

Newsletter

Novelties of Russian IP regulation in times of sanctions

May 16th, 2022

Dear Ladies and Gentlemen,

In the light of the current geopolitical situation, including severe counter sanctions and restrictions imposed by the Russian Government, we would like to provide you with an update on the current IP regulation in Russia.

- **Partial legalization of parallel imports**

On 29th March, the Russian government issued a [Decree No. 506 \(in Russian only\)](#) that temporarily legalizes parallel importation (the importation of original goods into the country, without the permission of the trademark owner), in relation to certain groups of goods. This is aimed at maintaining the domestic market and stabilizing prices.

The list of goods allowed for parallel imports is determined by the [Order No. 1532 of the Russian Ministry of Industry and Trade \(in Russian only\)](#).

This list includes certain groups of goods that can be imported into Russia, without the right holder's consent, if the goods correspond either to HS codes of EAEU listed in the Order, or produced under the listed trademarks by the right holder, or its authorized companies. The groups of such goods are, for example, leather goods, watches, clothing, footwear, ferrous metal products, musical instruments, electrical machinery, overland and maritime transport. The listed brands named include those which have left the Russian market, or suspended their business activity in Russia recently (e.g., Bentley, Land Rover, GMC, Siemens, Bosch, Hermes, Philips, Apple, Acer, etc.).

Therefore, any goods under the listed HS codes, or trademarks, can be imported by any legal entity, or person, into Russia, without right holder consent. The Federal Customs Service of Russia will not suspend the import of such goods and request the correspondent consent, as it did before.

The products listed still need to comply with the Russian requirements relating to certification, or declaration of conformity, for the purposes of the customs clearance. In practice, these conformity

procedures, in many cases, are available to the authorized representatives of manufactures.

Consequently, civil liability is excluded for the importation of products, by importers bypassing official distribution channels. At the same time, right holders still have potential tools to control gray imports on the territory of the Russian Federation and we will be happy to discuss them.

It is important to note that the import and sale of counterfeit goods is still prohibited and will continue to be punished.

Despite the partial and temporary legalization of parallel imports of certain goods, there are a number of actions that right holders can take to control the situation. Among them:

- A. Closer monitoring counterfeit products appearing in the market;
 - B. Amending agreements with distributors to restrict active, or passive, sales (with the due care of antitrust risks);
 - C. Adapting warranty terms;
 - D. Reviewing EAEU regulation regarding labeling of parallel imports;
 - E. Strengthening the trademark portfolio in the EAEU customs' registries (TROIS);
- **Changes to the rules on compensation when issuing a compulsory license**

On March 6th, 2022, [the Government Decree No. 299 \(in Russian only\)](#) was passed. According to the the Decree, the compensation amount, for the use of a patent, is 0% of the revenue of a person who uses the patent, without the consent of the patent holder associated with states which are committing unfriendly acts against Russian individuals and legal entities. Such patent holders are those who have a citizenship of an unfriendly state, or those whose place of registration, place of preeminent business activity, or place of

preeminent profit from the activity is considered to be an unfriendly state.

- **Draft law to prohibit unilateral modification/termination of licensing agreements**

[Draft law No. 92282-8 \(in Russian only\)](#) has been introduced to the State Duma, with the aim of regulating IP-related contracts concluded with legal entities and entrepreneurs from unfriendly foreign countries and international organizations. In May 2022, the Draft law will be considered by the Council of the State Duma and possibly submitted for 3 readings in the State Duma, consideration by the Council of the Federation and signature of the President.

As a default rule, in the context of Foreign Sanctions, it would not be allowed to exercise the right provided by law, nor contract, to unilaterally change, or terminate, IP-related contracts. The only exception to this rule relates to the material breach of the contractual obligations.

The term of an agreement, by virtue of which a Russian legal entity, or individual, is entitled to use IP, would be extended for the period of Foreign Sanctions, unless the said legal entity, or individual, notifies the counterparty of a unilateral refusal to exercise this option provided by law.

- **Practice of the Rospatent**

Rospatent (The Federal Service for Intellectual Property), is now operating in its regular mode. There is no restriction for filing intellectual property registration applications. The deadlines, set out in official documents for the various procedures, remain unchanged.

However, since March a huge number of Russian companies and individual entrepreneurs have begun to apply for registration of trademarks, similar to ones of foreign brands leaving the Russian market (in total, more than 100 applications).

In this regard, Rospatent [issued a statement](#) (in Russian only) that the existence of an earlier registered trademark of a foreign company is, as before, a direct obstacle to the registration of a "new" identical, or similar, trademark under Russian laws.

Though we do not expect the majority of such trademarks to be registered with Rospatent, such filings should be closely monitored for the effective protection of the brands, that were previously registered in Russia.

- **Enforcement practice in IP infringement disputes**

The court practice, on protecting intellectual property rights, remains the same, with some exceptions incurred due to the geopolitical crisis.

On 2nd March 2022, the Russian Arbitrazh Court of Kirovsk region dismissed [a claim \(in Russian only\)](#) on copyright infringement of a UK-based company against a Russian individual entrepreneur with reference to the fact that the UK had been previously recognized as an unfriendly state towards Russia. As the Court qualified the demand for infringement compensation in Russia, by the UK-based company, due to the background of the anti-Russian sanctions, imposed by the UK, as the abuse of right.

This position is rather an exception to the established court practice. Besides, there are the opposite court decisions in relation to the parties from unfriendly states.

The Moscow Arbitrazh Court [upheld a compensation claim \(in Russian only\)](#) filed by a US-based claimant. The court stated there were no grounds for the application of the provisions of counter-sanction Russian regulations¹, since the infringements had been taken place in 2019-2020. In addition, none of the counter-sanction Russian regulations provide an exemption of liability, in relation to trademark infringements. Thus, under such circumstances, the plaintiff's actions cannot be regarded as an abuse of right.

We consider that it is too early to make a conclusion on significant change in protection of foreign IP rights holders in, Russia based on the outcome of these cases. The further development of enforcement practice will depend on the decisions of special and competent Intellectual Property Court, which considers cases as a court of cassation appeal.

- **Position regarding the legalization of pirate software**

At the beginning of March, many media published articles stating that the Russian authorities were planning to allow the use of pirate software. However, the Ministry of Digital Development, Communications and Mass Media of Russia has made an official statement that it [does not approve \(in Russian only\)](#) the legalization of pirate software, due to the exit of a large number of vendors from the Russian market.

¹ Such regulations mainly include [Presidential Decree № 79](#) (in Russian only) and [Government Order № 430-r](#) (in Russian only) which determine the list of unfriendly states towards Russia.

We hope that the information provided herein will be useful for you. If any of your colleagues would also like to receive our newsletters, please let us know by sending us his/her email address in response to this message. If you would like to learn more about our **Intellectual Property Practice**, please let us know in reply to this email. We will be glad to provide you with our materials.

Note: Please be aware that all information provided in this letter was taken from open sources. Neither ALRUD Law Firm, nor the author of this letter, bear any liability for consequences of any decisions made in reliance upon this information.

If you have any questions,
please, do not hesitate
to contact ALRUD partner

Sincerely,
ALRUD Law Firm



**Maria
Ostashenko**

Partner

Commercial, Intellectual Property,
Data Protection and Cybersecurity

E: mostashenko@alrud.com