

PAPULA  NEVINPAT



IP Trends in Russia

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Introduction

Who we are!

Why Papula-Nevinpat?

Who we are!

- A globally recognized patent, trademark and design agency, founded in Helsinki, Finland, in 1975 by Mr. Antti Papula
- Head office located in Helsinki
- Strong presence in Russia and Eurasia since 1990
- We provide services in all former Soviet Countries: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan
- More than 150 IP experts to serve our clients worldwide

Why Papula-Nevinpat in the Russia-Eurasia region?

- Strong expertise in Russia resulting from groundbreaking work – Papula-Nevinpat was the first foreign IP company in Russia (1990) and we continue to be one of the biggest foreign IP operators there
- One single point of contact – one-stop-shop for IP prosecution in the Russia-Eurasia region
- Cost & time effective
- Extensive experience in cultural, language and practical issues
- Western values meet eastern practice
- Tailored processes including centralized communication and reporting

Our way of working

- We make complicated issues simple
- You will have your personal IP guide during the whole process
- We act promptly – your case won't be left waiting
- West meets East!
- No language or cultural barriers

Key facts and statistics – Russia

Russia is still of interest!

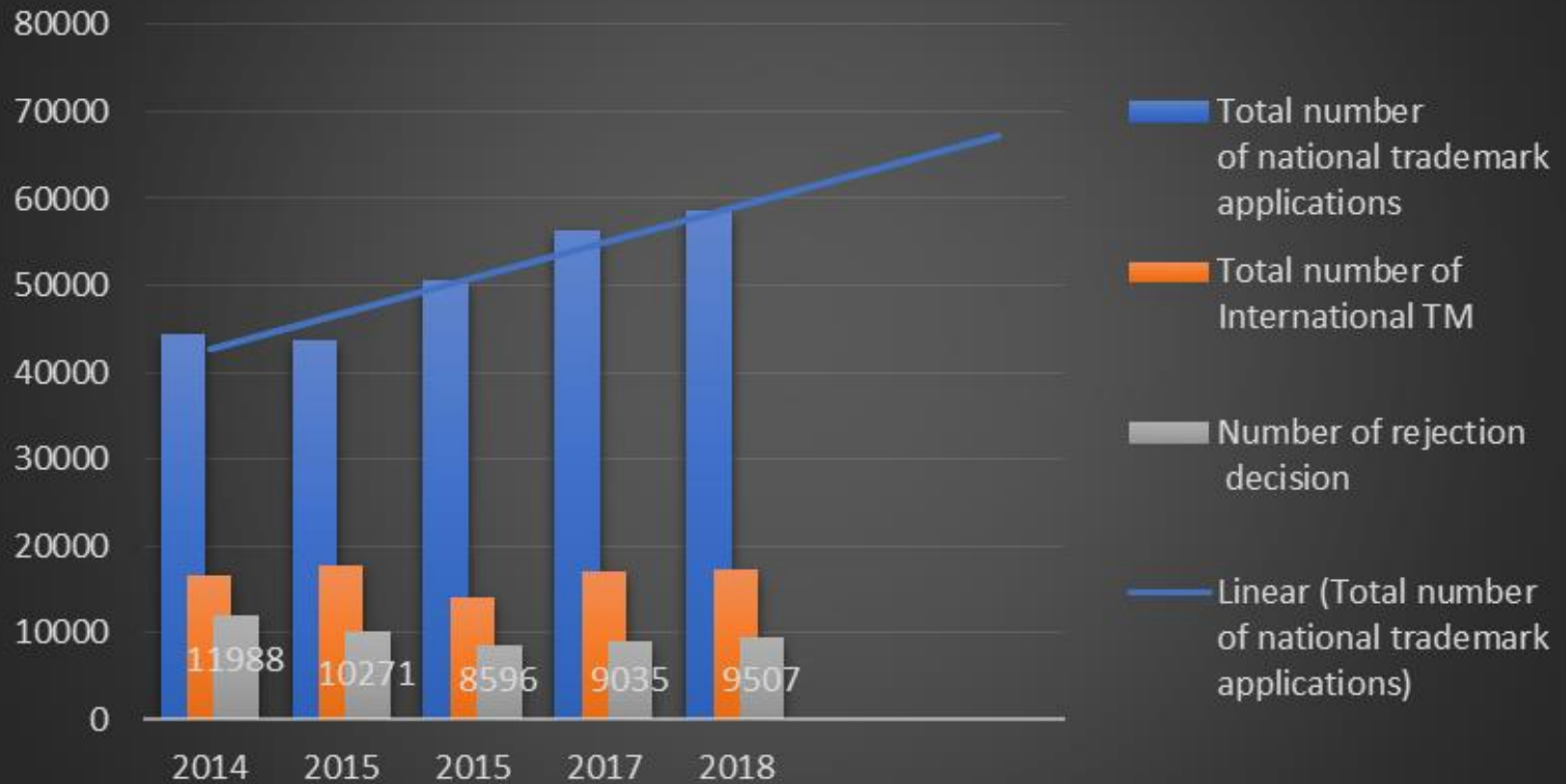
Key facts – trademarks in Russia

- Full examination
- Latin and Cyrillic characters
