property]. TNA, 2013.

[27] *Rasnačs, L.* Vainas nozīme atbildības piemērošanā par negodīgas konkurences aizlieguma pārkāpumiem. Aktuālas tiesību realizācijas problēmas. LU 69.konferences rakstu krājums [The role of fault in implementing liability for violations of the ban on unfair competition. Collection of articles of the 69th conference of the University of Latvia], 2011, p. 55.

[28] The objective criteria under Regulation No. 1383/2003 for trademarks which are registered as EU trademarks differ from the criteria under the Latvian law on trademarks of 1999 which applies to trademarks registered as national (Latvian) trademarks. This shows the unnecessary leniency of Latvian law.

[29] *Abdussalam, M.* Reining in the rules for "lost profits" damages in patent law. Queen Mary Journal of Intellectual Property, Vol. 9, No. 4, 2019, pp. 366–367.

trademark rights. The defendant had bought sunflower oil, cheese, butter and mayonnaise from the claimant since 2009. The defendant distributed said goods in Latvian supermarkets. In 2012, the defendant registered a trademark in class No. 29, 30 on various goods including oil and mayonnaise. The claimant contested the trademark registered by the defendant. The said trademark was invalidated by the decision of OHIM on 9 September 2013. The defendant filed a complaint and litigation over the trademark registered by the defendant was still ongoing in 2015. The claimant found out on 20 January 2013 that the defendant was importing from Poland and distributing in Latvia cheese and butter, using a label for identification of these products, which contained images that were confusingly similar to the images forming part of the trademark registered by the claimant. By doing so, the defendant was knowingly violating the claimant's trademark rights. The claimant claimed, *inter alia*, damages of 28 287.07 EUR. Income of 138 117.89 EUR collected by the defendant could bring 20 000 EUR plus interest at 6% per annum in royalties, if the same rights were to be licenced out by the claimant. In addition to that, the Riga Regional Court awarded moral damages of 2400 EUR.

The defendant filed an appeal, whereby it contested the court judgment as to moral and material damages. The judgment was not contested in the part in which trademark violation was corroborated. The court of appeal allowed the claim for the award of moral damages but dismissed the compensation claim, finding that the calculation provided by the claimant was wrong in that the amount of income, as well as profit margin provided by the claimant were overvalued.

The court of appeal contradicted itself. On the one hand, if a trademark violation took place, the claimant deserved some kind of compensation based on the amount of goods in issue. On the other hand, if the court of appeal considered that the claim would lead to overcompensation, it should find out the amount of real damage caused by violation of trademark rights, which was not contested by the defendant. The only explanation for this controversy would be that the court of appeal did not believe in the method of calculation of damages by using the fictitious licensee concept. Perhaps the court would prefer to stick to the traditional method of calculating damages as provided by the Civil Law, which expressly prohibits anyone to rely on "mere probabilities" in calculating damages. The problem is that the fictitious licensee method provided by the Directive is based on "mere probabilities" *per se*. As a result of this decision, courts in general tend to dismiss claims for damages based on an imaginary licensee. Instead, the Latvian courts would rather allow a claim for moral harm instead. Hence the trend, which could be followed not only in case No. C04181114 but also in other cases within the same period – from 2016 to 2019. Little wonder that damages claims are extremely rare. Only in approximately one-third of cases of violation of trademark rights is a claim to stop counterfeit activities supplemented with a damages claim.

Only in ten cases out of thirty during the same timeframe were damages awarded by court ruling. Only a fraction (17 222 EUR) of the compensation claimed in ten cases (117 148 EUR) was allowed during the same period. Claimants were slightly more successful in claiming moral damages as compared to compensation claims. Modest claims by *IKEA* in the amount of 2000 EUR were allowed in full[30], whereas in cases where moral claims significantly exceeded this amount, they were either slashed or dismissed altogether. This standard amount was awarded notwithstanding different circumstances: type of goods, whether there were small, cheap items (*IKEA*'s claim

[30] Case No. C30693118; C30618416.

for 7 114.40 EUR was allowed in the amount of 1 420 EUR)[31], or very valuable ones (used tractors produced by J. C. Bamford Excavators Limited unlawfully offered on the Latvian market by a Latvian company under internationally registered trademark JCB without permission of the owner of the trademark claim in the amount indicated below)[32] involved the question whether violation of trademark rights was long-lasting transgression or one-off, whether an infringer acted incidentally or knowingly. This probably explains why compensation claims are such a rarity – why bother to pay state dues for filing a compensation claim (these are significantly higher than the fixed fee for a claim to put an end to a trademark violation), if the chances of satisfaction are so slim!

