

CRIMINAL ASPECTS OF INFRINGEMENT OF TRADEMARK RIGHTS

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Abstract. *Article analyses criminal acts provided in the Article 204 of the Criminal Code of the Republic of Lithuania and problematic aspects of the implementation of the state criminal jurisdiction. The main attention is devoted to the questions of damage and criminal acts. Article also discusses the problems of Lithuanian legal regulation related to the application of principles of the nationality, universality and representation principle of the state criminal jurisdiction.*

Keywords: *Intellectual property, Trademarks, Criminal Law, Criminal liability.*

INTRODUCTION

Trademarks are one of the objects of intellectual property having a considerable and specific impact to the competitive abilities of the company. Trademark rights are exceptional rights creating a legal monopoly when particular goods and (or) services in the market will be marked by a particular trademark. The implication is that consumers will choose particular goods and (or) services only by the specific trademark.

There are many discussions in the law science regarding the requirements for the trademark, which would allow securing it on the basis of exceptional rights, also about the protection framework of the trademark, the evaluation criteria of trademark similarity and protection means of trademark civil rights. Nevertheless, questions regarding the application of the criminal liability for infringements of trademark rights in the Lithuanian law science deserve least attention although they are as important as other issues. Only a few scientific articles have been written on this theme (K. Janušauskaitė¹, prof. A. Nevera², doc. M. Kiškis and dr. G. Šulija³) and separate parts of handbooks⁴ or publications of

¹ Janušauskaitė, K. „Civil, Administrative and Criminal Responsibility for Infringements of Intellectual Property Rights: Review of the Criteria for Separation of these Types of Responsibilities under Law and Practice of the Republic of Lithuania“. *Justitia*. 2010, 1(73): 43-54.

² Nevera, A. „Problems of the Criminal Liability for the Infringements of Intellectual Property Rights: National and International Aspects“. *Jurisprudence*. 2007, 8(98): 48-53.

³ Kiškis, M., Šulija, G. „Criminal Liability for the Infringements of Intellectual Property Rights in European States“. *Law: academic studies*. 2003, 49: 52-65.

handbook format⁵. It should be noted that prof. V. Mizaras⁶ is the one, who analysed the questions of the application of the criminal liability on the level of Lithuania in the most detailed way.

The lack of scientific researches in the sphere of execution of the criminal liability for infringement of trademark rights is also felt in other European Union (herein after referred to as EU) member states. Most probably it is a naturally formed situation as owners of trademarks are most of all interested that the trademark belonging to another person and violating the trademark rights would not be used and in the reimbursement of damage caused due to the illegal use (by adjudicating the so called license fee). In other words, the right owner can claim for the material compensation without substantiation of his/her actual loss.

In the light of such situation the criminal liability question is considered as a distant possibility, which does not ensure effective material compensation process. Therefore, the assumption is that due to these reasons owners of trademarks have insufficient interest in initiating pre-trial investigations and participate only in those cases when the threat of the criminal liability for trademark infringements arises due to additionally incriminated more serious criminal acts (e.g. smuggling, deceit of the custom, failure to pay taxes). As it is known, quite severe penalties are applied for the particular criminal actions. This fact naturally raises the question whether insignificant sanctions for the infringement of trademark rights is not the reason influencing the lack of attention devoted to the criminal jurisdiction.

Analysing the most relevant questions related to the criminal liability, authors of the article try to validate that the criminal liability and the civil liability are equally significant and each other complementing parts. Thus, only the application of both liabilities would allow better protection of trademark owners' rights and the interests of customers.

The objective of the article is to examine the most crucial problems related to the criminal liability for infringement of trademark rights in Lithuania and to compare them with tendencies of the legal regulation and case law in other European Union member states.

The object of the research is peculiarities of the application of the criminal liability for the infringements of trademark rights, the dissociation of the criminal and civil liability.

The article is written applying the teleological, systemic, linguistic, logical, historical and comparative methods.

Problems of norms determining the criminal liability for infringements of trademark rights of the local criminal code

The Law on Trademarks of the Republic of Lithuania (hereinafter referred to as Law on Trademarks)⁷ regulates in details not only questions related to the registration of trademarks (as the main method of acquiring rights to the trademark) or other questions that due to their nature are attributed to the *lex specialis* legal acts but also such questions of material and procedural manner that are regulated in the Civil Code (herein after CvC)⁸ and the Code of Civil Procedure (herein after CCP)⁹. For example, the Law on Trademarks

⁴ Birštonas, R. *et. al.* „Intellectual Property Law“. Vilnius: Registration Centre, 2010, p. 588-589.