- Registration process about 10-12 months
- Preliminary opposition process available before acceptance
- Letters of consent are accepted
- Oppositions at the Patent Office available after grant – 5 years from the registration
- Strict requirements towards documentation in general
- Practices change often

Statistics of trademark filings in Russia

	2014	2015	2016	2017	2018
Total number of national trademark applications	44476	43762	50639	56332	58658
Total number of International TM	16712	17715	14123	17178	17404
Number of rejections	11988	10271	8596	9035	9507

New trademark filings in Russia



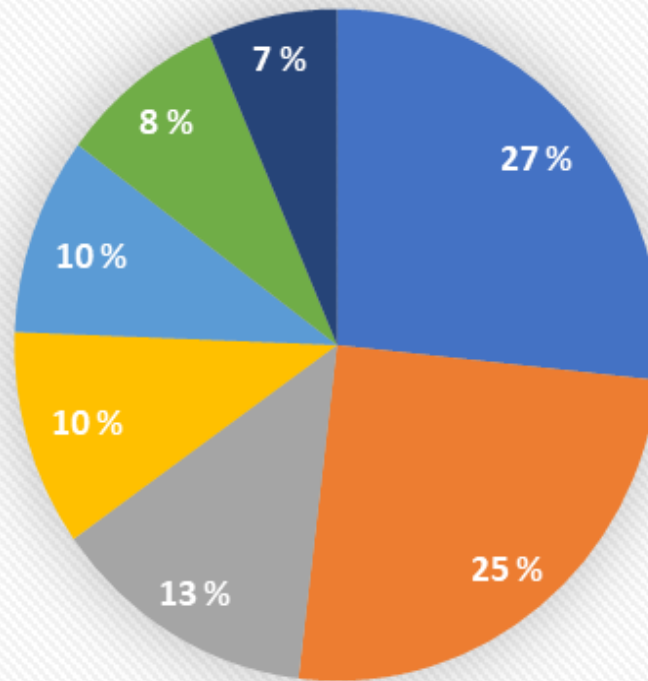
National applications

	2014	2015	2016	2017	2018
Russian applicants	34174	34304	41523	46600	49122
Foreign applicants	10302	9458	9116	9732	9536
Total	44476	43762	50639	56332	58658

National trademark applications



Top foreign filers in 2018



■ USA
 ■ China
 ■ Germany
 ■ France
 ■ Switzerland
 ■ Italy
 ■ Japan

Eurasian trademark

New option to protect a trademark



Eurasian trademark

- Eurasian Economic Union (created 2015)
- “Treaty on the Eurasian Economic Union (Protocol for the Protection and Enforcement of Intellectual Property Rights)”
- Current Member states: Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia
- Agreement signed
- Still few practical issues to be decided
- Will start operating after 2020, when instructions, rules for the implementation of the overall process and technological documents will be adopted