In case No. C04292106, the corporation *Société des Produits Nestlé S.A.* sought a prohibition on unlawful use of EU registered trademark No. 002801702, international trademarks registered within the Madrid system No. IR 793933 and No. IR 796607. On top of that, *Nestlé* claimed damages of 26 716.44 LVL (37 937.34 EUR). *Nestlé*, it seems, overestimated what could be the value of imaginary royalties from a would-be licensee. The defendant pointed out in reply to the claim that damages as stated by the claimant were based on a wrong assumption, namely, that royalties from an imaginary licensee should be in the amount of 6 % of income, which is way too high. Damages were slashed, because the fictitious licensee terms were discriminatory towards the defendant. The principles of so-called FRAND (Fair, Reasonable and Not Discriminatory) terms are firmly established in the area of licensing out the so-called SEP (Standard Essential Patents).[33] The court also disagreed with the claimant's view of how long the infringement had taken place. The Riga Regional Court found that at the time when the damage was caused in 2006, royalties from licences on the goods in issue (coffee) were between 0.2% and 2 %. The court awarded damages of 4840.74 EUR.

The reasoning for judgments regarding claims for moral damage is even more difficult to understand.

In case No. C04494311, *J. C. Bamford Excavators Limited* sued a Latvian company, which offered on the Latvian market used tractors, produced by the claimant under the internationally registered trademark *JCB* without permission of the owner of the trademark.

The defendant sought to dismiss the claim. They cited an exhaustion of rights clause as an excuse. The court rightly found that, although the defendant offered used items, nevertheless, they had acted in a manner as if their business was somehow connected to the claimant, and in doing so misled customers. This part of the judgment is in line with interpretation of exhaustion of rights by the ECJ in cases No. C-558/08,[34] C-337/95,[35] C-63/97.[36]

The claimant was also seeking compensation for moral damage in the amount of 24 457.44 EUR. The court of first instance allowed the claim in full. The court of

[31] Case No. C04366712.

[32] Case No. C04494311.

[33] *Yo Sop Choi.* Standard essential patents – a comparison of approaches between East and West. Queen Mary Journal of Intellectual Property, Vol. 8, No. 4, 2018, pp. 313–332.

[34] Available: https://curia.europa.eu/juris/document/document.jsf?text=&docid=83130&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=2923483 [last viewed 22.02.2022].

[35] Available: https://curia.europa.eu/juris/showPdf.jsf?text=&docid=43440&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=2924631 [last viewed 22.02.2022].

[36] Available: https://curia.europa.eu/juris/showPdf.jsf?text=&docid=44426&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=2925693 [last viewed 22.02.2022].

appeal, although agreeing with the finding at the first instance that infringement was caused in violation of the law with full knowledge of all aggravating circumstances, refused any recovery of damages whatsoever.

A legalistic attitude could be one of the factors exerting an impact on court decisions regarding civil liability in general, and for IP rights violations in particular. In their assessments of what amounts to civil liability, the courts tend to stick to the plain meaning of the law rather than trying to grasp the substance. In case No. C04375909, US company *Hewlett-Packard Development Company*, L.P. sought to preclude a trademark right violation by Latvian company SIA (Limited Liability Company) *RF Serviss*, and filed the respective claim on 29 October 2009 at the Riga Regional Court. The court allowed the claim in its judgment of 17 August 2010 and awarded the claimant compensation of state dues for filing the case (100EUR) and the claimant's representative's fee for presenting case to the court: 1062 EUR (748.49 LVL). The Supreme Court as the court of appeal arrived at a similar result. The Supreme Court Senate as cassation instance dismissed the case as to part of the compensation of the representative's fee, citing incorrect interpretation of the Civil Procedure Law. Art. 33 (3) para. 1 provides "expenses for the assistance of advocates" meaning lawyers, members of the bar, whereas the representative of the claimant happened to be a patent attorney who is not an "advocate" in the meaning of Art. 33.[37] Thus, the court refused compensation of expenses not because their existence or reasonability would be contested and even not because the claimant was not entitled to such compensation, but because it considered that such expenses somehow fall outside the scope of regulation by law (Article 28^1 Law On Trademarks and Indications of Geographical Origin of 1999 does not refer to the Civil Procedure Law nor does any law expressly preclude compensation of such kind of expenses), and because it was used to interpret existing law strictly in accordance with the plain meaning of its wording. A similar outcome can be observed in case No. C04502510.

