

2. TRADEMARK INFRINGEMENTS: CRIMINAL PROCEEDINGS IN BULGARIA

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ABSTRACT

Article 61 of the TRIPS Agreement requires the Members to provide for criminal procedures **at least** in cases of wilful trademark counterfeiting. The Bulgarian legislative framework establishes criminal procedures that exceed the above-required minimum under Article 61 of the TRIPS Agreement.

Initiation of criminal proceedings is a frequently chosen and applied as civil or administrative legal remedy for the protection of trademark rights in comparison to the other available procedures, especially in relation to significant infringement cases. Criminal procedures have proven to be a reliable and effective way for the protection of trademark in Bulgaria. Why?

This paper aims to provide an overview of the main elements and specifics of the legal framework regarding criminal proceedings in the area of trademark protection in the Republic of Bulgaria. A general overview of the legal framework and practice/case law of the competent authorities is a key point of the analysis of IP protection and enforcement in Bulgaria.

The paper further discusses specific issues that criminal proceedings in Bulgaria present, as well as the current trends and issues which may be observed in Bulgaria. The

analysis of the application of criminal procedures in the paper follows the structure and elements of Article 61 of the TRIPS Agreement.

Finally, the paper attempts to outline a model (based on the current state analysis of the criminal procedures in the Republic of Bulgaria) for a high standard for the protection of trademark rights.

Keywords: *criminal proceedings, IP enforcement, trademark counterfeiting, Republic of Bulgaria.*

1. INTRODUCTION

Trademark owners are entitled to act against unauthorised uses of their protected trademarks. States or at least the World Trade Organization (WTO) Members, are bound to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)¹ to establish criminal procedures along with other legal remedies for enforcement of intellectual property (IP) rights against unauthorised use of trademarks to various extents.

The negotiations round that brought the WTO into existence, namely the Uruguay Round of 1986-1994, has provided a forum for the tensions to be observed from perspectives of IP, among others.² The TRIPS negotiations and the agreement that followed are an expression of the international agenda for stronger protection of IP rights.³ The TRIPS Agreement came into effect along with the WTO establishment itself as a part of the Uruguay treaties

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¹ The TRIPS Agreement is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco

on 15 April 1994 – <https://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm>.

² Clift C, ‘Why IPR issues were brought to GATT: a historical perspective on the origins of TRIPS’ in Research Handbook on the Protection of Intellectual Property under WTO Rules, Correa CM (eds), Edward Elgar Publishing Inc. (UK 2010). Among others, the author argues that during the 19th century less advanced countries spent many efforts to achieve access to technological advancements and indeed the hope for easier access was one of the reasons to enter TRIPS.

³ Deere-Birkbeck C, ‘Developing countries in the global IP system before TRIPS: the political context for the TRIPS negotiations’ in Research Handbook on the Protection of Intellectual Property under WTO Rules, Correa CM (eds), Edward Elgar Publishing Inc. (UK 2010).

package.⁴ As is already well-known, the starting point (and one of the primary goals) of the TRIPS Agreement is to fight against counterfeit products, i.e., anticounterfeiting issues. Among others, the TRIPS Agreement sets the baseline and minimum standard to be covered by WTO Members in relation to criminal prosecution and criminal procedures for protection and enforcement of IP rights.

The Republic of Bulgaria has introduced a criminal regime for the prosecution of trademark infringements that surpasses the minimum standard set by the TRIPS Agreement. Criminal proceedings can be considered reliable ways for effective protection of the exclusive rights of Trademark Owners. The paper aims to review the current developments of criminal prosecution on trademark infringements in the Republic of Bulgaria to outline some of the specific issues observed, and to analyse/compare its (of criminal procedures as a legal remedy) role to other legal remedies provided for the protection of IP rights from the perspective of the TRIPS legal framework.

2. ON CRIMINALISATION OF IP INFRINGEMENTS – INTERNATIONAL OBLIGATION AND NATIONAL APPLICATION

The criminalisation of IP infringements is a concept recognised at international level through the TRIPS Agreement, setting minimum requirements regarding criminal liability. The criminalisation of trademark

counterfeiting and copyright piracy was originally recognised in common law countries (the US and UK) – already at the end of the nineteenth and beginning of the twentieth century.⁵ Though IP rights are private rights⁶, criminal prosecution of its infringements implies the presence of negative effects on public interest, such as the wider legal systems, the interests of consumers, public safety, and health etc.⁷ Accordingly, the criminal enforcement of IP rights becomes a matter of criminal and public law.

The TRIPS Agreement, in particular, provides an obligation for all its Members to introduce criminal liability in relation to certain IP infringements. Article 61 of the TRIPS Agreement provides that: Members shall provide for criminal procedures and penalties to be applied **at least** in cases of **wilful trademark counterfeiting or copyright piracy** on a **commercial scale**. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular, where they are committed wilfully and on a commercial scale.

As it may be noted, the minimum standard set by Article 61 of the TRIPS Agreement requires the introduction of criminal liability in cases of:

- i) **Wilful**- in other words, where the intent is present by the infringer;
- ii) **Trademark counterfeiting**⁸ or copyright piracy⁹;

⁴ Watal J, 'Developing Countries and the Protection of Intellectual Property Rights, Columbia Studies in WTO Law and Policy' (2007) Cambridge University Press. Watal raises the question "Why Did Developing Countries Accept the TRIPS Agreement in the Uruguay Round?" and finds that one of the main reasons was the drive for a successful outcome of the Uruguay Round as a whole and the achievement of the treaties package.

