

## How to protect your rights in Macedonia

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This manual is intended to provide business owners and managers with information on trademark protection in the Republic of Macedonia. Our goal is to give businesspeople a better understanding of their rights, associated risks and practical strategies for mitigating these risks. The first section of this manual provides information on Macedonia's legal framework and registration process for trademark protection; the second section describes trademark protection strategies and challenges.

### Section I: Legal Framework & Registration Process

It is important for right holders to understand that Macedonia began enforcing intellectual property rights (IPR), such as trademarks, in a tangible way during the last decade. Substantial progress has been noted, however there is still significant effort required to enforce IPRs in a consistent and transparent way.<sup>1</sup>

Given its location in the heart of the Balkans, the country is an important transit point for both legitimate and illicit goods between eastern and western markets. Unfortunately, there is little information available on the number of illicit goods produced in the country and/or trafficked across its borders. The small size of the country means that many international brands are not formally represented nor registered here. Often in these cases, trademarks and copyrights are openly infringed due to the low risk of enforcement action. Finally, there seems to be a general lack of awareness in both the local business community and general public with regard to IPRs. This is evidenced by lack of public dialogue on the topic and rare use of legal remedies, despite the country's relatively poor standing in international studies on the topic<sup>2</sup> and its government's stated focus to create an attracting business environment for foreign direct investment.

As in any country, right owners in Macedonia must work vigorously with government enforcement agencies and form strategic business partnerships to ensure efficient enforcement of their rights. Where right holders have taken a proactive role, impressive results have been achieved. In fact, one of the advantages of working in the country is that enforcement bodies are centralized in Skopje and cover the entire country.

#### Industrial Property Law in Macedonia

From a legislative perspective, Macedonia is ahead of other countries in the Balkans. Macedonia's Law on Industrial Property that entered into force in February 2009 as well as the Law on Copyright and Related Rights fully harmonized the country's legislation with the Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement and the EU's *Acqui Communautaire*.

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<sup>1</sup> The *Former Yugoslav Republic of Macedonia 2008 Progress Report accompanying the Communication from the Commission to the European Parliament and the Council* stated that "piracy and counterfeiting remain widespread. The country still lacks a comprehensive strategy and an action plan for building up the capacity necessary to implement and enforce the *acquis* on both copyright and industrial property rights."

<sup>2</sup> The Property Rights Alliance's *2009 International Property Rights Index* ranked Macedonia 104<sup>th</sup> according to its IPR score. Macedonia ranked just after Burundi, Kazakhstan and Paraguay and just before Zambia, Bosnia-Herzegovina and Serbia.

In Macedonia, as in most civil law countries, a formal registration of a trademark is necessary to exercise any associated rights. In common law countries (e.g., the United States, United Kingdom, Australia, Canada), trademark rights may be acquired by simply using the trademark. Protection of both moral and material industrial property rights (including trademarks, patents, industrial designs, geographical indications and topographies)<sup>3</sup> in Macedonia is ensured by the country's Law on Industrial Property and the various bi- or multilateral conventions, agreements and treaties ratified by Parliament.<sup>4</sup>

## **Trademark Protection**

Trademarks help consumers identify and differentiate the source of a good or service. They usually consist of words, numbers, letters, pictures, drawings, combinations of colors, three-dimensional forms, as well as combinations of all of the above. Shapes of goods or packaging can also be trademarks (so-called "trade dress"). The most important element of any trademark is its uniqueness in the eyes of consumers.

For a trademark to be protected, it must be registered in the Registry of Trademarks maintained by the State Industrial Property Office of Macedonia (henceforth referred to as "the Office"). The Office is the nationally authorized body charged with protecting all IPRs ([www.ippo.gov.mk](http://www.ippo.gov.mk)). Both domestic and foreign legal entities and individuals can register rights, though foreigners must be represented by a proxy (i.e., an authorized representative registered with the Office).

Trademark registration entitles the owner to its use and disposal, to receive remuneration for its use and to prevent unauthorized usage by third parties for 10 years per registration.<sup>5</sup> Without the explicit consent of the trademark's owner, third parties cannot commercially use signs which are identical or similar to the trademark whether for identical or similar products or services. Even when the sign is being used for different products and services, the holder is entitled to restrain its usage if it carries a well-established reputation in Macedonia and a third party's usage of a similar sign would damage this reputation or cause unfair competition. Furthermore, trademark owners that are aware for 5 or more years of the usage of a similar trademark registered after their own lose the right to seek annulment of the other trademark registration.