3. Administrative liability

The Law on Administrative Liability was enacted on 14 November 2018, and came into force on 1 July 2020.[38] During the period 2015–2019, administrative liability for unlawful use of trademark rights was not expressly prescribed. An administrative fine could be imposed on individuals, ranging from 250 EUR up to 700 EUR, whereas for legal entities – in the amount of 1 400 EUR and up to 14 000 EUR, and confiscation of the counterfeit goods (Article 166^{17} Latvian Administrative Violations Code adopted on 7 December 1984).[39] In practice, even these modest fines were rarely imposed. Sometimes, the fine was slashed beneath the minimum. The smallest fine during this period was in case No. 1A26001417, where the defendant company was fined in amount of 75 EUR.[40] This controversial decision was upheld by the court and a complaint by the company – subject to the fine – dismissed.

Importers of counterfeit goods could be subject to an administrative fine (Article 201^{10}, Latvian Administrative Violations Code). In case No. A420671211, the State Revenue Service (SRS) imposed a fine of 1500 LVL (2130 EUR) on the importer. The court of appeal on 30 April 2014 cancelled the decision by SRS, dismissing

[37] Available: https://likumi.lv/ta/en/en/id/50500-civil-procedure-law [last viewed 22.02.2022].
[38] Available: https://likumi.lv/ta/en/en/id/303007-law-on-administrative-liability [last viewed 22.02.2022].
[39] Available: https://likumi.lv/ta/en/en/id/89648-latvian-administrative-violations-code [last viewed 22.02.2022].
[40] Available: https://likumi.lv/ta/en/en/id/14740-official-language-law [last viewed 22.02.2022].

the case on the grounds that the importer had not violated the law. The court cited, inter alia, a judgment handed down by the European Court of Justice (ECJ) of 1 December 2011 in case No. C-446/09 on the subject of the common commercial policy of combating entry into the European Union of counterfeit and pirated goods as provided by Regulations (EC) No. 3295/94[41] and No. 1383/2003[42] (repealed by Regulation (EU) No. 608/2013 of 12 June 2013[43]). The Latvian court of appeal found that even if imported items constitute counterfeit goods, nevertheless, the fine was imposed wrongly because the goods at issue were only stored and were not intended for distribution in the Latvian market: "goods coming from a non-member State which are imitations of goods protected in the European Union by a trademark right or copies of goods protected in the European Union by copyright, a related right or a design cannot be classified as 'counterfeit goods' or 'pirated goods' within the meaning of those regulations merely on the basis of the fact that they are brought into the customs territory of the European Union under a suspensive procedure" (para. 78 Judgment of the ECJ in case No. C-446/09). Such a broad interpretation of EU law would "hinder legitimate international trade transactions in goods transiting through the European Union" (para 54 in case No. C-446/09).

Regulation No. 3295/94 Article 1, para. 2 (d) provides that "Goods which are intended either for export or re-export should be treated as 'counterfeit goods'".

In case No. A420674510 the Regional Administrative Court dismissed a complaint filed by a Polish company, which considered that an administrative fine in the amount of LVL 1000 (EUR 1400) for violating rights of the owner of the trademark was imposed wrongly. The fine was imposed by the Latvian customs authorities, which considered that the company had violated Regulation No. 1383/2003 by importing counterfeit goods which were labelled with the sign "Matador". In their complaint on imposition of a fine, the Polish company did not contest the conclusion that the imported goods constituted infringement of the registered "Matador" trademark. The complaint stated that Latvian customs seized the counterfeit goods prematurely. Seizure was imposed on 9 November, whereas confirmation from the victim, i.e. the right holder that the ˢᵉized goods indeed constituted a violation of the victim's IP rights was filed on 10 November 2009. The court rightly dismissed this argument. Regulation provides that all that is necessary is the information provided to the customs authorities by the victim that the applicant holds the right to the goods in question.

In case No. 132059413 the Regional Administrative Court dismissed a complaint filed by a local company regarding a fine of LVL 500 (EUR 711.44) and confiscation of counterfeit goods. The complaint stated, *inter alia*, that the company was wrongly subjected to the fine because it was only representing another company. The court rightly dismissed this argument because Regulation (EEK) No. 2913/92 establishing the Community Customs Code provides (Article 5, para. 4) that a person who fails to state that they are acting in the name of or on behalf of another person or who states that they are acting in the name of or on behalf of another person without

[41] Available: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A31994R3295 [last viewed 22.02.2022].