⁵ Harms L, 'The Enforcement of Intellectual Property Rights by Means of Criminal Sanctions: An assessment' (2007) <https://www.wipo.int/meetings/en/doc_details.jsp?doc_id=86372>.

⁶ Ibid. A justification of providing criminal measures to act against certain types of IP infringements is as follow: Civil remedies make sense if the infringer can be identified readily, will comply with injunctions or interdicts, and is able to pay damages and (where applicable) legal costs. Honest trade competitors may infringe IP rights but they do not counterfeit. Counterfeiters tend to fall in a different class. They are not 'honest' competitors and civil remedies are, in their case, in the ordinary

course of events ineffective. <https://www.wipo.int/meetings/en/doc_details.jsp?doc_id=86372>.

⁷ Ibid.

⁸ The TRIPS Agreement includes a definition regarding the content of 'trademark infringement' in its footnote 14 (a): 'For the purposes of this Agreement: counterfeit trademark goods shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation'.

⁹ The TRIPS Agreement includes a definition regarding the content of 'copyright piracy' in its footnote 14 (b): 'For the purposes of this Agreement: (b) "pirated copyright goods" shall mean any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the country of production and which are made directly or indirectly from an article where the making of that copy

iii) **On a commercial scale**¹⁰.

Because the Republic of Bulgaria is a signatory to the TRIPS Agreement, criminal sanctions for IP infringements have been introduced in its national legislation. Notably, the 'copyright piracy' is criminalised via a specific provision, i.e., Article 172a¹¹ of the Criminal Code of Republic of Bulgaria as of 1995. The 'trademark counterfeiting' (along with other infringements on industrial property rights such as industrial designs, geographical indications etc.) is criminalised via specific provision, i.e., Article 172b¹² of the Criminal Code of Republic of Bulgaria as of 2006.

3. ARTICLE 172b OF CRIMINAL CODE – TRADEMARK COUNTERFEITING

The aim of this paper is to review and analyse the application of criminal measures in cases of trademark infringement and counterfeiting. Trademark infringement as a crime under Article 172b is defined as:

Anyone who, **without consent from the owner of the exclusive right** thereupon, makes **use in the commercial activity** of a **trademark**, industrial design, a variety of plant or race of animal,

making the object of said exclusive right, or makes use of a geographical indication or a counterfeit thereof without a legal justification, shall be punished by deprivation of liberty of up to five years and a fine of up to BGN 5,000.

On intent/wilfulness – The Bulgarian Criminal Code and the Bulgarian criminal law, in general, recognises two types of guilt (i.e., the subjective element by the perpetrator towards the act of crime) – intent and negligence¹³. The Criminal Code further (Article 11, para. 4¹⁴) specifies the acts which are committed by negligence and punished only when specifically mentioned in the law. This means (as no specification regarding negligence as a form of guilt is given in Article 172b of the Criminal Code) that trademark counterfeiting is punishable when committed intentionally. The latter is in line and corresponds fully with the TRIPS' requirement, as stipulated in Article 61, on trademark counterfeiting – to be criminally prosecuted when performed wilfully.

would have constituted an infringement of a copyright or a related right under the law of the country of importation.¹

¹⁰ In this regard, the Panel in the WTO DS 362 (China-IPR) found that the term 'commercial scale' in Article 61 meant 'the magnitude or extent of typical or usual commercial activity with respect to a given product in a given market'.

¹¹ Article 172a (New, SG No. 50/1995).

(1) (Amended, SG No. 62/1997, amended, SG No. 75/2006) A person who makes records, reproduces, distributes, broadcasts or transmits, or makes any other use the object of a copyright or neighbouring right without the consent of the owner of holder of such right as required by law, shall be punished by deprivation of liberty for up to five years and a fine of up to BGN 5,000.

(2) (Amended, SG No. 62/1997, amended, SG No. 75/2006) Anyone who, without consent from the person required by law, detains material carriers containing the object of copyright or a neighbouring right, amounting to a large-scale value, or who detains a matrix for the reproduction of such carriers, shall be punished by deprivation of liberty from two to five years and a fine of BGN 2,000 to BGN 5,000.

(3) (Amended, SG No. 62/1997, amended, SG No. 75/2006) If the act under paras. 1 and 2 has been repeated or considerable damaging consequences have occurred, the punishment shall be deprivation of liberty from one to six years and a fine of BGN 3,000 to BGN 10,000.

(4) (New, SG No. 75/2006) Where the act under para. 2 amounts to a particularly large-scale value, the punishment shall be deprivation of liberty from two to eight years and a fine of BGN 10,000 to BGN 50,000.

(5) (Renumbered from para. 4, SG No. 75/2006) For minor cases the perpetrator shall be punished under the administrative procedure in compliance with the Copyright and Neighbouring Rights Act.

(6) (Renumbered from para. 5, amended, SG No. 75/2006) The object of the crime shall be appropriated in favour of the state, irrespective of the fact whose property it is.

