ADVANT Beiten

PROTECTION OF INTELLECTUAL PROPERTY IN RUSSIA

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Sanctions pressure on Russia, logistics difficulties, as well as reputational concerns have forced many manufacturers to leave the Russian market, close or sell their subsidiaries to management or third-party investors, and withdraw from licensing, franchising and other agreements granting the right to use intellectual property to Russian partners. Certain right holders are even ready to abandon Russian intellectual property completely.

Abandoning the intellectual property itself or waiving the protection of it in Russia would be a rash decision that could cause Russia to become a “grey zone” beyond the control of the owner of the relevant intellectual property. There is no doubt that such a step would result in an increase in the number of counterfeit goods, Internet infringements, etc.

In this brochure we have focussed on the key challenges that foreign right holders may face or are already facing in Russia in protecting their intellectual property and effective ways to address them.

What intellectual property is protected in Russia?

As a rule, trademarks, inventions, utility models and industrial prototypes are legally protected through their registration with the Federal Service for Intellectual Property ("**Rospatent**").

Only national registration with Rospatent is permitted in the case of inventions, utility models and industrial prototypes. Another interesting option when registering the patent for an invention is the Eurasian Patent Organisation in Moscow. Here, the patent rights may be protected in Russia, Belarus, Armenia, Kazakhstan, Kyrgyzstan, Azerbaijan, Turkmenistan and Tajikistan.

As in the European Union, state registration of copyrights, neighbouring rights, and know-how is not mandatory in Russia. However, voluntary registration makes it possible to prove who is the *de facto* owner of the indicated assets.

Firm names are protected in Russia starting from the moment they are registered with the relevant register (e.g., the trade register in Germany or the company register in Austria) pursuant to the Paris Convention for the Protection of Industrial Property. The protection is effective as soon as the company concerned commences any activities in Russia, e.g., imports its goods, participates in trade fairs, etc.

Selective breeding results are protected in Russia, provided they are registered with the State Register of Protected Selective Breeding Results. That said, the reproduction and sale of agricultural plant seed lots and their importation shall be carried out only if the varieties of these plants are included in a separate register, the State Register of Selective Breeding Results Allowed for Use.

Trademarks and parallel imports

Both Russian trademarks registered under the national procedure with the Federal Service for Intellectual Property and international trademarks registered with the World Intellectual Property Organisation continue to be protected in Russia if their protection extends to the territory of Russia.

The possibility to protect the exclusive rights of foreign right holders to trademarks was challenged by the Commercial Court of the Kirov Region in 2022.[1] The court denied the right holder of trademarks and images related to Peppa Pig (the British company Entertainment One UK Limited) the protection of exclusive rights, claiming that the right

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

holder is registered in a so-called “unfriendly country”, the list of which was approved by the President of Russia. However, the higher courts recognised this conclusion as unlawful and upheld the right of a right holder, even one from a so-called “unfriendly country”, to protect its exclusive rights in Russia.[2]

Even after this ruling, the infringers continue to try to refer to the registration of right holders in so-called “unfriendly countries”, but unsuccessfully.[3]

The legalisation of parallel imports has much more significant implications for the protection of exclusive rights to trademarks in Russia: Original goods branded with a trademark protected in Russia are imported into Russia without the authorisation of the right holder of this trademark.

Parallel imports are only allowed in respect of specific goods and specific trademarks included in a special list of the Ministry of Industry and Trade of the Russian Federation, the latest version of which has been in force since 4 November 2023.[4] The legalisation of parallel imports has affected a wide range of goods: alcoholic beverages, fuel, chemical products, pharmaceutical products, plastics, leather and fur goods, metal products, electrical machinery and equipment and many others.

Formally, parallel imports are allowed until the end of 2023.[5]

[2] Ruling of the Intellectual Property Rights Court No. C01-1871/2022 dated 19 October 2022 in case No. A28-11930/2021.