Trademark owners are obliged to use their trademarks in order to maintain its validity. For this purpose, usage includes the trademark in an insignificantly altered form, for export purposes exclusively and authorized usage by third parties. Failure to use a trademark constitutes firm grounds for another party to seek annulment of the trademark. Any interested party can file such a request with the Office, though they must prove that they use the trademark.

## **Registration Process**

An informal AmCham survey revealed that the legal fees associated with properly registering and recording an existing trademark in Macedonia in 3 classes<sup>6</sup> ranges between €300-400. The official fees associated with this process range between €10-35.

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<sup>3</sup> Note that computer code is not covered by the Industrial Property Law. In Macedonia, code (e.g., software) is protected by the Law on Copyrights and Related Rights.

<sup>4</sup> A detailed timeline of the country's adoption of IPR-related instruments is included in Annex 1 to this guide.

<sup>5</sup> Registrations can be renewed in perpetuity.

<sup>6</sup> According to the Nice Classification for Goods and Services. More information available at: <http://www.wipo.int/classifications/nice/en/>

The trademark registration process is initiated by filing a trademark application with the Office (Form TM 1). The form includes:

- A request for recognition of a trademark;
- Applicant data;
- Trademark appearance details;

#### Basic Trademark Registration Process



- A list of goods and services for which protection is requested.

Each complete application is registered and formally reviewed by the Office to ensure it is complete (e.g., power of attorney has been granted in proxy cases, proof of payment of administrative taxes is included). The Office then examines the terms for granting registration. Absolute grounds for refusing an application include trademarks that:

- Are illegal or contrary to local moral standards or sensibilities;
- Cannot be depicted graphically;
- Lack of originality/distinctiveness;
- Indicate only the type of good/service, its purpose, time or manner of production, geographical origin, quality, price, quantity or weight;
- Commonly used terms or symbols that depict certain goods/services;
- Consist solely of a shape which defines a good in general, one that is necessary for some technical reason or one that imparts a substantial value to a good;
- May create marketplace confusion and/or mislead consumers, particularly as to the geographical origin, kind, quality or any other characteristic of the good/service;
- Contain a national or other public coat of arms, flag or emblem, name or abbreviation of a country or an international organization, nor imitations thereof, except with authorization from a competent authority;
- Contain/imitate the appearance or name of a famous person without their consent or the consent of the competent government body if the person is deceased;
- Contain or imitate a quality guarantee or certification's seal, official symbol or hallmark;
- Contain religious symbols or imitations thereof.

The Office must seek an explanation from the applicant prior to reaching a decision if any of the above-named grounds is found, giving the applicant up to 6 months to respond.

Once an application passes the absolute grounds review, the Office publishes it in its Official Gazette for a 90 day period. This entitles interested third parties to object and provide evidence/arguments for the Office to reject an application. According to Macedonian law, the following are considered to be interested third parties:

- all previous applicants for a similar or identical trademark,
- owners of formerly registered similar or identical trademarks,
- former owners of similar or identical industrial property rights,
- previous owners of identical or similar copyrights, and
- people whose name, surname or face is identical or similar to those in the trademark.

If interested parties do not file an opposition during the 90 day period, they can still file an application for annulment of the trademark registration at any time during the registration period. The Office is also entitled to take such action ex officio. The applicant is entitled to respond to any third party objections and the Office must consider all statements when making a decision.

If approved, the trademark is finally registered in the Office's Registry of Trademarks for a 10 year period starting from when the application was filed. The Office then publishes the registration information in their Official Gazette and issues the owner a certificate. Trademark owners may then display the ® symbol next to the trademark, though this is not required.

## Section II: Protecting Your Trademark in Macedonia

Trademark protection in Macedonia is formally ensured by a variety of institutions and agencies, depending on the location of the counterfeit goods when identified and the owner's ability and desire to respond. Macedonia's national legislation empowers the Customs Administration, State Market Inspectorate and the Ministry of Interior<sup>7</sup> to protect registered trademarks. Right-holders can additionally seek legal remedies directly from the country's court system, though this is rarely done in practice.

The Coordinative Body for IPR Issues was established in 2007 to increase inter-agency cooperation in the IPR sphere. The Body includes representatives from all State institutions involved in IPR enforcement and is headed by a representative from the State Office for Industrial Property. Thus far, the body has coordinated a number of high-profile, interagency raids of counterfeit production and retail facilities, though concrete data on these activities are not regularly or widely available. As an interagency body, businesses do not have formal access or regular insight into the Body's activities, though the Body has proven its willingness to cooperate closely with businesspeople via informal channels.