¹² Article 172b (New, SG No. 75/2006).

(1) Anyone who, without consent from the owner of the exclusive right thereupon, makes use in commercial activity of a trademark, industrial design, a variety of plant or race of animal, making the object of said exclusive right, or makes use of a geographical indication or a counterfeit thereof without a legal justification, shall be punished by deprivation of liberty of up to five years and a fine of up to BGN 5,000.

(2) Where the act under para. 1 is repeated or significant damages have been caused, the punishment shall be deprivation of liberty from five to eight years and a fine from BGN 5,000 to BGN 8,000.

(3) The object of the crime shall be taken to the benefit of the state, irrespective of the fact whose property it is, and it shall then be destroyed.

¹³ Article 11, para. 1 of the Criminal Code provides that 'An act dangerous to society shall be considered culpably committed where it is intentional or committed through negligence.'

¹⁴ Acts committed through negligence shall be punishable only in the cases provided by law.

The objective elements that should be established (proved) under the above text of Article 172b cover:

- i) **Lack of consent by the owner** of the exclusive right for the
- ii) **Use in commercial activity** of a
- iii) **Trademark**

The norm (provision) of Article 172b of the Criminal Code is blank and refers to the Law on Trademarks and Geographical Indications (LMGI) for unsettled concepts and their proper interpretation.

On Lack of Consent/Authorisation – Referral and interpretation of the first element – lack of consent – is not necessary as long as there is no ambiguity. Lack of consent by the trademark owner means exactly that – lack of consent. Counterfeit, non-original goods are those on which the mark is placed without the consent of the Trademark Owner – i.e., the right has been violated in the first and main form of use – the affixing of the mark and the production of the goods in question. The Trademark Owner (or his representative) is the sole person/entity that may make a statement regarding this element of the factual composition of Article 172b of the Criminal Code – whether there is consent or not for a certain mark to be used. The 'lack of consent' element as stipulated in Article 172b of the Criminal Code corresponds fully with the specification given in the TRIPS Agreement in this regard 'without authorisation'.¹⁵

On Use in Commercial Activity – 'Use in commercial activity' is a concept interpreted in light of the Law on Trademarks and Geographical Indications, where it is provided with its legal definition, namely Article 13, para. 2 of the LMGI defines the use in the course of trade as follows:

1. affixing of the mark on the goods or on their packaging;
2. offering of the goods with this mark for sale or putting them on the market, or storing or holding them for these purposes, as well as offering or providing services with this sign;
3. the import or export of the goods with this sign;
4. the use of the mark as a trade or company name or as part of trade or company name;
5. the use of the mark in commercial papers and in advertisements;
6. the use of the sign in comparative advertising in a way, which is in violation of Article 34 of the Competition Protection Act.

However, the affixing of the mark on the goods (or the offering of services with the mark) is the first and main form of use, in so far as the lack of consent given in the affixing of the sign (i.e., in the production of the particular article) makes the goods in question fake/counterfeit.¹⁶ The lack of consent by the trademark owner for any forms of use within the meaning of Article 13, para. 2 of the LMGI falls under the hypothesis of Article 172b of the Criminal Code. It may be noted that the scope of criminal liability in the Republic of Bulgaria is relatively wider than that defined in Article 61 of the TRIPS Agreement regarding the use on a “commercial scale”, as it includes different forms of use that are deemed "commercial" under the meaning of the LMGI (which is to be reviewed when Article 172b of Criminal Code is interpreted/applied).

On Trademark – Again, the notion of trademark should be and is interpreted via the Law on Trademarks and Geographical Indications, where the legal definition is as follows:

¹⁵ Footnote 14, TRIPS Agreement – definition of 'counterfeit trademark goods'.

¹⁶ Therefore, a hypothesis is possible in which the goods are original (i.e., produced with the consent of the right holder), but their subsequent use (placing on the market, offering for sale, etc.) is done without his consent.

[...] a sign that is capable of distinguishing the goods or services of a person from those of other persons.¹⁷

Furthermore, the LMGI defines the scope of the exclusive rights conferred by a trademark in Article 13, para. 1, which states that:

Trademark rights include the right of the trademark proprietor to use it, to dispose of it and to forbid third parties from using in commercial activity without his consent any sign that:

1. is identical to the mark, for goods or services identical to those that the mark is registered for;
2. due to its identity or similarity with the mark and the identity or similarity of the goods and services designated by the mark and the sign, there exists a likelihood of confusion among consumers, including the risk of association between the sign and the mark.

Thus, the criminal prosecution in the Republic of Bulgaria follows two hypotheses under the meaning of the LMGI. The hypothesis of Article 13, para. 1, item 1 of the LMGI explicitly prohibits third parties from using identical signs with respect to identical goods/services without the consent of the trademark owner. In this case, the presence of an identical (to a trademark) sign on identical goods is sufficient for application of the provision (it is not necessary to prove the 'likelihood of confusion of consumers', which represent a legal question that is part of the next hypothesis – of Article 13, para. 2, LMGI). The presence of a sign that is not identical does not in itself mean that there is no infringement on a trademark – as it

may concern the hypothesis of similar signs used regarding similar/identical goods/services, where the likelihood of confusion is presented (hypothesis of Article 13, para. 2, LMGI).