⁵ Abramavičius, A. *et. al.* „Commentary of the Criminal Code of the Republic of Lithuania. Volume II. Special Part“ (Articles 99-212). Vilnius: Registration Centre, 2009, p. 483-486.

⁶ Mizaras, V. „Authors' Rights: Volume II“. Vilnius: Justitia, 2009, p. 481-504.

⁷ Law on Trademarks of the Republic of Lithuania of 10th October 2000 No. VIII-1981. *Official Gazette*. 2000. No. 92-2844.

⁸ Civil Code of the Republic of Lithuania. *Official Gazette*, 2000, No. 74-2262.

⁹ Code of Civil Procedure of the Republic of Lithuania. *Official Gazette*, 2002, No. 36-1340.

explicitly identifies methods of the enforcement of rights (Article 50), regulates issues of material damage recovery (Article 50-4), also questions of provisional measures and measures for preserving evidence (Article 50-3). Concerning the issue of the criminal liability the Law on Trademarks only indicates that criminal liability for the infringement of owner's rights to the trademark is estimated in the Criminal Code of the Republic of Lithuania. Thus, we come up to the question whether such situation is adequate? Maybe the Law on Trademarks should identify the legal regulation of other type?

The attention should also be paid to the fact that in 2006 harmonising legal acts of Lithuania with provisions of the Directive 2004/48/EC of the European Parliament and the Council of 29th April 2004 on the enforcement of intellectual property rights (herein after referred to as Directive 2004/48/EC)¹⁰ the tenth chapter on the dispute settlement and the enforcement of rights was amended. The Directive 2004/48/EC does not regulate the application of criminal measures for the infringements of the intellectual property rights, thereby for the infringements of trademarks¹¹. Namely for this reason harmonising the Law on Trademarks with provisions of the Directive 2004/48/EC certain legal norms, which in some cases duplicate norms of the codified legal acts were embedded. The same situation was faced not only by the Law on Trademarks but also other legal acts in the sphere of the protection of intellectual property rights (e.g. Law on Copyright and Related Rights, Patent Law of the Republic of Lithuania).

The criminal liability for the violations of this category is not regulated on the EU level. Not analysing appropriate impact, potential positive and negative consequences, it should be marked that there was an attempt to embody these initiatives in the Directive on criminal measures aimed at ensuring the enforcement of intellectual property rights¹². According to the project of the corresponding EU legal act's Article 3, Part 1 all intentional infringements of intellectual property right on a commercial scale, as well as attempting, aiding or abetting and inciting such infringements, should be treated as criminal activities¹³.

Article 204 of the Criminal Code of the Republic of Lithuania (hereinafter CrC)¹⁴ establishes that „(1) *the one, who without holding an authorisation, identifies a large quantity of goods with another's trademark or presents them for handling or makes use of another's service mark and thereby incurs major damage shall be punished by a fine or by the restriction of liberty or by the imprisonment for a term of up to two years; (2) the one, who without holding an authorisation, identifies a small quantity of goods with another's trademark or presents them for handling or makes use of another's service mark and thereby incurs damage shall be considered to have committed a misdemeanour and shall be punished by the community service or a fine or by the restriction of liberty; (3) a legal entity shall also be held liable for the acts provided for in this Article*“.

It should be mentioned that Lithuania is among few EU member states, which for the appropriate criminal acts apply the criminal liability also to the legal entities¹⁵. As in the

¹⁰ Directive 2004/48/EC of the European Parliament and of the Council of 29th April 2004 on the Enforcement of Intellectual Property Rights. [2004] OL, L 157.

¹¹ Also see e.g., Janušauskaitė, K., *supra* note 2, p. 44.

¹² For more details see Mizaras, V., *supra* note 6, p. 500-504; Janušauskaitė, K., *supra* note 2, p. 44.

¹³ Also see e.g., Mizaras, V., *supra* note 6, p. 503.

¹⁴ Criminal Code of the Republic of Lithuania. *Official Gazette*. 2000, No. VIII-1968.

