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The end of IP in Russia? Urgent, Extended Edition

by Nathaniel Longley

US and EU Sanctions – IP Engagement Suspended with Russia, Belarus, and Eurasian IP Offices

Four days after the invasion of Ukraine on February 24, 2022, the United States Treasury Department issued Directive 4 under Executive Order 14024, prohibiting transactions involving the Central Bank of the Russian

Federation (as well as the Russian National Wealth Fund, and the Ministry of Finance). The European Council also imposed sanctions, and the USPTO, EPO, and EUIPO (European Patent and IP Offices) all suspended IP engagements with the Russian Federal Service for Intellectual Property (Rospatent, which receives payments via the Russian Central Bank). IP Engagements were also suspended with the Belarus National Center of Intellectual Property (BNCIP), and the Eurasian Patent Organization (EAPO; headquartered in Moscow, and currently presided by the Director General of Rospatent). Similar sanctions and statements were issued by the UK (United Kingdom) and UKIPO, and other national and regional IP offices have also severed ties.

Decree 299: Unfriendly Nations

On March 5, 2022, The Russian Federation issued Decree No. 299, "On amendments to Paragraph 2 of the Methodology for determining the amount of compensation paid to the patent holder at the time of decision to use an invention, utility model, or industrial design without their consent, and the procedure for its payment." (See, e.g., Nat'l Law Review, March 28, 2022). Generally, Decree 299 sets compensation for infringement at "0 %" for patentees who are citizens of, registered in, or have a primary place of business or profit in any of forty-eight previously-designated "unfriendly" countries, including the United States, European Union members and the UK, as well as Japan, South Korea, Australia, New Zealand, Singapore, Taiwan, and other countries.

Act Now – this is not a "wait and see" event

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U.S. clients (and clients from other "unfriendly" nations) with IP rights in Russia should immediately consult with qualified, expert counsel to confirm the suspension of payments, *whether made directly to Rosepatent or indirectly via a local IP firm*, and to consider other implications from continuing business in Russia. While the Treasury Department has nominally provided a general license for "permits, licenses, registrations, or certifications" incident to day-to-day operations, *this period ends at 12:01 am eastern daylight time on June 24, 2022*, and it is not clear how to guarantee coverage, including processing of any such payments before the license expires.

Beyond the risk of violating US (and other) sanctions, it is not clear what rights a Russian patent, utility model, or industrial design would still convey under Decree 299 (at least to clients from "unfriendly" states), nor it is clear how any such rights could ever be restored. This may or may not mark the end of all IP rights in Russia, but the consequences are certain to be substantial, and long-lasting. While Decree 299 is nominally limited to "an invention, utility model, or industrial design," it is also unclear whether an "unfriendly" national could realistically expect to enforce a trademark, trade secret, copyright, or other IP right, whether expressly addressed or not, making a "wait and see" approach both unrealistic, and potentially costly.

No Clear Exceptions

There may be limited circumstances in which a client may wish to act to preserve rights, but would need to confirm their options – for example, in the case of an allowed patent, utility model, or industrial design, where only final fees are due, or for inventions with a local (Russian or Belorussian) inventor, in which case penalties may be imposed for violation of domestic filing and state security requirements. But there are no clear exceptions, and realistically, clients should also understand that established U.S. and international law firms may have to carefully consider their own ability to direct actions or make payments, even before the "wind-down" period expires. In each of these cases, clients should demand clear, reliable, and timely advice, and they should expect their IP counsel to be qualified to provide – and stand by – that advice.

General Caution on Russia, Belarus, the Crimea, and other Regions of Ukraine

While Directive 4 and Decree 299 are both nominally limited to the Russian Federation itself, the USPTO and EPO statements also address IP rights in Belarus (BNCIP) and Eurasia (EAPO), and it is clearly possible for IP issues (and other legal questions) to arise in parts of Ukraine over which Russia has unilaterally asserted political interest – including Sevastopol, the Crimea, and regions of the purported Donetsk People's Republic (DNR) and Luhansk People's Republic (LNR). To the extent clients have interests in any of these regions, whether economic, IP related or otherwise, it is imperative that they consult with qualified legal counsel, in order to identify potential exposure, and to address and mitigate potential risk.