As it may be noted, the scope of criminal prosecution (sanctions) under Bulgarian legislation is wider than that specified in the TRIPS Agreement, which points that:

counterfeit trademark goods' shall mean any goods, including packaging bearing without authorisation a trademark, which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark [...]¹⁸

The Bulgarian criminal provisions on trademark infringements cover trademarks registered for goods as well as for services. Furthermore, it covers the use not only of identical but also of similar signs, whereas the extent of similarity with the registered trademarks may vary.

To summarise – criminal liability regarding trademark infringement under Bulgarian legislation surpasses the minimum standard set in the TRIPS Agreement.

4. APPLICATION OF ARTICLE 172B OF CRIMINAL CODE – SPECIFIC ISSUES

The development of criminal proceedings in relation to trademark counterfeiting and infringements demonstrates specific issues, part of which will be subject of review and analysis in the current paragraph.

A. REGARDING TRADEMARKS

As not only unauthorised use of identical but also of similar registered trademark signs are criminalised under

¹⁷ LMGI Article 9, para. 1.

¹⁸ The TRIPS Agreement includes a definition regarding the content of 'trademark infringement' in its footnote 14(a).

Bulgarian legislation, some specific issues may arise in this regard.

a) On Expert Opinions

It is a common practice for competent authorities (in pre-court criminal proceedings as well as in the court stage) to rely on expert opinions in the frames of criminal proceedings.

The performance of expert examination and the presentation of an expert opinion in cases (whether civil, criminal, or administrative) requires the need to apply special knowledge to clarify certain issues in the case. Prof. Stalev points out very precisely that the need for the appointment of experts as it 'follows from the impossibility of the court to be omniscient'.¹⁹ Special knowledge can relate to the field of science, technology, arts, crafts, various professions, etc. In criminal proceedings (as well as in civil and administrative proceedings), the need for special knowledge not possessed by the competent authority to resolve the case leads to the appointment of experts. Experts have precisely that special knowledge which the competent authority lacks. The expert's conclusion on the task assigned is referred to as an expert opinion, and the same should assist the competent authority in revealing the truth in a specific case. Expert examinations are, in essence, the establishment of facts and factual issues of essential importance for the case, for which special knowledge is needed, which the competent authority lacks. Undoubtedly, expert examination and opinions are not necessary to establish legal issues for which the competent authority (depending on the stage of the criminal proceedings) has all the necessary legal knowledge. However, in cases of trademark counterfeiting, the limits to which an appointed expert may provide (bound the competent authority) to its conclusions that are blurred (see also p. 4.3. below regarding establishing the fact of 'lack of consent' by the Trademark owner). It is clear that the issues on

similarity/identity between the compared signs and trademarks, respectively between the goods/services, are **factual** questions – and, as such, may be subject to expert opinions. On the other hand, the question of the 'likelihood of confusion' of the public is a legal question. For establishing its presence is necessary legal, rather than special, knowledge, so no expert opinion is required as long as the competent authority (in the pre-court phase of criminal proceedings – the prosecutor, in the court phase – the competent criminal court) is presumed to possess legal knowledge. Given the above, expert opinions that also provide replies on legal issues (as the presence or lack of likelihood of confusion) though common, is not correct from a legal point of view. As a whole, expert opinions may be useful in criminal proceedings when special knowledge is necessary with regard to factual questions, but not when legal issues are reviewed and should not represent a mandatory element of a criminal investigation and prosecution.

b) Defences by the Infringers

An interesting approach may be noticed in the past years by some infringers to defend themselves from the unauthorised use of trademarks. This approach may be generalised as an objection based on their own trademarks or industrial designs.

In some cases, the infringer attempts to rely on the use of own trademark (design) and such cases have created a distorted concept of co-branding (distorted as the use of at least one of the applied trademarks is not authorised).

The 'co-branding' hypothesis refers to placing two (or more) trademarks on one product. Numerous cases are known in which two trademarks are affixed on one product at the same time, which are respectively valid and registered, with the consent of the respective

¹⁹ Сталев, Ж. 'Българско гражданско процесуално право' (2008) стр. 312 и сл.

trademark owners. Hyllier and Tikoo define²⁰ **co-branding** as follows:

the practice of double branding products in which the product receives more than one brand name.

Leuthesser²¹ defines co-branding as the combination of two or more well-known brands (brands) in one product and as a strategy that is an alternative to the development of new products. Co-branding can also be used for an already developed product by achieving an association with a person/company other than the main manufacturer. It is possible for a new product to be branded and therefore associated with more than one trademark and manufacturer, respectively. In all cases, the consumers and the public would associate the product on which their trademarks are affixed with the two companies holding the relevant exclusive rights, and not just with one of them. Co-branding, the sharing of trademarks owned by different entities, does not prevent the performance of the main functions of the trademarks when the consent of the trademark owners is present. Bouten²² defines co-branding as a marketing strategy that allows a brand to innovate and establish itself in the market with the support of another partner brand. This strategy is used by a number of trademark owners in modern markets and is known to the public and consumers.