¹⁵ Office for Harmonization in the Internal Market (Trade Marks and Designs). Minutes. Thematic Seminar for Community Trade Mark and Design Court Judges. *Approaching the Criminal Aspects of CTM Infringement*. Alicante, 10th-11th May, 2012

case of other infringements of the intellectual property rights, the criminal liability for the infringements of the trademark rights is imposed in Lithuania only on the basis of the commercial intent¹⁶. Similarly, analogous positions dominate in other EU member states¹⁷. The question of the commercial intent is the object of many scientific researches. However, it must be stressed that EU initiatives on this issue is that commercial intents should be considered as infringements of all rights of intellectual property seeking to acquire the commercial benefit except actions committed by private users with personal and non-profit making intentions¹⁸. In the opinion of prof. V. Mizaras the concept of commercial profit should include the direct and indirect commercial profit¹⁹.

It should be highlighted that Article 204 of the Criminal Code is in the 31st Chapter called „Crimes and Misdemeanours against the Economy and Business Order“. The stress should also be put to the fact that article of the Criminal Code identifying the criminal liability for other infringements of the industrial property rights is placed in the 29th Chapter called „Crimes against Intellectual and Industrial Property“. To be more concrete, the criminal liability of the infringements of the industrial property rights is regulated in the Article 195 which states that „(1) the one, who violates the exclusive rights of a patent owner or a design owner or the right of a legal entity to the legal entity’s name shall be punished by a fine or by the arrest or by the imprisonment for a term of up to two years; (2) a legal entity shall also be held liable for the acts provided in this Article“.

The science of the criminal law claims that the object of the violation indicated in the Article 195 of Criminal Code (i.e. legal relations of the intellectual property) is related to the implementation of the industrial property rights²⁰. Regarding the Article 204 of the Criminal Code it is stated that the specific object of the crime and criminal offence identified in the norms of this article is a normal economic and industrial order regulated by the legal acts, whereas the direct object is the usage order of trademarks and service marks²¹. It is also considered that the additional object is the material interests of other person (property) and non-material interests (prestige), also consumer interests as consumers are misled and deceived concerning the quality, origin or other important conditions of the acquired goods or services²².

It should be emphasized that this type of legal regulation and its substantiation are the objects of criticism. Mentioning the industrial property, which is one of the types of intellectual property (authors’ and industrial property rights); we should have in mind the double nature of the industrial property and its relations to both: the material (economic) interests of the owner of industrial property object as well as the consumer interests. Moreover, some objects of the industrial property (e.g. names of legal entities and trademarks) are so closely interrelated that the dissociation of the mentioned criminal acts and their attribution to the diverse articles of the Criminal Code is illogical and from the

¹⁶ Nevera, A., *supra* note 3, p. 51; Janušauskaitė, K., *supra* note 2, p. 51.

¹⁷ Office for Harmonization in the Internal Market (Trade Marks and Designs). Minutes. Thematic Seminar for Community Trade Mark and Design Court Judges. Approaching the Criminal Aspects of CTM Infringement. Alicante, 10th-11th May, 2012.

¹⁸ Mizaras, V., *supra* note 6, p. 503.

¹⁹ *Ibid.*

²⁰ Abramavičius, A. *et. al.*, *supra* note 1, p. 412.

²¹ Abramavičius, A. *et. al.*, *supra* note 1, p. 483.

²² *Ibid.*

point of view of the industrial property rights is hardly understandable²³. Having regard to the indicated motives, the Article 204 of the CrC should be placed under the 29th Chapter, i.e. with Article 195 of the CrC.

Damage as the condition for the execution of the criminal liability: problem concerning the relations regulated by the civil law

The conception of damage in the criminal and civil law becomes a problematic question quite often faced in practice and having no solid position in the doctrine when the decision on the execution of the liability (civil and criminal) for the infringement of the trademark rights and the framework of liability (sanctions) has to be made.

It was mentioned that the interest of the trademark owner is that trademark infringing his/her rights will not be used (there are no goods and (or) services in the market with trademark infringing the trademark owner's rights) and the damage related will be compensated. The criminal liability itself does not imply any material compensation to the owner of the trademark rights; hereof, it determines that owners of rights are not interested in the application of the criminal liability to offenders. On the other hand due to the present legal regulation even in those cases when there is a large quantity of goods illegally identified with another's trademark and major damage (according to the Article 212 of the CrC major damage shall be a damage exceeding the amount of 150 MSLs, i.e. 1950 Lt) the infringement will be attributed to the minor crimes (Part 3 of Article 11). Accordingly, the custodial sentence cannot exceed the maximum duration of three years. Moreover, the status of the minor crime determines the application of other criminal remedies for the defendant (e.g. the suspension of a sentence (Article 75 of the CrC)).