### Institutional Relationships in Trademark Protection



### Internal Controls

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<sup>7</sup> The country's Criminal Law grants police the right to seize suspect goods or those that are a product of criminal activity, yet this is rarely done in practice. This is in spite of the fact that counterfeits are often produced, smuggled and distributed in a coordinated manner by organized criminal groups. AmCham Macedonia has advocated that direct action in protection of IPRs combined with police presence during coordinated seizures would encourage suspect compliance and reinforce the message that selling counterfeit and illicit goods is a crime in the country.

The ultimate responsibility for protecting a trademark lies with its owner. The Global Intellectual Property Center in Washington, DC recommends<sup>8</sup> that companies take the following measures to carefully control the use of their trademarks:

- Ensure that inputs used to create products (i.e., raw materials and parts) are authentic and meet company standards;
- Ensure that sales are being made only to legitimate customers, distributors or retailers;
- Deter theft and diversion of goods; and
- Ensure the legitimacy of purchased products at the retail level.

Internal monitoring can be greatly enhanced by instituting formal company policies, providing employee and partner training and engagement as well as the application of new technologies (e.g., RFID tags, watermarks, holograms).

### Macedonian Customs Administration Measures

As in many transitional economies, the Macedonian Customs Administration (MCA)<sup>9</sup> is the country’s most effective institution in the fight against counterfeits. Whereas countries in Western Europe tend to focus on post-market monitoring for consumer safety, authorities in Macedonia work primarily to prevent counterfeits from crossing the country’s border to prevent fraud and trafficking of unsafe products.<sup>10</sup>

MCA’s procedures and measures are clearly defined, giving them a free hand to act on behalf of right-holders. Even in cases of suspected counterfeits or equipment used to produce them, MCA can act ex officio after receiving a formal request from the right owner to do so. All trademark owners have the right to file a request<sup>11</sup> for the MCA to proactively protect his property from counterfeiters. This request includes a detailed description of the trademark as well as technical information helpful in differentiating between counterfeit and genuine goods. By approving the application, MCA commits to detain and immediately notify the right-holder and owner of every suspicious shipment of goods received over the course of 1 year.



Source: State Office of Industrial Property presentation at UNECE – SOIP Sub-regional seminar on the commercialization and enforcement of intellectual property rights in Skopje, Macedonia on April 2, 2009. Data covers Jan 31, 2008 – Jan 31, 2009 period.  
NOTE: Data includes all IPR-related activity including but not limited to, trademark protection.

<sup>8</sup>See *Intellectual Property Protection and Enforcement Manual: A Practical and Legal Guide for Protecting Your Intellectual Property Rights* (available at: <http://www.uschamber.com/assets/gipc/BrandProtectionFinal.pdf>).

<sup>9</sup> More specifically, the Department for Non-Tariff Measures covers IPR issues within MCA.

<sup>10</sup> MCA success stories are regularly published in English at: <http://www.customs.gov.mk>.

<sup>11</sup> The “Application for Action by Customs Authorities under Article 6 paragraph (1) of the Law on Customs Measures for Protection of Intellectual Property Rights” is available in English at: <http://www.customs.gov.mk> under Import-Export>Intellectual Property.

When MCA detains suspect goods, right-holders are given 10 days to prove their counterfeit nature or they will be released. MCA is obliged to provide right-holders with details on the owner of the suspect goods, their country of origin/designated country and the intended recipient. If requested, MCA must also allow access to the suspect goods for examination and sampling purposes. The right-holder may only use this information and evidence to exercise their rights. While this investigation takes place, all expenses are borne by the right-holder, even if the goods are not confirmed to be counterfeit. If the right-holder confirms the counterfeit nature of the goods and the counterfeit owner signs a consent form, the goods are automatically transferred to the right-holder for disposal. A non-response from the owner of the counterfeits within max 20 days is equivalent to their consent.

To take advantage of this service, trademark owners must pledge to cover all expenses arising from it and accept liability in cases of misconduct by any party involved in the procedure. This includes damage done to detained goods and in the investigative process. In practice, right holders often bear the costs of storage and destruction of counterfeit and illicit goods since the producer of the goods often cannot be identified or located when compensation is sought via a lawsuit. Illogically, this policy punishes the victim of the crime and deters at least some right-holders from exercising their rights. It is also important to note that MCA is not liable for damages caused to right-holders when counterfeit goods are not detected or detained, even in cases where an application for action was approved.