Thus, affixing of an infringing sign may not be validated/justified by placing a trademark owned by the infringer on the product in question. Yet, such a defensive strategy is used often by infringers, including in the course of criminal proceedings. The prohibition on using trademarks without the consent of their owner is valid, even when the infringing goods are placed with another trademark. Co-branding is a commonly used trading strategy and thus, to assume that in the case of co-

branding, there is no need to receive consent from one of the trademark owners is legally absurd. It would mean that any infringer could apply for and register 'own trademarks and use them on a product together with well-known brands to claim that such use is lawful – without the need for the consent of the other trademark owner for such use.

However, Bulgarian courts maintain the firm view that co-branding does not constitute a valid ground for the use of another trademark(s) without consent for such use by its owner. As stated in Definition No. 493784 of 25 September 2018 under criminal case No 15259/2018 of the Sofia District Court: The conclusions made by the prosecutor are incorrect due to the fact that the presence of a product on its own trademark does not allow the use of other non-proprietary brands, if the consent of the right holder lacks, whose object are these trademarks, neither legalise the use of such trademarks, as accepted by the state prosecution. Therefore, the 'logical conclusion' of the public prosecutor that the owner of the mark 'C. V.' may (as long as he has placed this mark on a pair of shoes) place (without the request or with the permission and consent of the respective trademark holders) another mark. (e.g., 'H. P.'), and to 'exonerate' him or make his products 'original' is deeply untrue and not based on proper knowledge of trademark law.

Another approach used by infringers is to seek to file an application for the infringing trademarks and or industrial designs and to claim that these applications may validate the infringing activity as a legitimate activity. It is well-known that there is a certain period between the application and the registration of a trademark, in which other trademark owners may oppose the registration, based on its earlier IP rights. In some cases, infringers attempt to justify the use of the sign for which they filed

²⁰ Hillyer C, Tikoo S, 'Effects of Co-branding on Consumer Product Evaluations. *Advances In Consumer Research*' (1995) Vol. 22, pp. 123–127.

²¹ Leuthesser L, Kohli C, Suri R, '2+2=5? A framework for using co-branding to leverage a brand. *Brand Management*' (2003) Vol. 11(1), pp. 35–47.

²² Bouten LM, Snelders D, Hultink EJ, 'The Impact of Fit Measures on the Consumer Evaluation of New Co-Branded Products' (2011) *Journal of Product Innovation Management* Vol. 28(4), pp. 455–469.

an application, even when the trademark owner has filed an opposition against such application. Furthermore, some infringers attempt to justify that even when the application of such trademark is fully refused (based on the opposition filed by a trademark owner) the use of the sign is still lawful for the period between the application and the refusal of registration. In practice, however, this position would mean that any infringer could apply to register a sign identical or similar to a well-known trademark and claim that, in the period between the date of the application and the subsequent refusal of registration, the sign was used lawfully.

The above problem is even more pressing with respect to industrial designs, where the protection is granted under the so-called 'registration regime', i.e., industrial designs are registered by the IP office if the respective application meets the formal requirements, without checking the existence of a previous identical/similar designs or other industrial property. However, even in the case of registration, the protection of industrial designs is dependent on the owners of prior rights for similar designs not filing a cancellation action against the newly registering, and infringing, designs. Still, also in these instances, infringers attempt to get away from IP liability with largely fraudulent design applications, which they file exclusively with the intention to copy existing design and infringe on their rights of their owners.

B. USE IN COMMERCIAL ACTIVITY

Commercial activity is not a legal concept. In essence, it covers commodity and monetary relations in society, with the legal form of these relations being transactions. The concept of "commercial activity" within the meaning of Article 172b of the Criminal Code specifies the way in which the Trademark owner's right may be violated. It is subject to interpretation only in the context of Article 13,

paras. 1 and 2 of the LMGI (please see above p. 3 regarding the content of the provision).

In Interpretative Decision²³ No. 1 of 31 May 2013, on Interpretative Case No. 1/2013, the General Assembly of the Criminal College of Supreme Court of Cassation of Republic of Bulgaria clearly pointed out that the understanding of the objective content of Article 172b of the Criminal Code to be viewed as supplemented by the Commercial Act is not shared: First of all, the Commercial Act does not introduce a legal definition of commercial activity but builds it through the concept of trader, indicating which persons are traders / Article 1 of the Commercial Act / and who are not / Article 2 of Commercial Act. The rulemaking-approach places emphasis on the quality of individuals and not on activities carried out. In contrast, Article 13, para. 2 of the LMGI has created a comprehensive list of activities in which it is possible to violate the trademark law. Obviously, the legislator did not mean the Commercial Act, but he was distinguished from him, avoiding inclusion in the signs of the criminal composition of the special quality of trader, unlike other Criminal Code texts.

Therefore, the activities expressly and exhaustively included in the list of Article 13, para. 2 of the LMGI, are the forms of the act of 'use in commercial activity', which carry out the composition of the crime under Article 172b of the Criminal Code. In order to implement 'use in commercial activity' within the meaning of Article 13 of the LMGI, it is sufficient to have any of those actions representing the individual, independent forms of the act.