[42] Available: https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX%3A32003R1383 [last viewed 22.02.2022].

[43] Available: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32013R0608 [last viewed 22.02.2022].

being empowered to do so shall be deemed to be acting in their own name and on their own behalf.[44]

In case No. 130037115 the Riga Vidzeme District Court imposed a fine in the amount of EUR 1400 and confiscation of two items of counterfeit goods.

In case No. 129112015 the Court for the Latgale district of Riga imposed a fine in the amount of EUR 1400 and confiscation of 205 (two hundred and five) items of counterfeit goods offered for sale by a local company in violation of the trademarks "Monster High," "Rolex", "Versace", "Bvlgari", "Chanel", "Gucci", "Hello Kitty", "Nike", "Apple", "Universal Studios", "Samsung".

In comparison to previous case No. 132059413, bearing in mind the amount of actual and potential damage caused by the infringer in case No.129112015, the maximum fine as provided by law seems inadequate.

In case No. 133089415 the court dismissed a decision by the SRO, which imposed an administrative fine on the importer. The SRO found that a local company imported from the Peoples Republic of China children's toys which were labelled with the signs "Angry Birds," (816 items), "Hello Kitty" (1565 items), "Spongebob" (607 items), "Spider-Man" (25 items), "Winnie The Pooh" (6 items), "Cars" (100 items), "Mickey Mouse" (21 items), "Happy" (34 items). Imported goods were apparently under-priced compared to the original items. The importer filed a complaint in the court stating that it was "unaware" of the counterfeit nature of the imported goods. The court found in favour of the importer and cancelled the fine imposed by the SRO, reasoning that although the fact that the goods in issue were counterfeit was not contested, the SRO had failed to prove the importer's knowledge of violations of trademark rights.

The court of appeal sustained the judgment by the court of first instance and applied Article 28^1 of the Law On Trademarks and Indications of Geographical Origin, which provides that only unlawful use of a trademark that has occurred due to someone's fault could bring liability for violation of IP rights.[45]

In contrast, in case No. 129046216 the court dismissed a complaint by a company, which insisted on absence of fault. Imported goods (some motorbike spare parts) which were ordered via internet from a US-based company turned out to be counterfeit goods. The importer was subjected to an administrative fine of EUR 700. In the complaint to the court, the importer claimed innocence, although did not contest the fact that the spare parts were wrongly labelled with the trade name "Honda". The spare parts were not for further distribution but for the needs of the importer. The court dismissed the complaint. The fine imposed remained in force.

In case No. 1A29011318, on 6 April 2017 Latvian customs seized 100796 pills which were labelled "Superwelgra 100" on suspicion that the pills declared were counterfeit. By a decision of the State Revenue Service (SRS) of 18 April 2017 the seized pills were confiscated and a fine in the amount of EUR 2100 imposed on the importer, as the confiscated goods were imported in violation of Article 4 of the Law On Trademarks and Indications of Geographical Origin and Article 201^{10} Latvian Administrative Violations Code. The importer complained, reasoning that the confiscated goods did not breach the trademark law because the goods declared were intended for re-export to a third country (Uzbekistan). The decision was

[44] Available: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A31992R2913 [last viewed 22.02.2022].

[45] Article 56 of the Law "On Trademarks" of 2020, instead of fault provides objective criteria as a precondition for liability. A person is responsible for an infringement, if they knew or should have known of the existence of trademark rights.

sustained but the complaint dismissed both by the SRS Director General (14 June 2017) and the court (18 January 2019).

4. Criminal liability

In case No.11816008617, two individuals were accused of production and distribution of counterfeit goods. Investigation found that on 57 occasions since 2016 and until 19 July 2017 the accused had unlawfully via internet distributed various goods, which were deceptively labelled as "Nike" production. Counterfeit goods were seized on 19 October (24 items) and 27 October 2016 (353 items). All of those deceptively labelled with the trademark "Nike" were seized by the police on 27 October 2016. "Nike" filed a civil claim in the criminal case in the amount of EUR 20 455. The accused entered into an agreement in pre-trial criminal proceedings. (Article 433, Criminal Procedure Law[46]). On 19 February 2018, Daugavpils City Court approved the pre-trial agreement between the prosecutor, the accused and the victim.

