

Newsletter Russia

INTELLECTUAL PROPERTY PROTECTION IN RUSSIA DURING THE CRISIS: MYTHS AND REALITY



In today's complex economic and political environment in Russia, decisions are made every day that affect business interests in one way or another. Practice shows that the new legal landscape can be difficult to navigate even for Russian courts, which sometimes issue unreasonable judgements, and for state authorities, which are forced to adopt regulations at an accelerated pace, often resulting in ambiguities in legal regulation.

With time, the texts of regulations are refined, and court judgements get overturned.

However, when trying to find information on intellectual property protection in Russia, popular search engines still show headlines such as "*Kein IP Schutz in Russland für EU Unternehmen*" (EU Companies' Intellectual Property Is Not Protected in Russia), "*Has Russia Legalised Intellectual Property Theft?*", and "*How Russia Is Using Intellectual Property as a War Tactic*".

In this overview, we will look at current myths and at what is now the reality when it comes to the protection of intellectual property in Russia.

Myth No. 1: Trademarks of foreign right holders are not protected in Russia

This misconception was caused by the world-famous Peppa Pig case, which was heard in the first instance by the Commercial Court of the

Kirov Region.^[1] The dispute concerned the use by a Russian entrepreneur of the trademarks and pictures associated with Peppa Pig without the consent of the right holder — Entertainment One UK Limited, a UK company.

The right holder claimed the standard monetary compensation provided for by Russian law for the unlawful use of trademarks and works.

However, the court found that the right holder had abused the right by seeking judicial protection *"In view of the restrictive measures imposed on the Russian Federation and the plaintiff's status (the plaintiff's place of residence is the United Kingdom)"*. Accordingly, the claim was dismissed.

Reality

This judgement was overturned by the superior court of appeal, the court's findings were verified by the Intellectual Property Rights Court of Cassation, and the right holder's claim for compensation was (partially) satisfied.^[2]

In addition, in similar cases where infringers cited the registration of right holders in so-called "unfriendly states"^[3] and demanded that their claims be dismissed on that ground, the courts protected the rights of foreign right holders and upheld their claims.^[4]

The Russian Federation is a party to the Protocol to the Madrid Agreement Concerning the International Registration of Marks dated 28 June 1989. In accordance with Article 4(1)a) of the Protocol to the Madrid Agreement, starting from the date of registration or entry made in accordance with the provisions of Articles 3 and 3ter, the protection of the mark in each contracting party concerned will be the same as if this mark had been applied for directly at the authority of that contracting party.

The right holders of international and Russian trademarks protected in Russia are entitled to file claims against infringers for monetary compensation in the amount of up to RUB 5,000,000 (approximately EUR 82,000), or double the value of the goods on which the trademark was illegally placed, or double the value of the right of use of the trademark, claims for restraint of violation, etc.

Thus, the equal protection of intellectual property of foreign entities, including those registered in so-called "unfriendly states", is guaranteed in the territory of the Russian Federation, and adequate judicial protection of rights is ensured.

Myth No. 2: All patents of foreign patent holders may be used in Russia free of charge

According to the current civil laws, the Government of Russia may decide to use an invention, utility model or industrial design without the consent of the patent holder.^[5]

The right in question is not unique in the world practice and is based on Article 31 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (the "**TRIPS**").

A decision to use a patent without the consent of the patent holder may only be taken by the Government of Russia in compliance with the criteria set forth in Article 31 of the TRIPS in cases of urgent necessity and for strictly defined purposes:

- to ensure the defence and security of the state; or
- to protect the life and health of citizens.

In practice, such permission is granted only occasionally:

- In 2020 the Government of Russia authorised^[6] Pharmsintez Joint-Stock Company to use inventions of the US companies Gilead Sciences, Inc. and Gilead Pharmasset, LLC for one year without the consent of the patent holders, in order to provide the Russian populace with pharmaceuticals with the international non-proprietary name Remdesivir.

- On 5 March 2022 the Government of Russia reauthorised the use of inventions of the US companies Gilead Sciences, Inc. and Gilead Pharmasset, LLC until 31 December 2022 without the consent of the patent holders in order to provide the Russian populace with pharmaceuticals with the international non-proprietary name Remdesivir.

As this is a case of non-contractual use of patents, the general rule is that compensation should be paid to right holders.

On 6 March 2022 the Government of Russia, by its Decree No. 299, in addition to the rate of 5%, introduced a 0% rate in respect of compensation to the right holders whose patents were used on the basis of the authorisation of the Government of Russia without the consent of

these patent holders. This rule applies to patent holders affiliated with foreign states that commit unfriendly acts against Russian legal entities or individuals.