As outlined above, the concept of 'commercial activity' in the light of Article 172b of the Criminal Code should not be considered within the meaning of the Commercial Act, but under the LMGI. Therefore, the collection of evidence from a commercial register etc. is irrelevant to the case,

²³ In case of contradictory or wrong practice of the Supreme Court of Cassation and the Supreme Administrative Court the general assembly of the judges of the relevant colleges of both courts shall jointly adopt an interpretative decision. Further, as the interpretative decisions are

obligatory for all national courts, administrative and local self-governmental bodies when applying the interpreted provisions and thus practically they become source of law.

for proof of such activity (under the meaning of the Commercial Act) carried out by a particular person. The fact of carrying out any of the forms of "use in the commercial activity" provided in Article 13, para. 2 of the LMGI (and not the implementation of commercial activity within the meaning of Commercial Act) is the fact that it is subject to proof in the course of investigating under Article 172b of the Criminal Code.

The Interpretative Decision No. 1 of 31 May 2013, on Interpretative Case No. 1/2013, of the Supreme Court of Cassation of Republic of Bulgaria provides the following reading on the concept of 'commercial activity' in the frames of trademark law: The element 'commercial activity' of the crime under Article 172b of the Criminal Code is present in the hypotheses of Article 13, para. 2 of the LMGI, when the activities are carried out for the realization of economic benefits; it does not depend on the subject's activity of trade under the Commercial Act.

The above interpretation represents a continuation of the understanding of 'commercial scale' used in Article 61 of the TRIPS Agreement (and defined by the Panel in the WTO DS 362 (China- IPR)) and provides an opportunity to evaluate the particularities of each criminal case. However, the practice (in both, pre-court and court, stages of criminal cases) is currently diverse, given the wide range for factors to be assessed by the competent authority.

One of the important forms of 'use in commercial activity', especially in view of the Republic of Bulgaria²⁴ developments on criminal proceedings, is the *import* of counterfeit goods/products.

The legal definition of the term 'import or export of goods' is given in § 1 item 12 of the Additional Provisions of the LMGI, according to which – 'import or export of goods' is the actual movement across the border of the Republic of Bulgaria of goods bearing a sign identical or similar to a registered trademark or registered geographical indication, or an imitation thereof, whether or not a customs procedure has been applied to those goods.

In order for the goods to be imported or exported, the actual crossing of the border of the Republic of Bulgaria is sufficient, which leads to the commission of the crime under Article 172b of the Criminal Code. The prerequisites provided for the LMGI are essential. Namely – there is a transfer of goods across the border of the Republic of Bulgaria. The very transfer of the goods through the territory of the Republic of Bulgaria already constitutes their use in commercial activity and, as such, implements an element of the objective side of Article 172b of the Criminal Code. For goods to be imported or exported, it is not necessary for them to be placed under any customs regime, as the actual crossing of the border of the Republic of Bulgaria leads to the implementation of this element of the crime under Article 172b of the Criminal Code²⁵.

According to the Interpretative Decision No.1 of 31 May 2013, on Interpretative Case No. 1/2013, of the Supreme Court of Cassation of the Republic of Bulgaria, if, however, the goods/products are transited through the territory of the Republic of Bulgaria, these should be targeted at EU consumers (with a view to realising criminal liability) and adds the following:

²⁴ This is due to the fact that Bulgaria is outer border of EU and thus, a large number of counterfeit goods/products, intended not only to Bulgarian market, but to the markets of European countries, are attempted to be imported exactly through the borders of Republic of Bulgaria.

²⁵ The definition of 'import' and 'export' in the LMGI is not accidental. It is designed precisely to distinguish these concepts from the concepts of 'import' and 'export' within the meaning of customs legislation. It is

explicitly stated in the definition of the LMGI that there will be import or **export even without the customs regime being activated**. The legislator has explicitly emphasized **the actual crossing of the country's border**, without being bound by the activation of customs regimes within the meaning of Council Regulation No. 2913/93 and Council Regulation (No. 2454/93, which are applicable according to Article 5, para. 4 of the Constitution of the Republic of Bulgaria, as well as of the Customs Act and the Regulations for its implementation.

This understanding of the law requires in each case to clarify whether goods in transit to a third country are destined for the European market. When there is no data in this direction, there are no grounds for criminal liability for violation of the right to industrial property under Article 172b of the Criminal Code.

Moreover, according to the said Interpretative Decision No. 1 of 31 May 2013, on Interpretative Case No. 1/2013, of the Supreme Court of Cassation of Republic of Bulgaria, under the customs transit regime, the actual transportation of goods across the border of the country through their introduction into its customs space is assumed, due to which it is possible to commit a crime under Article 172b of the Criminal Code. However, this hypothesis is conceivable when transiting only non-original goods destined for the European consumer.

Finally, it should be underlined that the Interpretative Decision No. 1 of 31 May 2013, on Interpretative Case No. 1/2013, of the Supreme Court of Cassation of the Republic of Bulgaria excludes cases involving original goods from the application of criminal liability under Article 172b of the Criminal Code.

C. LACK OF CONSENT

The identification of goods, their determination as counterfeit or original, is of key and leading importance for the criminal investigation of crimes under Article 172b of the Criminal Code.

The original and non-original (or 'counterfeit') goods are distinguished by one leading and main feature – the consent of the owner of the respective exclusive right to affix the respective mark (mark) on the specific product

(garment, perfume, or other items). Original goods are the ones on which the mark is affixed with the consent of the Trademark owner. A non-original (counterfeit) is a commodity on which the mark (mark) is affixed without the consent of the right holder.