[3] The Judgment of the Commercial Court of the Pskov Region dated 25 March 2022 in case No. A52-81/2022; the Judgment of the Commercial Court of the Chelyabinsk Region dated 29 March 2022 in case No. A76-42835/2021; the Judgment of the Moscow Commercial Court dated 31 March 2022 in case No. A40-162262/2020, etc.

[4] Order of the Ministry of Industry and Trade of Russia No. 2701 dated 21 July 2023 “On Approval of the List of Goods (Groups of Goods) in Respect of which the Provisions of Articles 1252, 1254, Clause 5 of Article 1286.1, Articles 1301, 1311, 1406.1, Subclause 1 of Article 1446, Articles 1472, 1515 and 1537 of the Civil Code of the Russian Federation do not Apply, Provided that the Said Goods (Groups of Goods) are Put into Circulation Outside the Territory of the Russian Federation by the Right Holders (Patent Holders), as well as with their Consent”.

[5] Clause 1 of Article 18 of Federal Law No. 46-FZ “On Amending Certain Legislative Acts of the Russian Federation” dated 8 March 2022.

The list looks as follows (example):

Group of EAEU Commodity Nomenclature of Foreign Economic Activity	Name of Goods	Code of EAEU Commodity Nomenclature of Foreign Economic Activity
30	Pharmaceutical products	23) 3002 12 000 9 Miltenyi Biotec

Based on the above example, we can conclude that pharmaceutical products under customs code 3002 12 000 9 labelled with the Miltenyi Biotec trademark may be imported into Russia without the authorisation of the right holder. However, an authorisation must be obtained in the ordinary way for all other pharmaceutical products from other manufacturers under customs code 3002 12 000 9.

The legalisation of parallel imports was originally conceived as a means to meet Russian consumers' demand for original foreign goods. However, in practice, the customs authorities have refused to verify the original origin of goods imported into Russia as part of parallel imports.[6]

As a result, this decision of the customs authorities has had two implications that affect foreign right holders:

On the one hand, foreign right holders whose trademarks are entered in the Customs Register of Intellectual Property and are also on the list for parallel imports are not notified of the import of their trademarked goods into Russia by third parties (unauthorised importers), and the release of these goods is not suspended by the customs authorities. This means that the right holder cannot assist the customs authorities in identifying counterfeit goods labelled with its trademarks.

[6] According to Mr. Shikhranov, the Head of the Department for Ensuring Control of Goods Containing Intellectual Property of the Directorate for Trade Restrictions, Currency and Export Control of the Federal Customs Service of Russia, the Federal Customs Service of Russia has sent "clarifications to the customs authorities [...] so that [they] do not request any additional documents that can prove the legality of the [...] introduction of [...] goods, in the territory of foreign countries, as the customs authorities can neither verify these documents independently, nor make sure of their authenticity, and, moreover, of the accuracy of the information contained in them" (Webinar of the Federal Customs Service of Russia on the topic "Relevant Issues of Protection of Intellectual Property Rights" dated 20 February 2023. Mode of access: https://vk.com/video_ext.php?oid=-200439676&id=456239604&hash=62626e4fd48bfba2&hd=2).

On the other hand, as practice shows, parallel importers experience difficulties confirming the original status of the goods to be imported. This is understandable, as no parallel importer wants to disclose the supply chain of original goods since this disclosure will most likely make it impossible to supply the goods in this way again. This brings an important positive conclusion for foreign right holders: in the absolute majority of cases considered by the Intellectual Property Rights Court on the claims of right holders or administrative authorities acting in response to the applications of the right holders (cases of administrative offences), the court defended the interests of the right holder or administrative authority and brought the importer concerned to civil or administrative liability. The main ground was that the importer had not disclosed the supply chain of the goods, i.e., it had failed to confirm their original origin, which is a prerequisite for parallel import of goods into Russia[7].