The attention should also be paid to the existing opinions that the evaluation of the major damage and its features depend on the type of damage incurred – material or non-material damage. In case the damage incurred is of non-material nature (e.g. prestige, reputation) it should be evaluated separately in every concrete case taking into account all significant circumstances of the case (e.g. the injured party, popularity of the trademark and its owner).

From the point of view of the civil law such position is the object of discussions. First of all, it should be marked that due to the Law on Trademarks the recovery of non-material damage is not indicated as one of the measures for the enforcement of rights (Article 50 of the Law on Trademarks). The Article 13, Part 1, section (a) of the Directive 2004/48/EC states that judicial authorities assessing the damage shall take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the right holder by the infringement. In other words, the moral damage is one of the factors assessing the amount of the material damage. In the former version of Chapter 10 of the Law on Trademarks, which was valid until the harmonisation process with provisions of the Directive 2004/48/EC, the recovery of non-material damage was established on the basis of *expressis verbis* in Point 3, Part 1 of the Article 50. It established that the trademark owners protecting their infringed rights shall be entitled to apply to the court under the order established in laws and court shall make a decision on the recovery of losses or damage (including the non-material damage) incurred by the trademark owners

²³ For more details on the interrelation of industrial property objects see e.g., Klimkevičiūtė, D. "Trademarks and Names of Legal Persons: Problem of Interrelation". *Justitia*. 2009, 1(71): 19-36; Birštonas, R., *et. al.*, *supra* note 4, p. 604-612.

by actions violating the rights indicated in Article 38, including lost profits and other incurred expenses.

The refusal of the recovery of the non-material damage as the independent civil rights' enforcement measure *lex specialis* could be an issue of the separate discussion. Nevertheless, we should have in mind that from the aspect of the application of the criminal liability there may not be any differentiation whether material or non-material damage has been incurred. The other aspect which should also be taken into account is that the application of the criminal liability for the damage of non-material nature of the trademark or its owner would be possible only if, the feasibility of the recovery of the non-material damage is approved in theory and case law pursuant to the norms of the Civil Code (Article 2.24, 6.250 of the CvC) despite the fact that recovery of the non-material damage as an independent rights' enforcement measure is not established in the Law on Trademarks. This position would satisfy also the doctrine of the Constitutional Court of the Republic of Lithuania on the recovery of the non-material (moral) damage²⁴. On the contrary, at this juncture there would be a paradoxical situation when the criminal liability for the non-material damage is possible but the adjudgement of the non-material damage is not possible.

From the point of view of trademark law, one more position dominating in the criminal law is also the object of criticism. It states that assessing the damage not only the damage of the trademark owner or lawful user but also of other related persons (e.g. customers)²⁵ has to be evaluated. It is not a secret that damage for customers made with fake goods is quite various. It is not only disappointment or dissatisfaction after the purchase of the improper quality item but as often as not the damage for the health or life. Obvious, that in such cases the criminal liability will be imposed not under the Article 204 but under articles of the Criminal Code establishing criminal liability for the emergence of corresponding consequences.

It is complicate to initiate a discussion concerning the material and (or) non-material damage with consumers from the point of view of criminal law as it may lead to meaningless discussions. Not mentioning the concrete cases of damage recovery, from the standpoint of criminal law the damage is attributed to the damage of the material or non-material nature, which is incurred by the trademark owner. Naturally, the buyer purchasing the handbag of *Louis Vuitton* for 100 Lt in the marketplace usually perfectly realises that his/her item has nothing in common with the actual owner of the trademark - *Louis Vuitton*. Most often it is not considered that in these cases due to the fake goods in the market the real owner of the trademark suffers any damage. Besides, it is not thought about the impact of the forgery of goods to the whole economy and other questions related to it

²⁴ See e.g., Ruling of the Constitutional Court of the Republic of Lithuania of 19th August 2006 of the case No. 23/04 on the Compliance of Paragraph 3 of Article 3 (wording of 13th March 2001) and Paragraph 7 of Article 7 (wording of 13th March 2001) of the Republic of Lithuania Law on Compensation for Damage Inflicted by Unlawful Actions of Interrogatory and Investigatory Bodies, the Prosecutor's Office and Court, with the Constitution of the Republic of Lithuania; Ruling of the Constitutional Court of the Republic of Lithuania of 29th November 2010 on the Compliance of the Law on the Recovery of USSR Damage of the Republic of Lithuania, Law on the Recovery of Rights of Persons Repressed for the Resistance to the Occupation Regimes of the Republic of Lithuania (wording of 12th March 1988), Law on the Responsibility for the Genocide of Citizens of the Republic of Lithuania (wording of 9th April 1992 with later amendments) with the Constitution of the Republic of Lithuania. *Official Gazette*, 2006, No. 90-3529.