### Judicial System Protection

Given the relatively small size of the economy and tendency to prefer out of court procedures, a small number of IPR-related cases reach the courts each year. There is a general sense in the business community that the courts do not respond in a timely manner to such cases and often lack the necessary expertise in this area of the law, given its rare application in the courts. This is at least partially due to a dearth of data on the number, length, and effectiveness of such procedures, as well as information connecting the actions of other government agencies (e.g., Customs) with its ultimate outcome in the court system.



Courts with jurisdiction in IPR-related cases are the Basic Courts of First Instance, Courts of Appeal and the Supreme Court. Judicial protection of IPRs is provided by protection granted in civil law and criminal law as well as administrative and judicial protection. The law on industrial property also provides court protection before the Administrative Court of Macedonia.

Swift action is extremely important in IPR violation cases to contain the problem and retain evidence. In Macedonia, right-holders can request that courts rule swiftly on whether a violation of IPRs exists and order the market removal, seizure, detention and/or destruction of infringing goods. Right holders can also seek temporary injunctions (e.g., cease and desist orders) though the pace at which each of these steps is executed is cause for some concern in the business community.

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<sup>12</sup> Presented data source: State Office of Industrial Property presentation at UNECE – SOIP Sub-regional seminar on the commercialization and enforcement of intellectual property rights in Skopje, Macedonia on April 2, 2009. Data covers Jan 31, 2008 – Jan 31, 2009 period. NOTE: Data includes all IPR-related activity including but not limited to, trademark protection.

Intentionally deceiving customers by misusing another's trademark is a crime in Macedonia. The country's criminal code allows for imprisonment for up to 3 years, fines and confiscation of the infringing goods. Infringers are held liable for damages as defined in the country's Law on Obligations. In cases of intentional violations or those involving gross negligence, right-holders can request a 200% increase of the standard fine, even in cases where this exceeds actual material damages.

Macedonian law enables right-holders or any interested party to petition the Public Prosecutor to bring charges against violators of IPRs. In cases where the Public Prosecutor finds that the State has no interest into bringing charges against the violator, right-holders are entitled to bring private criminal charges against the violator. In criminal cases, the right-holder assumes the role of private prosecutor and/or damaged party and the criminal verdict can serve as the basis for civil lawsuits in order to seek compensation of damages.

### State Market Inspectorate Role

The State Market Inspectorate (SMI) is charged with supervising the sale and usage of IPRs in the Macedonian marketplace. SMI can request police assistance to encourage compliance when carrying out routine supervision or when enforcing a decision, though this almost exclusively done in high-profile cases organized by the IPR Coordinative Body. SMI's activities can be performed in response to a right-holder request or ex-officio.

Upon receiving a right-holder request, SMI orders the goods' removal from the marketplace within a specified timeline. If the legal entity or person does not respect the order, the inspector may revoke the individual or company work permit for 15-30 days, seal the premises and confiscate the related goods, equipment and/or assets. The confiscated goods are immediately delivered to the competent court and destroyed upon reaching a guilty verdict. SMI inspectors can additionally be empowered to confiscate material gains made as a result of violating IPRs.

### 2008 State Market Inspectorate IPR Enforcement Results



Source: State Office of Industrial Property presentation at UNECE – SOIP Sub-regional seminar on the commercialization and enforcement of intellectual property rights in Skopje, Macedonia on April 2, 2009. Data covers Jan 31, 2008 – Jan 31, 2009 period.  
NOTE: Data includes all IPR-related activity including but not limited to, trademark protection.

In cases where SMI suspects a violation of IPRs, SMI can remove the suspect goods from the market and immediately notify the right-holder. Right-holders must then respond with a request for IPRs protection within 3 days. Similar to Customs, the SMI request passes full liability to the right-holder including for: actions taken by all parties in the enforcement process, in case s/he acts or fails to act in due course and/or if no IPRs violations are found.

SMI inspectors must initiate criminal charges in cases with solid grounds. In all cases, inspectors must initiate a misdemeanor procedure before the competent court, though they may offer the offender a settlement before doing so. Right-holders can include their request for compensation as part of the misdemeanor proceedings.

In cases where SMI finds there are insufficient grounds to initiate a misdemeanor procedure ex-officio, the right-holder can do so on their own.

## **Trademark Exhaustion in Macedonia**

Pursuant to the Law on Industrial Property, trademark owners do not have the right to prohibit use of a trademark for goods or services sold on the domestic market by himself/herself or by his/her consent, except in cases where there have been essential modifications made to the goods, their characteristics, or modification of the goods or services made after they have been placed on the market (national exhaustion).