In case No. 11120115906, the court tried three persons accused of various wrongdoings. They were accused, *inter alia,* of possessing and offering for sale counterfeit vodka labelled "Stolichnaya Russian vodka". This was considered by the prosecution a violation of trademark rights. The owner of the trademark put forward a compensation claim in amount of LVL 100 000 (EUR 142 000).

Article 206, Criminal Law, provides:

> *For a person who commits illegal use of a trademark, other distinguishing marks for goods or services or unauthorized use of a design, counterfeiting a mark or knowingly using or distributing a counterfeit mark, if it has been committed on a significant scale or has caused substantial harm to the State, or to the interests of a person protected by the law.*

The problem was that the law only regards unlawful use of trademark as a crime under the conditions that it *has been committed on a significant scale or it has caused substantial harm.* Both are equally difficult to prove. It is not sufficient that the suspect has possessed counterfeit goods. The prosecution must prove that counterfeit goods have actually been sold to somebody. The acquisition, production and possession of such goods alone does not qualify as a crime, because until the very moment when the items in issue change hands all the activities carried out by suspects qualify as an "attempt". Consequently, the amount of stored labels which copied images of the victim's registered trademark (police seized 6969 labels with a reproduction of the main distinctive elements of the world famous trademark "Stolichnaya"; 3656 of the trademark "Moskovskaya") did not count. Only a dozen bottles labelled with the same labels, which were seized by the police from the car of one of the suspects in combination with a recent wiretapped telephone conversation in which the suspect "accepted" an order to deliver the same amount of counterfeit products to the "customer" convinced the court that this amount – i.e. twelve bottles of illegally produced vodka – were indeed offered for sale in violation of the victim's trademark right.

The accused were convicted of illegal manufacture (production), storage, movement, and disposal of alcoholic beverages (Article 221, Criminal Law) but acquitted on charges of violation of intellectual property rights. The prosecution failed to prove that substantial harm was caused by illegally distributing twelve bottles of

[46] Available: https://likumi.lv/ta/en/en/id/107820-criminal-procedure-law [last viewed 22.02.2022].

counterfeit vodka. The threshold of "substantial harm" would be met if proven that at least an amount of five minimum wages would be caused as damage.[47] The problem was that not only was the amount of wages fixed by law was inadequate but also vodka was (and still is) ridiculously cheap. The accused in case No. 11120115906 exercised their right to remain silent, i.e., refused to testify (Article 60^2, Criminal Procedure Law).

The case was reviewed on grounds of interpretation of the law by the Supreme Court Senate (the highest court authority in Latvia; cassation instance) and reverted to the court of appeal three times[48] before even the accusation under Article 221 succeeded. So far, case No. 11120115906 was one of the best-built cases – if not the best-built case – against illegal distributors of smuggled alcoholic beverages. It also demonstrates the weaknesses of Latvian Criminal Law, which makes a conviction for violation of trademark rights almost impossible due to the necessity for the prosecution to prove the existence of "substantial harm" caused by usage of fake labels, because the law, as it stands, provides as one of the preconditions for this crime the distribution of such labels in large quantities, whereas mere possession of such labels only counts as "collection". The court also did not agree with the claim by the victim that the seized labels themselves actually constituted a violation of the particular trademarks as registered by the victim. As the images reproduced on the seized labels were only confusingly similar but not identical to the trademarks as registered and used by the victim, the court did not find that the defendants actually used the victim's trademarks on the bottles seized by the police. In doing so, the court ignored that interpreting the law which prohibits use of symbols which could lead to confusion with registered trademarks must take into consideration the provisions of Directive 89/104/EEC Article 5[49] which uses the term "sign", not trademark, an important distinction, which has also been stressed in numerous judgments handed down by the ECJ.[50]

Even if the prosecution had succeeded with regard to the accused in similar cases, this could only lead to the conviction of foot soldiers as part of a bigger game carried out by organized crime and involving several quite sophisticated activities: besides imitations of trademarks (usually printed abroad and smuggled into the country), this activity also involves bottling of smuggled spirit.

In case No. 11270014514, the court of first instance acquitted a person accused of committing a crime under Article 206, Criminal Law. The court considered that proof of damage caused by violation of a trademark was insufficient and for this reason the conditions under which criminal liability for violating trademark rights were not met, so that criminal liability should not occur. The court of appeal in a judgment handed down on 30 November 2015 cancelled the judgment of the court of first instance and ordered the case to be reviewed.