In addition, the procedure for inclusion of a trademark in the Customs Register of Intellectual Properties mentioned in this section has recently been simplified significantly. It is no longer necessary to prove the illegal use of the relevant trademark when importing goods into Russia. Previously, it took considerable time and financial resources to collect the relevant evidence. If a trademark is included in the said customs register and has not been authorised for parallel import, the right holder may still control the import of goods bearing such a trademark into Russia and, if necessary, protect its rights both in court and in administrative proceedings with the customs authorities.

[7] Ruling of the Intellectual Property Rights Court No. C01-2414/2022 dated 1 February 2023 in case No. A33-14168/2022; Ruling of the Intellectual Property Rights Court No. C01-2407/2022 dated 25 January 2023 in case No. A51-4937/2022; Ruling of the Intellectual Property Rights Court No. C01-2011/2022 dated 30 November 2022 in case No. A27-709/2022; Ruling of the Intellectual Property Rights Court No. C01-1912/2022 dated 20 October 2022 in case No. A51-1844/2022; Ruling of the Intellectual Property Rights Court No. C01-1299/2022 dated 19 October 2022 in case No. A40-222245/2021; Ruling of the Intellectual Property Rights Court No. C01-1271/2022 dated 19 August 2022 in case No. A72-16066/2021; Ruling of the Intellectual Rights Court No. C01-397/2021 dated 24 June 2022 in case No. A57-15596/2020; Ruling of the Intellectual Rights Court No. C01-796/2022 dated 14 June 2022 in case No. A52-5048/2021; Ruling of the Intellectual Rights Court No. C01-439/2022 dated 8 June 2022 in case No. A13-13172/2021; Ruling of the Intellectual Property Rights Court No. C01-599/2022 dated 2 June 2022 in case No. A21-3352/2021; Ruling of the Intellectual Property Rights Court No. C01-533/2022 dated 27 April 2022 in case No. A40-84838/2021.

Licence agreements and authorisations of right holders

Any licence agreement that grants the right to use registered intellectual property for a certain period of time is subject to registration with Rospatent, if the subject matter of such an agreement is the registered intellectual property (such as a trademark, invention, industrial prototype or utility model). Without such registration, all third parties (including banks and state authorities) will proceed on the assumption that there is no relevant licence agreement, which may have negative consequences for both the licensee and the right holder. It is irrelevant which law such licence agreement is subject to: The registration requirements of Rospatent apply to licence agreements in any case.

In this context, foreign companies often have to decide whether they should establish foreign law as the applicable law in a licence agreement with a Russian licensee. In this situation, it is worth bearing in mind that Russian legislation contains certain imperative regulations for licence agreements, although the parties may also determine a number of the provisions of the agreements independently. By contrast, German law does not contain any special regulations for licence agreements, which are instead subject to the general norms of contractual law and applicable judicial practice. Finally, the agreement must be enforceable in court. However, as there is no agreement between Germany and Russia on the recognition and enforcement of judgments by foreign state courts, we recommend selecting either an arbitration tribunal or a Russian state court (if enforcement is to be performed in Russia).

Since granting the right, for example, to a trademark under a licence agreement entails certain time and financial expenditures of the right holder, foreign right holders often limit themselves to issuing so-called written authorisations for the use of trademarks to their Russian partners. If there is a corporate connection between the right holder and its Russian partner (for example, the right holder is a participant of a Russian company), it is not necessary to enter into a licence agreement for the use of the trademark; the Russian company is assumed to use the trademark under the control of the right holder.[8] The right holder may also exercise control if the Russian company is included in the Customs Register of Intellectual Properties as an authorised importer.[9]

[8] Clause 3 of the Statement on the use of the trademark under the control of the right holder (Clause 2 of Article 1486 of the Civil Code of the Russian Federation) approved by Resolution of the Presidium of the Intellectual Property Rights Court No. SP-23/21 dated 7 August 2015.

[9] Resolution of the Presidium of the Intellectual Property Rights Court No. S01-330/2014 dated 27 June 2014 in case No. SIP-193/2013.