²⁵ Abramavičius, A. *et. al.*, *supra* note 1, p. 486.

(e.g. taxes). Thereby, do not going deeper into the analysis of the questions of macroeconomic nature it is important to highlight that the concept of damage in case of the Article 204 of the Criminal Code has to be understood as damage to the actual trademark owner (or the lawful user of the trademark) and not to the consumer. This viewpoint is determined by the value-system of the question. It should also be taken into consideration that committing the criminal acts described in the Article 204 of the CrC the damage is done only to the usage order of trademarks and service marks.

Consumer rights (in the narrow sense) may be secured by legal measures of the civil law and such protection mechanism most of all corresponds to the essence of their possible damage. This principle should be applied also in cases when consumer directly faces the falsification of goods and services or, in other words, with fraud (Article 182 of the CrC). The specificity of the latter question lies in the fact that the victim of the use of another's trademark or service mark becomes not the owner of the trademark or service mark but a concrete consumer.

The scope of the application of criminal liability for the infringements of trademarks, from the perspective of the object of criminal acts

The doctrine of the criminal law envisages that criminal liability according to the Article 204 of the Criminal Code may be applied only when marks (belonging to the right owner and infringing the rights) are identical; misleading similarity does not impose criminal liability under the mentioned legal norm²⁶. It should be mentioned that declaring an appropriate opinion nothing is said about goods and (or) services that are marked by trademarks under comparison. Therefore, the position is not absolutely clear whether the criminal liability may be applied to goods and (or) services if they are not similar or its application is limited to cases when the goods and (or) services are identical.

It is thought that first of all the presented viewpoint does not correspond to the legal regulation. The latter opinion may be argued by the fact that Article 204 of the Criminal Code *expressis verbis* does not establish restrictions on the application of the criminal liability only to the identical trademarks. On the other hand, such explanation does not match with legal protection principles of trademarks and substantially diminishes the application of the criminal liability for the infringements of rights to the trademarks. Finally, accepting the contentious viewpoint we should also agree that the Article 204 of the Criminal Code envisages criminal liability only for the cases of absolute and undeniable falsification (e.g. “Puma” v. “Puma”; “Adidas” v. “Adidas”).

Frankly speaking there are many cases when trademark is repeated with other words, paintings or modified and all this is done in the way that supposed (illegal) connection with the actual owner of the trademark is obvious, although from the standpoint of the trademark law these marks could not be considered as identical. In the light of the provisions of the Law on Trademarks the general rule states that the protection of the trademark is provided in those cases when marks are identical, misleadingly similar. Moreover, when trademarks under comparison intended to mark goods and (or) services are also identical and (or) similar. In certain cases (in case of trademarks having their reputation) the legal protection can also be provided when trademarks under comparison intended to mark goods and (or) services are different²⁷.

²⁶ Abramavičius, A. *et. al.*, *supra* note 1, p. 484.

²⁷ For more details see e.g., Birštonas, R. *et. al.*, *supra* note 4, p. 542-548, 550-552; Klimkevičiūtė, D. “Legal Protection of Trademarks Having a Reputation: Actual Explanations of the Court of Justice of the European Union”. *Justitia*. 2009, 2(72): 67-80; Klimkevičiūtė, D. “Problems of Legal

An example of such situation could be the case when cigarettes were marked with “Adidas” trademark. In our opinion the scope of the application of the criminal liability (by implication of the object of criminal act) should coincide with the scope of the legal protection applicable to trademarks from the point of view of the civil law. In other words, the criminal liability must fall on others for the identical trademarks, goods and (or) services, also for the misleading similarity and in those cases when under the trademark law the protection is possible to those goods and (or) services that are not similar. Parallel rules must be applied to the European Community trademarks which are unanimously preserved in the whole territory of the EU on the basis of the Regulation of the European Council No. 207/2009 on the Community Trademark issued on 26th March 2009²⁸.