Some criminal cases during the period 2015–2019 were unsuccessful, as they were built on poor understanding by officials of the basics of IP. For instance, in case No. 1181601511, where a person was accused of, *inter alia*, committing a crime under Article 206, Criminal Law, the prosecutor wrongly considered that a dispute over a licensing agreement constitutes a crime under Article 206, Criminal Law.

---

[47] *Hamkova, D., Liholaja, V.* Būtiska kaitējuma izpratne: likums, teorija, prakse. Jurista Vārds, 10.01.2012, No. 2, p. 8.

[48] The judgment came into force on 21 June 2017.

[49] Available: https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31989L0104:en:HTML [last viewed 22.02.2022].

[50] See, for instance, judgment in case No. C-206/01 (Arsenal Football Club). Available: https://curia.europa.eu/juris/showPdf.jsf?text=&docid=47877&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=2522792 [last viewed 22.02.2022].

The accused was acquitted, and a compensation claim for EUR 17 074 dismissed by a decision of the court of first instance on 9 March 2016.

Difficulties which Latvian institutions are facing in their fruitless attempts to implement criminal liability under Article 206, Criminal Law, have resulted in a high proportion of administrative fines as a replacement of sorts for the rather toothless mechanism of criminal liability for violation of trademark rights. In case No. 12904316, in due course of criminal investigation, the police found counterfeit goods with fake labels of the trademark "Redmond" (national registration number M66556). The rights holder asked the police to investigate whether the activities of a company, which possessed 17 counterfeit units for sale, amounted to *a significant scale or has caused substantial harm,* under Article 206 or otherwise. The police imposed an administrative fine in the amount of EUR 1400. A fine of the same amount was imposed on another importer of counterfeit goods in case No. 129023618. Seized goods with different deceptively used trademarks such as "Converse", "Ray Ban", "Fendi", "Christian Dior", "Porsche Design", "Versace", "Philipp Plein", "Minions", "Volkswagen" were confiscated. The decision by customs was sustained by the court on 27 March 2018.

In case No.168043118, a fine was imposed and sustained by the court on 1 November 2018 for violation of trademark rights as well as copyright. Police seized 124 DVD discs with counterfeit software owned by car companies. The violation of trademark rights was also found in this case, because said disks carried labels of almost all well-known car companies. However, the fine was strikingly small – EUR 300.

Summary

1. Only in less than one quarter of all court cases in Latvia over violations of trademarks rights from 2014 to 2019 the claimant was awarded some compensation.
2. The relatively low percentage of successful compensation cases could indicate that courts are reluctant to allow compensation claims even if the fact of violation of trademark rights is established.
3. Although the issue of fault as precondition for civil liability is still open for scientific discussion, the mainstream view leans towards liability for knowingly violating a competitor's rights, i.e., away from the concept of strict liability.
4. Reluctance by judges to allow compensation claims could be explained by the somehow hesitant implementation of the EU directive in legislation.
5. One of the disadvantages of the administrative mechanism of liability for violation of trademark rights is the lack of any possibility to seek compensation.
6. Civil liability in criminal procedure seems to be ineffective due to difficulties of qualification of acts of piracy, because the prosecution has to overcome not only a far too complicated burden of proof, but also because it is usually facing a skilful defence.
7. Additional factor, which could impair the effective implementation of compensation mechanisms on the infringers could be the tendency by Latvian courts to interpret the existing law strictly in accordance with the plain meaning of its wording.

Sources

Bibliography

1. *Abdussalam, M.* Reining in the rules for "lost profits" damages in patent law. Queen Mary Journal of Intellectual Property, Vol. 9, No. 4, 2019, pp. 366–367.
2. *Brants, E.* Role of foreseeability in imposition of civil liability. Socrates (Journal of electronic articles on legal science of Rīga Stradiņš University), No. 2 (20), 2021, pp. 268–286.

