

INTELLECTUAL PROPERTY

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RUSSIA & UKRAINE: THE NEW IP LANDSCAPE

By Riikka Palmos

Among the devastating and far-reaching consequences of Russia's attack on Ukraine in February 2022, IP in the region has been affected. In particular, the sanctions imposed on Russia and the counteractions of Russia against "unfriendly" countries have raised uncertainty and concern among IPR holders.

The protection of IPR has not been defined as a sanctionable activity. At first, the exclusive rights related to IP became a means of politicking and pressure, but now the situation is much calmer. From a purely legislative point of view, the situation is not that alarming.

Protection of and respect for IPR in Russia has historically been high. The legislation and the practices of the Russian IP court have been up to date. Russia has also made great efforts to develop the IPR field during the last few years.

Restriction of exclusive IPR

In response to sanctions, Russia has made some decisions and put in place new laws that enable the state – under specific circumstances – to restrict exclusive IPR. However, in accordance with the new legislation, all restrictions must be well justified (e.g. to ensure the safety, health and wellbeing of Russian citizens). In practice this means, for example, ensuring the availability of medicines, food and other vital commodities.

To ensure the availability of vital commodities, the following restrictions to exclusive IPR are possible:

- Possibility to grant a compulsory licensing without any compensation to the patent holder from an "unfriendly" country to Russia,
- Parallel import of certain goods has been allowed,
- Despite different rumours and discussions of nationalising foreign IPR, no severe interference to exclusive rights has been implemented,
- Non-fulfilment of civil obligations – amendments are being made to many laws in order to deal with non-fulfilment of civil obligations due to sanctions, for example the impossibility to pay license royalties due to sanctions will not be considered as violation of license agreement.

Parallel import

Decree-law no. 506 of 29 March 2022 allows parallel import for certain goods into Russia. Parallel import means import of original goods without the consent of a rights holder. The new law now allows non-authorised distributors to import goods into Russia, avoiding official distribution channels. Previously, parallel import without the consent of the rights holder had been prohibited.

The reason for allowing parallel import at this stage is obvious – this approach will guarantee the shipment of goods into Russia in a situation where many foreign companies have left the country or scaled down their business. Russian retailers, which in the current circumstances find it difficult to obtain foreign goods, have expressed their support for legalising parallel import.

Parallel import is allowed only for certain specific goods and the list of goods and companies is published by the Ministry of Industry and Trade. The list is regularly updated and new brands are included and also excluded from the list. The list mainly includes goods of companies which have left the Russian market. The practice has shown that the Ministry of Industry and Trade is IP holder friendly and some companies have even managed to get out of the list by contacting the Ministry with well-grounded reasons. Such reasons to be removed from the list can include fulfillment of contractual obligations, availability of products at the Russian market, and supply of products to Russian enterprises.

The First Deputy Head of the Federal Customs Service reports that after the permission of parallel import, its volume increased by 12%. As of the end of October, 1.6 million tons of various goods worth \$12.6 billion have been imported to Russia. Mainly electronics, appliances, consumer goods, clothes, perfumes are imported.

An interesting fact is that international trade with Russia has continued this year despite the sanctions. According to the New York Times, the analysis of trade data shows that the volume of imports to Russia as a whole has decreased, but several countries, such as Belgium, China, Japan, Spain and Turkey have increased the volumes of deliveries.

Can IPR still be protected and maintained?

The answer is yes – the Patent Offices of Russia and Ukraine are operating, despite disruptions in Ukraine and sanctions in Russia. The prosecution of IPR continues as usual. Payments of official fees to the Russian Patent Office (Rospatent) may be problematic but can be still paid through non-sanctioned banks. No state of war has been declared in Russia and thus, force majeure rules do not apply, whereas the martial law, which is currently in force in Ukraine, allows suspension/restoration of IP deadlines within 90 days from the date of repeal of the martial law.