It should be emphasised that the protection system of the Community trademark was formed with the objective to create a possibility of securing the trademark unanimously in the whole territory of the EU on the basis of one registration. As it is known trademarks of the European Community are registered by the Office for Harmonisation in the Internal Market (trademarks and designs). Through this system the owner of the trademark seeking for the protection of his/her trademark in all member states of the EU instead of presenting separate applications to Patent institutions of the member states, can file an application and deliver it to the mentioned EU institution and in case of successful registration the trademark will be protected within the whole territory of the EU. It implies that the protection of trademark rights of such category (applying and criminal liability) must also be ensured on the national level. In Lithuania the only guarantee of the application of the criminal liability for the infringements of appropriate trademarks is the Article 204 of the Criminal Code, the disposition norms of which should be acknowledged as simple and explained under various methods of legal acts. From that position it means that the object of the Article 204 of the Criminal Code must be understood in the same way as it is understood by the trademark law. Naturally, the most definite situation would be if a reference to the Law on Trademarks is provided, i.e. the concept of blanket dispositions is constructed.

In the member states of the European Union there is no solid practice whether the application of the criminal liability is possible only when marks are identical or also in cases when they are misleadingly similar. Attention should be paid to the fact that some states in their laws *expressis verbis* have established that the criminal liability may be applied not only to the identical but also to the misleadingly similar marks. The same is applicable for the goods and services for which trademarks under comparison are intended also for the cases when mark having the reputation under the trademark law is protected and for the different goods and (or) services. This position is also supported by the Federal Republic of Germany (Articles 143, 143(a) of the Act on the Protection of Trade Marks and other Symbols)²⁹, Romania (Article 90 of the Law on Trademarks and Geographical

Protection of Well-Known Trademarks and Trademarks having Reputation”. Doctoral Dissertation. Social Sciences, Law (01 s). Vilnius: Mykolas Romeris University, 2011.

²⁸ Council Regulation (EC) No 207/2009 of 26th February 2009 on the Community Trade Mark (codified version). [2008] OJ L 299/25.

²⁹ Act on the Protection of Trade Marks and other Symbols of the Federal Republic of Germany (1994) (with amendments and supplements). [Accessed on 2012-11-11]. <http://www.gesetze-im-internet.de/englisch_markeng/englisch_markeng.html#p0821>.

Indications)³⁰ and the Kingdom of Denmark (Article 42 of the Consolidated Trademarks Act)³¹. The Criminal Code of the Republic of Finland providing a reference to the concrete *lex specialis* could be an example of the blanket norm. The criminal law of this state establishes that the criminal liability will be assumed for infringements indicated in the Trademarks Act (respectively, in other acts on industrial property, e.g. Patent Law). Chapter 49, Section 2 of the Criminal Code of Finland established that “A person who in violation of the Trademark Act (7/1964) /.../ and in the manner conducive to causing considerable financial loss to a person holding a right, breaches (1) the right to a trademark, shall be sentenced for an intellectual property offence to a fine or to imprisonment for at most two years”³². In our opinion precisely this example of the legal regulation must be approved as only choosing this way we can solve many problems arising in practice (or ones that may arise) and related to the scope of the application of the criminal liability. Steps taken in the right direction would bring some clarity in the scientific/academic sphere as well.

It should be mentioned that from the point of view of the trademark law the concept of the identity is understood in the narrow sense: marks are identical if they differ only by inessential details³³, whereas the application of the criminal liability should be determined by the gravity level of the infringement³⁴. This position is followed while analysing the Article 195 of the Criminal Code. The object of this crime identified in the mentioned article is defined with reference to *lex specialis*, i.e. the Patent Law of the Republic of Lithuania, Law on Designs of the Republic of Lithuania and Part 1 Article 2.42 of the Civil Code³⁵. Hence, there are examples of the favourite laws in Lithuania as well and we have only to intercept the legal regulation model that we have already accepted in the similar spheres.

The specific question which requires more attention concerns the legal protection of the well-known trademarks from the perspective of the criminal law. The specificity of the question is that certain marks are protected without formal registration. Summarising the conclusions of the scientific researches on the protection of trademarks of this category³⁶ it

³⁰ Law on Trademarks and Geographical Indications of Romania (1998) (with amendments and supplements). [Accessed on 2012-11-05]. <http://www.osim.ro/index3_files/laws/trademark/law_84.pdf>.

³¹ The Trademarks Act of the Kingdom of Denmark (2009, Consolidated version) (with amendments and supplements). [Accessed on 2012-11-10]. <http://www.wipo.int/wipolex/en/text.jsp?file_id=180791>.