Infringement policies and internal documents of the company

We recommend drafting internal policies that establish a procedure for registering intellectual property and an action plan if infringements are identified.

These policies could establish specific infringements to be prevented (for example, only infringements that could result in a specific amount of losses), the person who will handle such infringements (some companies may have dedicated employees for this or use external consultants), the requirement for counterparties under agreements (licensees) to report any infringements that have come to light, and the frequency of the corresponding audits to be conducted by counterparties. The policies could also establish whether it is necessary to send a pre-court claim to the infringer or whether a claim in court or a statement with the police or the antitrust authorities can immediately be filed.

In addition, under the current conditions, an important internal document of the company will be the Regulations on the handling of applications by independent importers for authorisation to import original goods labelled with the right holder's trademarks into Russia. Such a document, which should specify the conditions for granting or denying the right holder's authorisation to import its goods into Russia, will help to avoid the antimonopoly risks that were faced by Daimler AG and KYB Corporation, which once ignored the applications of independent importers.[10]

[10] This refers to the decisions of the Federal Antimonopoly Service of the Russian Federation dated 18 September 2020 in case No. 1-14-163/00-08-18 (https://br.fas.gov.ru/ca/upravlenie-kontrolya-reklamy-i-nedobrosovestnoy-konkurentsii/8cfea32a-5dc8-49bc-b13a-19b4c8db9701/) and in case No. 1-14-164/00-08018 (https://br.fas.gov.ru/ca/upravlenie-kontrolya-reklamy-i-nedobrosovestnoy-konkurentsii/4b7249a3-2cf7-4f70-9b7e-defb0b0c453b/) dated 18 September 2020.

Possible claims for preventing the illegal circulation of original goods

If an infringement related to the import or sale of original goods that have been imported into the country without an authorisation of the right holder is identified, the trademark (or other intellectual property) owner is entitled to assert, *inter alia*, the following claims:

1) for prevention (i.e., termination) of a continuing infringement;

2) for damages or payment of compensation;

3) for the withdrawal from circulation and destruction of the goods.

It should be noted that, from 2018, claim (3) for the withdrawal from circulation and destruction of original goods imported into Russia without the authorisation of the right holder (parallel imports) may only be upheld by the court if it is found that the goods are of inadequate quality or to ensure the safety or protection of human life and health, nature and cultural values.[11]

If the relevant goods and trademark are also included in the list of goods for parallel imports, the above claims will not be upheld by the court, provided that the importer or seller of the parallel imported goods can prove their original origin, which, as a rule, they fail to do in the courts.[12]

[11] Resolution of the Constitutional Court of the Russian Federation No. 8-P "On the Case on the Verification of the Constitutionality of the Provisions of Clause 4 of Article 1252, Article 1487 and Clauses 1, 2 and 4 of Article 1515 of the Civil Code of the Russian Federation in Connection with the Complaint of PAG Limited Liability Company" dated 13 February 2018.

[12] See the judicial practice of the Intellectual Property Rights Court set forth in the section on "Trademarks and Parallel Imports".

Possible claims for preventing the circulation of counterfeit goods

The circulation of counterfeit goods is an administrative and, in some cases, a criminal offence.

The customs authorities and the police are mainly responsible for preventing the circulation of counterfeit goods. If counterfeit goods are identified during import, it is enough for the right holder to file an application to initiate administrative proceedings with the customs authority, which will independently conduct an administrative investigation and file a claim with the court to hold the infringer accountable. If the identified counterfeit goods are already in the country, a statement must be filed with the police in the same way.

For example, a legal entity that has illegally used the trademarks of the right holder may be held administratively liable up to an administrative fine of five times the value of the goods with confiscation of the goods.[13]

Similar criminal acts (committed by natural persons) may be punished by imprisonment for up to six years and a fine of up to RUB 500,000.[14]

Holding the infringer administratively or criminally liable does not prevent the right holder from filing civil law claims with the court, such as a claim for damages or monetary compensation.