Identification of a specific good as genuine or counterfeit is indeed a key point to the criminal proceedings. If the consent of the trademark owner is not given in the first and main form of use in commercial activity (the affixing of the mark, i.e., the production of the specific product), then the product is fake, and it is pointless to check whether the consent of the trademark owner is given for subsequent uses. It is not possible for a counterfeit product, i.e., produced without the consent of the right holder, to be distributed, placed on the market, offered for sale, etc., without the consent of the right holder.

The only possible way to establish the fact whether goods are counterfeit is through a statement of the trademark owners (or through a proxy). The only legally valid statement as to whether or not consent must be given by the trademark owner because they are the person in whose legal sphere, (due to the existence of an exclusive right to the respective trademark) the legal opportunity to provide or not provide his consent arises. No person other than the trademark owner (or a representative expressly authorised) may provide such a statement.

In order to establish the above and to enable a trademark owner to give a statement on the products/goods, it is necessary to carry out product identification. For this aim, the trademark owner needs access to the specific product to be able to indicate whether the product in question is counterfeit or original. This access is (should be) provided by taking pictures of the specific product (or even samples if necessary).²⁶ All trademark owners have

²⁶ Providing pictures of the goods (each individual item) to the right holder (or his representative) and giving an opinion on whether the goods are original or counterfeit by the right holder (or his representative) is a procedure that is applied and established in practice, in particular – cases of customs detentions under Regulation (EU) No. 608/2013 on the protection of IP rights by the customs authorities. Regulation 608/2013 regulates at European and national level, the activities of customs

authorities in the import / export of goods which are alleged to infringe IP rights. Therefore, the Regulation is aimed at one of the forms of use included in Article 13, para. 2 of the LMGI – and in this case it is crucial to establish whether the goods are counterfeit or original (i.e., whether they were produced with the consent of the trademark owner). Therefore, when goods are detained, the customs authorities provide the trademark owner (or his representative) with pictures/photos of the seized goods (or

expert departments that, when sending photos, give an opinion on whether the goods are original or counterfeit. And this is because, apart from the trademark owner (or a representative authorised), there is no other person who can provide a valid statement whether the trademark owner has given his consent for the respective goods to be produced, i.e., the mark of the mark to be affixed on the goods. The expert examination (and expert opinion) in the pre-court phase criminal proceedings may confirm whether the marks affixed to the goods are identical or similar to the registered trademarks of the trademark owners but cannot conclude whether the goods are counterfeit or original. As stated above, whether a product is counterfeit or original is determined solely by whether the trademark owner has given his consent to affix the mark to the particular item – therefore, only a statement by the trademark owner (or his authorised representative) is valid to establish whether the goods are counterfeit or not.

In summary, to establish the origin of the goods, i.e., whether they are original or counterfeit, it is necessary to perform product identification by the trademark owner.

The performance of product identification by a trademark owner was in the last years accepted to be performed to a certain extent in the frames of criminal proceedings in Bulgaria. The product identification, though a key point for the criminal investigation, was not widely performed and is still not accepted by some of the competent authorities, which prefer to point the question on originality (and lack of consent) to the appointed experts. As mentioned above, the experts may address different factual questions and issues. However, no expert may provide a valid statement whether the consent of the trademark owner is provided (such statement may be given solely by the trademark owner upon examination of the goods in question).

samples if necessary). Accordingly, the Trademark Owner (or his representative) provides an opinion to the customs authorities on the nature of the goods – original or counterfeit.

D. WILFUL ACTIVITY

The case law and court practices in the Republic of Bulgaria have already defined the parameters to be applied in the determination of wilfulness regarding acts that may represent criminal activities under the meaning of Article 172b of the Criminal Code.

According to a Decision of the District Court – Plovdiv of 29 July 2010: The obligation to inspect the mark affixed to the goods is applicable to any subject of the crime under Article 172b of the Criminal Code. The right of the proprietor to the rights of the trademarks is therefore exclusive because it has an effect on everyone from the moment of publication of the registration. Anyone who offers goods with a mark registered as a trademark, respectively identical or similar to it, is obliged to comply with the general prohibition to use it without the consent of the right holder.

According to the Guidelines for the Work of the Prosecutor's Office on Intellectual Property Crimes ('Criminal Protection of Intellectual Property. A Practical Guide for the Work of the Prosecutor's Office on Intellectual Property Crimes'), the non-fulfilment of the 'care of the good trader' is a main factor precisely in determining the subjective element of the act under Article 172b of the Criminal Code.

Finally, the Guidelines for the Work of the Prosecutor's Office on Intellectual Property Crimes confirms that the presence of previous acts with the same subject, committed by the same perpetrator, is extremely essential and should be reviewed by the competent authorities as a fact. The Guidelines confirm that the existence of earlier crimes against IP is a clear indication of intent.