3. *Pētersone, Z.* Legal remedies for the protection of intellectual property (in Latvian). TNA, 2013.
4. *Philips, J.* Trade Mark Law. A Practical Anatomy. Oxford University Press, 2003.
5. *Rasnačs, L.* The role of fault in implementation of the liability for violations of the ban of unfair competition. Collection of articles of the 69th Conference of the University of Latvia (in Latvian), 2011.
6. *Rozenfelds, J.* Intelektuālais īpašums. Otrais, labotais un papildinātais izdevums [Intellectual property. Second, amended and supplemented edition]. Riga, 2008.
7. *Rozenfelds, J.* The Concept of Property and intellectual Property in Latvia. Juridiskā Zinātne [Journal of Legal Science. University of Latvia], No. 1, 2010 (In Latvian).
8. *Rozenfelds, J.*, Mantrovs, V. Is a National Court Competent to Introduce a Disclaimer into a Trade Mark Registration? The Latvian Supreme Court Finally Says 'No'. GRUR International, Vol. 70, No. 8, 2021, pp. 760–763.
9. *Yo Sop Choi.* Standard essential patents – a comparison of approaches between East and West. Queen Mary Journal of Intellectual Property, Vol. 8, No.4, 2018, pp. 313–332.

Normative acts

1. Directive 2004/48/EK.
2. Directive 2015/2436/EK.
3. Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community trade mark.
4. Council Regulation (EC) No. 3295/94.
5. Council Regulation (EC) No. 1383/2003 of 22 July 2003.
6. *Council Regulation* (*EC) No. 1992/2003 of 27 October 2003* amending *Regulation* (*EC) No.* 40/94 on the Community trade mark (OJ 2003 L 296.
7. Civil Law (01.09.1992). Available: https://likumi.lv/ta/en/en/id/225418-civil-law [last viewed 22.02.2022].
8. Civil Procedure Law (01.03.1999). Available: https://likumi.lv/ta/en/en/id/50500-civil-procedure-law [last viewed 22.02.2022].
9. Law on Industrial Property Institutions and Procedures (01.01.2016). Available: https://likumi.lv/ta/en/en/id/275049-law-on-industrial-property-institutions-and-procedures [last viewed 22.02.2022].
10. Law On Trade Marks and Indications of Geographical Origin (15.07.1999, end of validity 06.03.2020). Available: https://likumi.lv/ta/en/en/id/18863 [last viewed 22.02.2022].
11. Law "On Trademarks" (06.03.2020). Available in Latvian: https://likumi.lv/ta/id/312695-precu-zimju-likums [last viewed 22.02.2022].
12. Latvijas Republikas Ministru Padomes lēmums Nr. 72 [Regulation No. 72 of the Council of Ministers of 28 February 1992]. *Ziņotājs,* Nr. 17, 1992.

Case law

1. Judgement by the Supreme Court Senate on 9 December 2015 in case No. SKC-96/2015.
2. Judgement by the Supreme Court Senate on 30 October 2015 in case No. C04375909.
3. Judgement by the Supreme Court Senate on 13 October 2016 in case No. C 04502510.
4. Judgement by the Supreme Court Senate on 4 June 2018 in case No. C04292106.
5. Judgement by the Supreme Court Senate on 4 June 2018 in case No. C04494311.
6. Judgement by the Supreme Court Senate on 21 April 2016 in case No. C04366712.
7. Judgement by the Riga Regional Court on 3 February 2016 in case No. C04181114.
8. Judgement by the Riga Regional Court on 18th January 2017 in case No. C 04502510
9. Judgement by the Riga Regional Court on 15 February 2019 in case C30618416.
10. Judgement by the Riga Regional Court on 4 October 2019 in case No. C04494311.
11. Judgement by the Riga Regional Court on 6 March 2015 in case No. 132059413.
12. Judgement by the Riga Regional Court on 28 November 2016 in case No. 133089415.
13. Judgement by the Zemgale Regional Court on 21 June 2017 in case No. 11120115906.
14. Judgement by the Kurzeme Regional Court on 30 November 2015 in case No. 11270014514.
15. Judgement by the Regional Administrative Court on 3 September 2014 in case No. A420674510.
16. Judgement by the Regional Administrative Court on 18 January 2018 in case No. 1A29011318.
17. Judgement by the Riga Court of Vidzeme suburb on 14 June 2018 in case No. C30693118.
18. Judgement by the Riga Court of Vidzeme suburb on 26 May 2015 in case No. 130037115.

19. Judgement by the Riga Court of Vidzeme suburb on 14 June 2018 in case No. C30693118.
20. Judgement by the Riga Court of Latgale suburb on 10 February 2017 in case No. 129046216.
21. Judgement by the Daugavpils City Court on 19 February 2018 in case No. 11816008617.
22. Judgement by the Rezekne City Court on 22 June 2017 in case No. 1A26001417.