

How To Wind Down Patents In Russia Over Next 3 Months

By **Mark Mathison** (March 17, 2022)

Ordinarily, a deadline that is three months away is normal for patent prosecution. Yet, Russia's devastating invasion of Ukraine spurred rapid, unexpected Western sanctions that are anything but normal.

The U.S. deadline for sanctions on Russia affects more and runs deeper than just about everything before. Because of this, and because sanctions must capture conduct that may be seen as evasive, patent practitioners should review decisions and cases now.

June 23 is a critical day for U.S. businesses with patents or patent applications in Russia. It is the last day on which they may pay anything to the Russian patent office, commonly referred to as Rospatent.[1]



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Three months from now may seem like a long way away, but practitioners should be aware that this deadline affects filing, search and other decisions right now, even if a company ends up abandoning its Russian patents.

While Rospatent is not a sanctioned entity under the raft of penalties levied by the U.S. on Russia, and there is no per se prohibition on filing for patents through Rospatent, the lack of a way to pay Rospatent will effectively bar U.S. applicants from filing there. That applies to filing directly or nationalizing through an international Patent Cooperation Treaty application.

Rospatent accepts payments from applicants through the Central Bank of the Russian Federation — a bank specifically targeted with sanctions by the U.S. and other countries. While sanctions started in late February,[2] certain transactions are permitted a wind-down period granted by the U.S. Department of the Treasury.

Technically, the wind-down period is promulgated by a general license and authorizes U.S. persons to pay taxes, fees, import duties, permits, licenses, registrations and certifications to the Russian central bank provided that they are ordinarily incident and necessary to conduct day-to-day operations in Russia.[3] This presumably encompasses payments for patents. The period expires June 24.[4]

If one wishes to file a patent application in Russia, whether direct or a PCT national phase, one must ensure that the filing payment is processed by Rospatent through its bank before the deadline.

As usual, one cannot circumvent sanctions by having a third party, such as a law firm in a neutral country, pay the sanctioned entity on one's behalf. In fact, the sanction text calls that out, going so far as to separately delineate any transaction that (1) "has the purpose of evading or avoiding" the sanctions, or (2) actually "evades or avoids" them.[5] This implies that the latter may be subject to strict liability. Even an absent-minded payment could instigate a troubling criminal prosecution.

Why would anyone want to file a patent in Russia given the present circumstances? One reason is for a foreign patent license. According to Russian patent law, if an invention is conceived in Russia, then the first patent application on the invention must be filed in

Russia.[6] This is irrespective of the inventor's nationality.

If a patent is not filed there first, and the application is deemed to include state secret information, then there may be criminal penalties for the applicant.[7] This could be dangerous for an inventor or employee of the applicant living in Russia.

Russian law broadly and vaguely defines "state secrets" for science and technology achievements, research and development, design works and know-how as "having an important defense or economic significance and affecting the security of the state." [8] Conceivably, this definition could be stretched to encompass novel inventions in biotechnology, machine learning, autonomous vehicles and other rapidly evolving technologies.

After six months from filing a patent application in Russia, Russian law allows it to be filed abroad, even if nothing is heard from Rospatent.[9] Thus, if any inventors on a patent application are located in Russia, a company may wish to file an initial application in Rospatent first to reduce risk to them. At least this is an option before the deadline.

The prohibition on paying Rospatent is not only for filing a patent application, but also for searches conducted in an international PCT application.

A decade ago, Rospatent was promoted in the U.S. as a low-cost alternative for an international search authority. Its ISA fees were almost half those of the Korean Intellectual Property Office. Just a few months ago, a colleague and I debated whether to select Rospatent as the ISA for a particularly price-sensitive PCT application. Now, we are glad that we didn't.

Although an applicant pays PCT search fees through his or her own country's receiving office or the International Bureau of the World Intellectual Property Organization, the applicant cannot control when those fees are actually forwarded to the ISA.

As of this writing, WIPO has not cut off ties to Rospatent, unlike the European Patent Office and U.S. Patent and Trademark Office.[10] That means that fees from WIPO could be forwarded to Rospatent a month after an applicant pays them, as evidenced by a notification of receipt of search copy in an application, or perhaps after the international search report is rendered three to nine months later.[11]

If an applicant's payment goes to Rospatent after the June 23 deadline, it may be liable for initiating the transaction.

The same applies if Rospatent is selected for subsequent searching in a PCT application, such as selection as an international preliminary examination authority. The IPEA performs searches and examinations in response to PCT Article 34 amendments and arguments made during the PCT Chapter 2 international phase.