Eurasian trademark

- Similar system with Madrid Agreement / Protocol
- No unified Office for EAEU trademarks
- Joint co-operation of Offices of all EAEU countries
- Unified Register of EAEU trademarks
- “Simply, faster and cheaper registration procedure”

Eurasian trademark

- “One application, one registration”
- Application must be filed in Russian language with PTO of any EAEU country
- Foreign applicant must appoint a representative among trademark attorneys of EAEU countries
- Receiving office conducts formal examination
- Substantive examination is conducted by national offices of member states
- Examination results of the national offices are sent to the receiving authority, which accepts the registration
- Time limit for examination is 6 months

Parallel import – legal or not?

Case study

Parallel import

- The parallel import regime has undergone significant transformations over time
- For a long time practice was uniform and clear: parallel import was prohibited
- Grey goods imported into Russia without the consent of the trademark owner were considered counterfeits
- Parallel imported goods were subject to the same treatment as counterfeit goods – Civil action at the Court

Parallel import

- Parallel importers started lobbying for the liberalization of parallel import
- Federal Anti-monopoly Service was closely involved to launch a liberalization campaign
- Discussions lasted for several years without any progressive result
- FAS eventually proposed a compromise: limited groups of goods (eg. automobile spare parts, pharmaceutical products and medical equipment) should be allowed to be imported without the trademark owner's consent

Parallel import

- Next Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan set up the Eurasian Economic Union (EAEU) in 2015
- The members of the EAEU agreed on the regional exhaustion of rights:
 - goods which have been legally imported or sold within EAEU territory by the trademark owner or with the owner's consent can be freely resold or exported to another member state of the EAEU.

Case study – Sony decision

New approach

Case study – Sony decision

- During the discussions, Russian Courts continued issuing judgments against parallel importers
- In 2015 Russian company PAG Ltd imported thermal paper bearing SONY trademark for healthcare ultrasound machines from Poland
- The import was not authorized by the trademark owner, Sony Corporation
- Sony seized the imported paper and sued PAG, asking the Court to:
 - prohibit illegal use of the SONY trademark
 - confiscate and destroy the imported goods
 - collect monetary compensation from the infringer

Case study – Sony decision

- Sony was successful in all court instances
- PAG tackled the problem from a different angle and complained to the Constitutional Court, arguing that several provisions of the Civil Code that could be applied to parallel importation were unconstitutional
- The Court examined the issue of parallel import and issued the final decision on 13 February 2018
- It recognized that parallel import create a conflict of interest between trademark owners and parallel importers
- The Court confirmed the principle of regional exhaustion of rights in Russia as part of the EAEU, meaning that – by virtue of law – parallel import in Russia is prohibited

Case study – Sony decision

- However, this principle should not be applied automatically or without consideration for all circumstances, including the good faith of the trademark owner
- The Court stated that the globalization of world trade and economic penalties imposed on Russia have brought the legal issue of exhaustion of rights to the fore and it should now be considered with greater attention
- The court pointed out that *“a trademark owner may abuse its exclusive right and either limit the supply of goods to the Russian market or determine its pricing policy in such a way that the prices for its products are inordinately high.”*
- *“Trademark owners should also be prohibited from abusively using their trademark rights to restrict the import of certain selected goods of public interest (i.e. drugs and life-support equipment) or providing overpricing policy in Russia in comparison with other countries.”*

Case study – Sony decision

- According to the decision, damage suffered by a trademark will differ according to whether the owner is selling unauthorised original goods or counterfeit goods
- Therefore, recognising a trademark owner's right to prevent the unauthorised import of goods to Russia, the Court ruled that the legal consequences for the same actions with respect to grey products and counterfeit goods should not be the same
- Parallel import should be prohibited only:
 - if the goods are of low quality
 - for reasons of security
 - to safeguard people's health and life
 - to protect the environment and cultural values.