Currently, ongoing reorganisation of the Patent Office of Ukraine has caused some delays in the Office processes. The reorganisation is a part of the IP law reform which started already in 2016. Although the timing of the reorganisation seems a bit strange, the new organisation should benefit the IP applicants.

The Patent Offices’ statistics show that from January to July 2022 the amount of trademark applications in Russia surprisingly increased by five per cent compared to the same period in 2021. However, the increase comes from Russian filers – filings from foreign companies dropped by 15.5%. In Ukraine, national filings dropped by more than 40%, but the amount of international trademark applications remained almost the same.

Enforcement of rights

Trust in the Russian judicial system is at stake and the burning question is whether foreign companies can get any fair IP decisions in Russia. This is a very justified question in circumstances where overall trust and safety are at stake and local companies and individuals try to take advantage of the situation.

In Q4-2022, Rospatent received hundreds of trademark applications filed by local businesses for trademarks owned by foreign trademark holders, mainly trademarks of companies leaving Russia. The situation caused panic and many trademark holders became extremely concerned. Luckily, Rospatent reacted and announced that:

- In accordance with the legislation, they need to publish all applications filed,

- This does not mean that the applications will be registered,
- All applications are thoroughly and legally examined,
- Prior rights will hinder registration of identical or confusingly similar trademarks.

Instagram
adidas



Samples of bad faith trademarks filed at Rospatent

Although Rospatent will most probably refuse these bad faith applications, the right holders should be awake and actively oppose the applications, when necessary. If companies have not registered their rights in Russia in the first place, third parties may succeed in these bad faith registrations.

To maintain IPR requires various measures, such as payment of renewal and annuity fees as well as proper use of the rights in the local market. Trademark use requirements may be difficult to fulfill in the circumstances where business has been interrupted. Therefore, it is worthwhile to start considering alternative strategies to safeguard the rights, such as licensing or re-filing existing rights.

Current legal praxis

Based on several recent court decisions it seems that the judicial system is working properly. IP right holders can still trust the Russian court system. The grounds for different court decisions show that, at least currently, the decisions follow the law.

Although local parties to disputes try to challenge IPR of companies from unfriendly countries and refer to national interest of Russia to cancel existing rights of foreigners, the courts have systematically confirmed that equal protection of intellectual property of foreign companies must be guaranteed in the Russian Federation and that defining some countries as unfriendly to Russia does not exclude the possibility of companies from such countries to enforce IPR in Russia.

The head of Rospatent has also stated that *“the legal protection of trademarks of foreign companies is in the interest of the Russian consumers and neither foreign companies in Russia nor Russian companies abroad have faced any politicised decisions”*.

What does the future look like?

Uncertainty and exceptional circumstances are of course a concern. However, it seems that as

long as products are available at the market, the situation is calm. A recent development is that many Asian products are taking over the void left by the European and U.S. products exiting the Russian market. Therefore, there is a need for a functioning IPR system also from this perspective. Asian companies are now filing more applications.

Defending one’s rights after withdrawal from the market may be complicated, especially as time passes and the rights are not used as stipulated by legislation. This situation may soon become a real challenge for IP holders.

Bad faith actions and new sanctions including counteractions to sanctions may change the situation rapidly. However, currently it seems unlikely that Russia is planning to wreck the IPR system, as it’s one of the cornerstones of business operations for local companies too – not just for foreign ones.



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Before Papula-Nevinpat, Riikka worked at Unilever Finland as an assistant IPR attorney.

Riikka has 25 years of experience in trademarks in Russia and other countries of the former Soviet Union, including changes in the trademark legislation and practices, licensing and assignment of trademarks, protection of well-known trademarks, registration of domain names, registration processes as well as infringement and litigation issues in the Russian Patent Office and Courts. Riikka also has experience in Finnish and EU trademark processes, and she handles cases relating to international trademarks. In addition, she is the head of Papula-Nevinpat’s Legal Team in Russia.



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