Myth No. 3: Any goods may be imported into Russia without the consent of the right holder

The ability of right holders to control the import of trademarked goods into a country depends on the principle of exhaustion adopted in that country.

There are three such principles: international, regional and national. In the case of the international principle, once goods have been put into circulation with the consent of the right holder, the latter loses control over their subsequent resale worldwide in terms of intellectual property.

In the case of the regional or national principle, the right holder controls the import of its goods into each region or country, respectively.

In Russia, as before, the regional principle (within the EAEU) of exhaustion of the exclusive right to a trademark applies as a general rule: until the right holder gives its consent to the import of trademarked goods into the EAEU, this import will be considered to be illegal and may be prohibited by the customs authorities under certain conditions and by the right holder itself, for example, in a court of law.

However, the Government of Russia has made exceptions to this rule in respect of right holders who have declared a suspension of deliveries of their goods to Russia.^[7] Certain goods may now be imported into Russia without the consent of the right holder with whose trademark such goods are marked. This refers only to genuine goods, while counterfeit goods may not be imported in any case – such a ban is enforced through both administrative and criminal penalties.

The approved list^[8] is used to determine which goods are allowed for parallel import into Russia. Goods are only considered to be allowed for parallel import if the group of goods according to the customs nomenclature, the description of the goods, and the customs code (TN VED code) or trademark specified in the list coincide.

Thus, although parallel import is allowed, these rules are limited in nature. As a general rule, if the right holder makes the relevant goods available on the market, the risks of being included in this list are minimal.

[1] Judgement of the Commercial Court of the Kirov Region dated 3 March 2022 in case No. A28-11930/2021.

[2] Ruling No. 02AP-2571/2022 of the Second Commercial Court of Appeal dated 27 June 2022 in case No. A28-11930/2021; Ruling of the Intellectual Property Rights Court dated 19 October 2022 in case No. A28-11930/2021.

[3] A note on "Unfriendly States":

The Government of Russia has established a list of so-called "unfriendly states", which includes all EU countries, the US, the UK, Switzerland, and certain other countries. However, this list tends to have a specific application related to the fulfilment of obligations to certain foreign creditors, including right holders. However, this list is of no relevance for the purposes of trademark protection in Russia.

[4] Ruling No. 18AP-6139/2022 of the Eighteenth Commercial Court of Appeal dated 22 June 2022 in case No. A76-42835/2021 (Rovio Entertainment Corporation vs. Individual Entrepreneur Igbal Mamed Ogly); Ruling No. 09AP-33279/2022 of the Ninth Commercial Court of Appeal dated 19 July 2022 in case No. A40-162262/2020 (Medtronic, Inc. vs. OOO V-D-M); Ruling No. 05AP-1199/2022 of the Fifth Commercial Court of Appeal dated 1 April 2022 in case No. A51-20464/2021 (MGA Entertainment, Inc. vs. Individual Entrepreneur Olga Borisovna Savchenko), etc.

[5] Article 1360 of the Civil Code of the Russian Federation.

[6] Decree No. 3718-r of the Government of the Russian Federation dated 31 December 2020 authorising Pharmasintez Joint-Stock Company to use inventions without the consent of patent holders in order to provide the Russian populace with pharmaceuticals with the international non-proprietary name Remdesivir.

[7] Resolution No. 506 of the Government of the Russian Federation dated 29 March 2022 "On Goods (Groups of Goods) in Relation to Which Certain Provisions of the Civil Code of the Russian Federation on the Protection of Exclusive Rights to Results of Intellectual Activity Expressed in Such Goods and Means of Individualisation with Which Such Goods are Marked May Not Be Applied".

[8] Order No. 1532 of the Ministry of Industry and Trade of the Russian Federation dated 19 April 2022 "On the Approval of the List of Goods (Groups of Goods) in Relation to Which the Provisions of Subclause 6 of Article 1359 and Article 1487 of the Civil Code of the Russian Federation Do Not Apply, Provided That the Right Holders (Patent Holders) Put These Goods (Groups of Goods) into Circulation outside the Territory of the Russian Federation, and with Their Consent".

Kind regards,

Alexander Bezborodov

Attorney-at-Law, Partner. LL.M.

Alexander.Bezborodov@advant-beiten.com



Ilya Titov

Lawyer, Associate, LL.M.

Ilya.Titov@advant-beiten.com



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