



# Russian Constitutional Court supplies guidance on certain key-intellectual property issues

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📁 INTELLECTUAL PROPERTY, RUSSIA

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**T**he Russian Constitutional Court regularly issues sectoral case-law reviews and analyses aimed at supplying general guidance to courts and legal operators. Its recent report of 17 December 2020 concerned the legal protection of businesses, including certain IP-related issues. This power was never used since the adoption of the Civil Code in 2006, and it is unclear whether it should be assimilated to a particular form of expropriation in the public interest, or rather a particular form of compulsory licensing.

The Constitutional Court is the highest judicial authority of the country, with a mission of, amongst others, control of compliance of the legal system and the activities of the courts with the Constitution of the Russian Federation. The Constitutional Court has jurisdiction

to review matters involving violations of constitutional rights and, at the request of the ordinary courts or State authorities, provides assessment of constitutional compliance of laws and legal acts.

The Constitutional Court has no power to initiate itself the process, and is not obliged to carry out a substantive review of all claims alleging a violation of constitutional rules and principles, and tends to deal only with those that need clarifications of law or its enforcement from a more general perspective. However, the Constitutional Court pronounces itself on all requests from other courts or State authorities to assess constitutional compliance.

The Constitutional Court reviews only issues of law and does not review the facts of a case. However, the ruling of the Constitutional Court constitutes grounds for the review of the case, where a relevant law or legal act are held



unconstitutional, or a provision of law was incorrectly interpreted by the ordinary courts.

Issues concerning intellectual property do not often fall under the “review jurisdiction” of the Constitutional Court. That is the reason why the report issued in December 2020 includes only 5 rulings of the Constitutional Court on IP matters during the 2018-2020 period.

The cases that were reviewed by the Constitutional Court concerned the following issues:

- absence of assignment registration in case of merger of the intellectual property owner with another entity;
- differentiation of liability for trademark infringement in case of import of counterfeit goods and parallel import of original goods;
- different degrees of liability for infringement in order to strike a balance with the damages caused by the infringer;
- power of the ordinary courts to reduce infringement penalties below the statutory threshold taking into account all circumstances of the case;
- requirements for notoriety of well-known marks on the registration application date.

In the first case (Ruling no.28-P dated 03 July 2018), the Constitutional Court clarified that the re-registration of the intellectual property right as a result of merger of the rightholder with another entity does not have the same significance as the initial registration of the IP object. The Court explained that the acquiring company becomes the holder of a relevant IP right (owned by the target) by legal succession, from the point in time of the dissolution of the acquired entity. In such a case, the ownership does not depend on the registration of the right of the new owner, and the actual timing of re-registration does not affect the existence of the right. However, the re-registration is an essential condition for exercising the pre-existing right; for that reason, the new owner will be expected to re-register its right in the official State register before taking any other actions. In case of filing a trademark renewal request with the

Russian Patent Office (Rospatent), the new owner shall also simultaneously file an application for registration of the transfer of the right.

Another case (Ruling no.8-P dated 13 February 2018), which was widely debated among the IP community, was connected with a parallel import matter, and provided the Constitutional Court with an opportunity to express its view on the problem. The Court clarified that actions of the rightholder restricting the access of its own goods to the Russian market (claiming the infringement of an IP right because of their parallel import), as well as an effect of import restrictions stemming from foreign sanctions, may result in an abuse of the right. The Court ruled that in a situation where the public interest involved (supply of goods), the full protection of intellectual property rights may be denied, if their enforcement conflicts with constitutional values. This was applied in that particular case as grounds for rejecting a claim to destroy original goods of the rightholder, which entered Russia without its authorization. The Court further explained that sanctions for the import of counterfeit goods and for the unauthorized import of original goods should not be the same, and that original goods may be destroyed only in cases of poor quality, or for health, safety, environmental or cultural reasons.

Two further cases reviewed by the Constitutional Court (Rulings no.8-P dated 13 February 2018 and no.40-P dated 2020) were focused on issues of infringement liability. The Constitutional Court held that the ordinary court has the power to reduce the amount of infringement compensation below the minimum level of the statutory range, where a full award could be unreasonable or inconsistent with the principles of fair trial. According to the Court, this applies to cases of infringement concerning only a single IP object.

Furthermore, the Constitutional Court adjudged unconstitutional the minimum statutory limit of infringement compensation (10 000 Rubles), where it would exceed the amount of actual

damages caused by an individual entrepreneur in case of a first infringement regarding a single IP right.

Whilst it is expected that amendments to the legislation will be introduced by Parliament accordingly, the Russian ordinary courts will meanwhile apply the guidance supplied by the Constitutional Court and award damages by assessing all relevant circumstances, including but not limited to, the nature and dimension of the infringement and the subjective financial condition of the infringer. However, it was held that the compensation may not be decreased below the cost of use of the IP right, and may be decreased only at the request of the defendant (i.e. not ex officio).

The Constitutional Court furthermore also provided clarifications on review of applications for registration of well-known trademarks in Russia. According to the prevailing procedure, the applicant applying for well-known trademark registration must prove the notoriety of its mark as of the chosen priority date. The Court referred to the provision allowing the cancellation of a well-known mark registration in case of loss of notoriety. In its Ruling no. 2145-O of 19 September 2019, the Constitutional Court explained that the evidence offered must prove the notoriety of the mark not only as of the claimed priority date, but as of the date of application as well. The failure to supply such proof constitutes grounds for the rejection of registration of the mark as a well-known Russian trademark.



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