³² Criminal Code of the Republic of Finland (1889) (with amendments and supplements). [Accessed on 2012-11-12]. <http://legislationline.org/documents/section/criminal-codes>; Trademarks Act of the Republic of Finland (1964) (with amendments and supplements). [Accessed on 2012-11-11]. <<http://www.wipo.int/wipolex/en/details.jsp?id=1463>>.

³³ Ruling adopted by the college of judges of the Civil case division of the Supreme Court of Lithuania on 19th October 2010 in the civil case of Confectionery corporation “Roschen” (Ukraine) v. Ferrero S. p. A. in case No. 3K-3-391/2010 [accessed on 2012-05-20] . <http://www.lat.lt>; Office for Harmonisation in the Internal Market (Trade Marks and Designs). *The Manual Concerning Opposition. Part 2. Chapter 1: Identity*. 2009. [Accessed on 2012-05-17]. <<http://oami.europa.eu/ows/rw/pages/CTM/legalReferences/guidelines/OHIMManual.en.do>>.

³⁴ Abramavičius, A. *et. al.*, *supra* note 1, p. 485.

³⁵ Abramavičius, A. *et. al.*, *supra* note 1, p. 411-415.

³⁶ Klimkevičiūtė, D. “The Protection of Well-Known Trademarks” (Some Theoretical and Practical Aspects). *Jurisprudence*. 2004, 55(47): 57-67; Klimkevičiūtė, D. “Concept of a Well-Known Trade Mark and Criteria for Determination of whether a Trade Mark is a Well-Known (Some Theoretical

may be claimed that even in those cases when mark has a high level of popularity in the society the criminal liability for the forgery of such mark would not be possible if its popularity is not recognised by the civil order. The latter statement comes up from the fact that in the light of the laws of Lithuania, European Union and many EU member states the use of the mark itself does not create any independent rights to it and as a rule may be only the ground for applying rules of dishonest competition³⁷.

Problems of the implementation of state criminal jurisdiction for criminal acts related to European community trademarks

Every state is free to decide whether its criminal jurisdiction is implemented on the basis of the territorial principles or the extraterritorial state jurisdiction is also applicable on the basis of concrete principles of the criminal jurisdiction. Having regard to this aspect it is very important to emphasize that selection of the criminal jurisdiction principles is an internal matter of every separate state. Nevertheless, it is essential to know that the validity terms of every concrete principle are determined by the international law³⁸. It implies that appropriate principle of the criminal jurisdiction in the criminal law of a concrete state cannot be constructed in the way that its procedural framework contradicts to the international standards.

Precisely these postulates are important while solving the question of the implementation of state's criminal jurisdiction for criminal acts related to trademarks. The use of another's trademark for the identification of goods or the placement of such goods in the market is the act, which is or may have the so called international element. The latter element is evident in those cases when we have in mind the European Community trademarks but also in cases when Lithuanian citizens or permanent residents commit criminal acts described in the Article 204 of the Criminal Code outside the territorial borders of the Republic of Lithuania.

The following principles of the extraterritorial jurisdiction are consolidated in the Criminal Code: principle of the nationality (Article 5 of the CrC), principle of the flag (Article 4 of the CrC), principle of the protection of state interests (Article 6 of the CrC), and principle of universality (Article 7 of the CrC).

Undoubtedly the criminality of citizens and permanent residents of the Republic of Lithuania for the commitment of criminal acts described in the Article 204 of the Criminal Code outside the borders of Lithuania is ensured on the basis of nationality and flag principles.

On the other hand the application of the principle of nationality is restricted by the Criminal Code by the principle of dual criminality (Article 8 of the CrC) and it is an absolute obstacle for the criminal prosecution in those cases when goods are marked by another's trademark in objects and zones that by sovereign rights do not belong to any state. Of course, if due to such cases the principle of dual criminality would be rejected and no other solution proposed; accordingly Lithuania would have faced the other type of problem, i.e. the prosecution of less serious criminal acts. Thus, the most rational solution would be to establish a provision of the Criminal Code that citizens of Lithuania and other permanent residents of Lithuania who committed a criminal act in the place, which under

and Practical Aspects)". Jurisprudence. 2005, 71(63): 34-48; Klimkevičiūtė, D. "Boundaries of the Legal Protection of Well-Known Trademarks: Problems of Legal Regulation". Jurisprudence. 2009, 1(115): 267-294; Klimkevičiūtė, D. "Problems of Legal Protection of Well-Known Trademarks and Trademarks having Reputation", *supra* note 28.