Damages / Compensation

The successful filing and enforcement of damages is contingent on the ability to prove three facts: (1) the actual infringement, (2) the damages suffered, (3) a causal link between the infringement and the damages incurred.

In the event of an infringement of trademark rights, the filing of a claim for damages is not always a simple task. The damages incurred by the right owner often constitute lost profits. How to measure this amount is a disputed issue that must be resolved in each specific instance by the court. It is also hard to prove whether the lost profits were, in fact, the result of a specific infringement of the right to a trademark.

[13] Part 2 of Article 14.10 of the Code of Administrative Offences of the Russian Federation.

[14] Part 4 of Article 180 of the Criminal Code of the Russian Federation.

Unlike German law, Russian law offers the opportunity to file a lump-sum claim for the payment of compensation. The compensation constitutes a claim for payment of a certain amount of money to be recovered from the infringer as the liability for the infringement of the claimant's exclusive rights. In this case, neither the causal link between the infringement and the damages suffered nor the fact that it has suffered any damages whatsoever have to be proved by the claimant. To recover compensation from the infringer, the claimant that is a right holder need only prove the fact of the infringement of its exclusive rights. The amount of compensation may reach RUB 5 million or double the value of the counterfeit goods or the value of the right to use a trademark. However, it should be borne in mind that a court, when adopting a decision on the lump-sum amount of compensation, considers the nature of the infringement, the extent of the infringer's guilt, any previous infringements committed by the infringer, the number of counterfeit goods and other aspects, assessing them at its discretion. Based on the results of this assessment, the court is entitled to reduce the amount of compensation claimed by the claimant.

However, the Constitutional Court has clarified that the compensation for the import of original goods (illegal parallel imports) should be less than the compensation for the import of counterfeit goods.[15]

The compensation may be recovered not only for the unauthorised use of trademarks, but also for the unauthorised use of inventions, utility models and industrial designs, appellations of origin of goods, geographical indications, as well as works and objects of related rights (e.g., sound recordings and performances).

Domain disputes

Third parties (including official distributors of a foreign manufacturer) often register domains in the Russian Internet to sell them later to an interested company bearing the same name.

It has become more difficult for right holders to defend their exclusive rights to trademarks in domain disputes since 2019. The classic claim of a right holder in court is to recognise the administration of a domain by an infringer as an infringement of the exclusive rights to the right holder's trademarks. If such a claim is upheld, the right holder applies to the domain name registrar and is granted the right to administer the disputed domain.

[15] Resolution of the Constitutional Court of the Russian Federation No. 8-P dated 13 February 2018.

The challenge is that, as a general rule, the right holder needs to prove in court (1) the fact of administration of the domain by an unauthorised person (which is not difficult to prove) (2) in respect of specific goods, which must be homogeneous to those protected by the trademark.[16] Thus, as a general rule, a domain may not be "taken away" from a third party, unless it unlawfully hosts the website offering the right holder's goods.

Otherwise, the right holder will have to prove that the actions of the domain administrator in acquiring the right to the domain name constitute an act of unfair competition.

Practical recommendations

For the purpose of protecting rights to intellectual property in Russia, the following practical recommendations should be taken into account:

- even after leaving the Russian market, it is recommended that protection be maintained over the results of intellectual activity and means of individualisation in Russia, as failing to do so will turn Russia into a "grey zone" beyond the control of the right holder;

- trademarks that have not been included in the parallel import list must be registered in the Customs Register of Intellectual Property to combat counterfeit goods;

- internal company policies on the protection of the company's intellectual property and dealing with parallel importers should be prepared;

- infringements must be prevented and infringing parties must be routinely held liable — this will significantly reduce the number of offences in general.

[16] Clause 158 of Resolution of the Plenum of the Supreme Court of the Russian Federation No. 10 "On the Application of Part Four of the Civil Code of the Russian Federation" dated 23 April 2019.

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