Case study – Sony decision

- Sony's case against PAG was sent back to the first-instance court for reconsideration
- Sony stated that the imported thermal ultrasound paper should have been used within three years of manufacture
- The paper was no longer suitable for use. Thus, PAG was unable to guarantee that the goods remained in usable and acceptable quality
- The claims of Sony were accepted and goods were destroyed

Case study – Sony decision

- It is still possible to enforce trademark rights against parallel imports in Russia
- In some circumstances parallel import seems to be legal
- It seems that the Constitutional Court decision is a compromise caused by the economic penalties imposed on Russia by some countries
- The Court could not introduce international exhaustion of rights because Russia is a member of the EAEU, which has adopted the principle of regional exhaustion

Cancellation action due to non-use

Case study

Cancellation action due to non-use

- Registered trademarks should be used within 3 years from the registration date
- The mark should be used in the registered form, slight variations acceptable
- No *ex officio* control over the use
- The use has to be proved only in the cancellation action claimed by a third party
- The cancellation action due to non-use is filed before the IP Court

Cancellation action due to non-use

- Can be initiated only by an interested person
- The law does not define "proper interest"
- Practice has been strict: only pending TM application is not enough
- The burden of proof is high, the IP court requires real and genuine use

Cancellation action due to non-use

- The goods marked with the registered trademark needs to be entered the Russian market officially:
 - Customs documents
 - Agreements with the local reseller etc.
 - Payments of the invoices
 - Proof of local manufacture, if any
 - Advertisements, webpages, etc. only supporting evidences

Cancellation action due to non-use

- Pre-court process adopted
- Warning letter must be sent before filing the claim
- Owner has 2 months to response
- Withdrawal of the registration or assignment voluntarily
- Only after expiration of 2-months period cancellation action can be filed at the Court
- RISK: bad faith actions of the owner

Cancellation action due to non-use

- Correspondence may often be sent to the trademark holder directly!
→ Important to keep the contact details updated before the Patent Office
- The cases should be well-prepared when filing the action
- All evidence should be presented when filing the action

Case study

Non-used trademark was an obstacle for registration of a trademark application

Case study

- Warning letter was sent on 16 April 2018
- Two-months period to respond expired on 16 June 2018
- Due date 16 July 2018 to file a Court claim (1 month after expiration of the two-months period to respond)
- On 18 June 2019 the assignment of the non-used mark was registered by the Patent Office, the online database was not updated at the time of filing the claim

Case study

- Court claim was filed in time, the Defendant was the prior owner of the mark as was indicated in the open database
- Claim was accepted for consideration by the Court
- During the preliminary Court hearing the representative of the other party informed about the recorded assignment

Case study

- Request to join the new owner as a co-defendant to the Court proceeding was accepted
- Request to change the defendant was approved on 8 October 2018
- As the new mark owner is a foreign company - more time was needed to inform the other party properly about the case

Case study

- On 21 February 2019 the Court dismissed the case and considered that the pre-trial dispute resolution procedure was not applied properly as the pre-trial letter was not sent to the new owner of the non-use mark, i.e. the actual Defendant
- Need to re-start the process
- Other party got time to start the use
- Assignment only is not considered use of the mark

Notes

- Assignment was filed before sending the warning letter, but information of pending assignment was not available
- Official owner check before filing the claim takes time, database check not reliable
- Precautionary measures – not common in Russia
- Use of the trademark after sending the warning letter will not be taken into account but here the Court required sending a new letter
- Assignment only is not considered use of the mark
- Law does not prohibit the assignment during the Court process – need for the law change?

Conclusion

- Statistics show that despite of sanctions imposed against Russia, protecting trademarks in Russia is still of interest
- Eurasian trademark system offers new way to protect trademarks
- Parallel import – legal and not
- Use of a trademark is compulsory
- Cancellation action process due to non-use has defects, namely assignment of the marks during pretrial process possible

Thank you for your attention!

Questions?

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