³⁷ For more details see e.g., Birštonas, R., *et. al.*, *supra* note 4, p. 517.

³⁸ Shaw M. N. International Law. – Cambridge, 1997, p. 249-253.

international law does not belong to any sovereign state shall be held liable in those cases if the committed act under the criminal laws of Lithuania may be punished by a greater sentence than the imprisonment for a term of a year.

It is mentioned that other international element of the Article 204 of the Criminal Code is related to the European Community trademarks. The actuality of the latter issue from the perspective of the criminal jurisdiction is important for the fact that with one registration an appropriate trademark is protected within the whole EU. Hence a question may rise whether such extensive protection of trademark rights does not need to be widely secured from the standpoint of the criminal jurisdiction. Hypothetical possibility of the security of such matter is the application of the principle of universality of the criminal jurisdiction. However, it is stressed that despite our good wishes determined by the importance of the European Community trademarks, the application of the universal jurisdiction is stipulated by very conservative rules. The most essential rule states about the international conventions signed for the infliction of persons for respective crimes. Otherwise, the specificity of certain international conventions must be that the application of the universal jurisdiction for appropriate criminal acts is determined directly or in accordance with the principle *aut dedere aut judicare*. Currently, there are no agreements providing this type of norms neither on the level of the United Nations nor the European Union. Therefore, the punishability for certain crimes under the principle of universality is not possible. Consequently, this issue is still open for discussions.

It should be highlighted that state's extraterritorial jurisdiction may be implemented following the representation principle, which is not established in the Criminal Code. The essence of this principle is that foreigner being in the territory of the state, which applies the principle is liable for the criminal acts (except those acts that are punishable on the bases of state interests' protection, individual interests' protection and principle of universality) committed abroad under the criminal laws of the state only in those cases when other state asks to punish him/her. This request is based on the condition that a transfer of certain persons to the jurisdiction of issuing state is burdened with extradition or legal obstacles of the transfer itself.

The attention should be paid to the fact that although at present the representation principle is not recognised in Lithuania, in Part 2 Article 6 of the Criminal Code of 1961, which was valid until the 1st May 2003 this principle, has been established³⁹. Thus, the practice of Lithuania is favourable in the aspect that the existing need to ensure broader punishability of acts enlisted in the Article 204 of the Criminal Code may be ensured in the widest way, i.e. by legitimising the representation principle in the Criminal Code.

Conclusions and proposals

1. The legal regulation which dissociates criminal acts of intellectual property and attributes them to diverse chapters of the Criminal Code must be amended in such a way that the Article 204 of the CrC must be moved to the 29th Chapter of the CrC together with the Article 195. Respectively, equal sanctions should be established for this type of criminal acts.
2. Despite diverse opinions regarding the possibility of the recovery of non-material damage, after infringement of rights belonging to the trademark owner the recovery of non-material damage could be justified by *lex generalis* – provisions of the Civil Code on the protection of legal person's objective reputation.

³⁹Criminal Code of the Republic of Lithuania. Collection file. – Vilnius, 2001.

3. From the perspective of the application of the criminal liability, the damage must be considered and interpreted in the same way as it is done by the civil law. Damage incurred by the consumer after the purchase of good identified with fake trademark should be one of the criteria while assessing the damage of the infringement of trademark rights and deciding on the question of the severity of sanctions of the Article 204 of the Criminal Code.

4. The identity or misleading similarity of trademarks from the perspective of the application of the criminal liability should be interpreted in same way as in the trademark law. Due to this reason the position established in the science of the criminal law should be changed that the criminal liability for the infringement of trademark may be applied only in those cases when fake trademark is identical to the trademark protected by the trademark law. The latter problem may be solved by constructing norms of the Criminal Code as blanket disposition, i.e. providing reference to *lex specialis* – Law on Trademarks.

5. Seeking to establish more efficient punishability of the criminal acts related to the use of another's trademark or service mark, the principle of nationality of the criminal jurisdiction should be provided without the condition of dual criminality but indicating the minimal requirement for the punishment of the imprisonment for a term of at least one year. Respective standards should also be followed by establishing the punishability on the basis of the representation principle as well.

6. Despite the importance and internationality of the European Community trademarks, the application of universal jurisdiction for acts related to the illegal use of such trademarks for identification of goods or services at present is not possible due to the lack of international legal acts regulating the criminality of relevant acts.

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