E. OTHER SPECIFICS OF THE CRIMINAL PROCEEDINGS IN THE REPUBLIC OF BULGARIA

Additional provisions regarding specific criminal proceedings in the Republic of Bulgaria, include damages in criminal proceedings. In particular, Article 119 of the LMGI introduces a presumption on the amount of damages as follow:

- When the claim is established on grounds, but there are no data for known amount, the claimant may claim as compensation:
- from BGN 500 to BGN 100,000, as the specific amount shall be determined at the discretion of the court at the conditions of Article 118, paras. 2 and 3, or
- **the equivalence at retail prices of legally produced goods, identical or similar to the goods – subject of the infringement.**

In the past years, the presumption set above in Article 119, para. 1 (2) of the LMGI, i.e., evaluation of damages via the retail prices of original goods, represents the usual practice in criminal proceedings to establish the amount of damages. The above provision and the set practice is being challenged now via a request for a preliminary ruling, made by Regional Court Nessebar and representing C-655/21 of CJEU.²⁷

F. CIVIL CLAIMS FOR DAMAGES

Pursuant to the Criminal Proceedings Code, the criminal court has the right to not allow the civil claim for joint

consideration in the frame of a criminal court case, and actually, it is the common practice. Nevertheless, if there is a guilty conviction pronounced by the criminal court, the trademark owner has the right, based on the conviction, to submit a civil claim for damages. In the civil case, the civil court is obliged to accept the conclusions of the criminal court regarding the guilt of the infringer and for the infringement. Therefore, the infringement and the guilt are not subject to proof in the civil case. The trademarks owner is obliged to prove the amount of the damages. The civil claim is based on the expert opinion for the amount of the damages prepared in the criminal proceeding, but the civil court is not obliged to accept the conclusion of the expert opinion from the criminal proceedings. In view of that, the amount of the damages is subject to proof in the civil proceedings.

G. DESTRUCTION OF COUNTERFEIT GOODS

Criminal proceedings are often initiated with regard to customs seizures, where an objection is filed. Some prosecutor offices had the practice to initiate *ex officio* criminal proceedings in relation to customs seizures, even after the entry into force of Regulation 608/2013. In cases of criminal proceedings, the state charges for storage of the seized goods until their actual destruction is due by the competent authority (Prosecutor's Office). The destruction of the goods after the finalisation of the criminal proceedings is organised and performed/controlled by the competent authority – the Prosecutor's office or Criminal court (depending on the stage, pre-court or court, where the respective criminal case is finalised).

²⁷ Questions of the referral are as follow: "1. Are the legislation and case-law in accordance with which the harm suffered by the trademark proprietor forms part of the constituent elements of the offences referred to in Articles 172b(1) and (2) of the Criminal Code consistent with the standards introduced by Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 in relation to harm caused by the unlawful exercise of IP rights?

2. If the first question is answered in the affirmative, is the automatic presumption, introduced by case-law in the Republic of Bulgaria, for determining the harm – in the amount of the value of the goods offered for sale, calculated on the basis of the retail prices of lawfully manufactured goods – consistent with the standards of Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004?

3. Is legislation which does not distinguish between an administrative offence (Article 127(1) of the Zakonzamarkite i geografските oznacheniya (Law on trademarks and geographical indications; 'the ZMGO') currently in force and Article 81(1) of the ZMGO in force in 2016), the criminal offence under Article 172b(1) of the Criminal Code and, if the first question is answered in the negative, the criminal offence under Article 172b(2) of the Criminal Code compatible with the principle of legality of criminal offences, as enshrined in Article 49 of the Charter of Fundamental Rights of the European Union?

4. Are the penalties provided for in Article 172b(2) of the Criminal Code (custodial sentence of five to eight years and a fine of BGN 5,000 to BGN 8,000) consistent with the principle established in Article 49(3) of the Charter of Fundamental Rights of the European Union (the severity of penalties must not be disproportionate to the criminal offence)?"

5. CONCLUSIONS: CRIMINAL PROCEEDING IN REPUBLIC OF BULGARIA

The criminal proceeding is a principal option for establishing the fact of the infringement, along with the possibility to initiate civil or administrative proceedings. Criminal proceedings may be initiated by the trademark owner or any natural or legal person, as well as by the police authority *ex officio*. The proceedings are regulated by the Criminal Proceedings Code. The competent investigations body is the body in which area of competence the crime has been committed.

The practical problems are faced because of not understanding (by part of the competent authorities) the seriousness, as well as the essence, of IP infringements and, in particular, the trademark counterfeiting. Further efforts on widening the knowledge and understanding, through specialised materials and expert educational initiatives, pointed to the competent authorities (investigators, prosecutors, courts) are necessary in the Republic of Bulgaria.

Pursuant to the Bulgarian legislation, there is no criminal liability for legal entities. In view of that, the criminal proceedings are initiated against the managers of the companies, but there is a possibility, simultaneously, to initiate administrative proceedings against the company. There are examples of successful criminal proceedings regarding activities in warehouses, production sites and other significant cases in Bulgaria. As a whole, criminal proceedings are initiated for significant cases of trademark infringements and have proved to be an effective way for the protection of trademark rights in the last years.

The Republic of Bulgaria' level of criminal liability regarding IP infringements is higher than that set by the TRIPS minimum standard. The TRIPS Agreement requires criminal liability in some cases of infringements on IP rights, while Bulgarian legislative regime allows for

criminal liability to be sought in an extended (in comparison to TRIPS requirements) format. Insofar, the criminal cases on IP infringements proved to represent a significant part of the legal frame for IP protection in the Republic of Bulgaria.

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