Maintenance fee payments to Rospatent for issued patents are also prohibited. Maintenance fees start accruing in the third year after Russian patents are filed but do not start being due until they are granted. Payment prohibitions apply both to patents granted through Rospatent as well as patents granted through the regional Eurasian Patent Organization.[12] The EAPO's banks are not currently sanctioned.[13] However, it forwards patentees' maintenance fees to Rospatent for Russian patents, so the effect is the same.

Paying an annual maintenance fee with Rospatent before the sanction deadline may extend

a patent's life for another year, but it may be a waste of money. In response to sanctions, the Kremlin recently decreed that patentees from "unfriendly" countries, such as the U.S., will not be compensated for unauthorized patent infringement.[14] In effect, it grants a 0%, royalty-free compulsory license for all U.S. applicants' patents in Russia.

U.S. applicants held about 23,000 patents in force in the Russian Federation as of the latest WIPO data.[15] If the patentees are forbidden from paying Rospatent, and the government has reduced their royalties to zero, then patentees will have little choice but to let their Russian patents expire.

Even if Russia's war with Ukraine ends quickly, it is likely that U.S. sanctions and Russia's counterdecrees will last for years. Russia was already on the U.S.' priority watch list for intellectual property theft.[16] Economic volatility in Russia could last for decades. For companies, the bad taste of suddenly worthless patents and nationalized assets may last a generation.

The winding down of U.S. applicant patents in Russia has begun, and the upcoming June 23 deadline for U.S. sanctions affects practitioner decisions now.

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[1] "Rospatent" is the official nickname for the Federal Service for Intellectual Property, that is, the Russian patent office.

[2] Directive 4 under Executive Order 14024 "Prohibitions Related to Transactions Involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, and the Ministry of Finance of the Russian Federation," 28 Feb. 2022.

[3] General License No. 13, "Authorizing Certain Administrative Transactions Prohibited by Directive 4 under Executive Order 14024," Office of Foreign Assets Control of the U.S. Department of the Treasury, 02 Mar. 2022.

[4] Ibid.

[5] Directive 4, "Prohibitions Related to Transactions." The Directive also prohibits any transaction that "attempts to violate" or "causes a violation" of the sanctions, as well as any conspiracy to violate them.

[6] Civil Code of the Russian Federation, Article 1395.

[7] Mueller, Lisa L., "Foreign Filing Restrictions and Licenses in Russia – Part 4," 08 Feb. 2016, <https://www.natlawreview.com/article/foreign-filing-restrictions-and-licenses-russia-part-4>, last visited 10 Mar. 2022.

[8] Law of the Russian Federation No. 5485-1, last amended 2007, Section II, Article 5, https://www.wto.org/english/thewto_e/acc_e/rus_e/wtaccrus58_leg_125.pdf, last visited

10 Mar. 2022.

[9] Mueller, "Foreign Filing Restrictions."

[10] USPTO statement on engagement with Russia, the Eurasian Patent Organization, and Belarus, 08 Mar. 2022, <https://www.uspto.gov/about-us/news-updates/uspto-statement-engagement-russia-and-eurasian-patent-organization#:~:text=Per%20guidance%20issued%20by%20the,and%20with%20the%20Eurasian%20Patent>, last visited 10 Mar. 2022.

[11] Under the PCT, an international search must be established within three months from the receipt of the search copy or nine months from the earliest priority date, whichever is later (PCT Rule 42).

[12] EAPO member states include Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, and Turkmenistan.

[13] EAPO bank accounts are listed at <https://www.eapo.org/en/accounts.html>, last visited 10 Mar. 2022.

[14] Knowles, H. et al., "Russia says its businesses can steal patents from anyone in 'unfriendly' countries," <https://www.washingtonpost.com/business/2022/03/09/russia-allows-patent-theft/>, interpreting the Resolution of the Government of the Russian Federation, "On Amending Paragraph 2 of the Methodology for Determining the Amount of Compensation Paid to the Patentee when Deciding to Use an Invention, Utility Model or Industrial Design without His Consent, and the Procedure for Its Payment," No. 299, 06 Mar. 2022.

[15] WIPO IP Statistics Data Center, <https://www3.wipo.int/ipstats>, 2020 data. U.S. applicants' 22,839 patents in force includes those obtained through both the Russian Federation and EAPO offices.

[16] "USTR Releases Annual Special 301 Report on Intellectual Property Protection and Review of Notorious Markets for Counterfeiting and Piracy," 29 Apr. 2020, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/april/ustr-releases-annual-special-301-report-intellectual-property-protection-and-review-notorious>, last visited 10 March 2022.