

# RUSSIA: renewed patent litigation tips



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**Irina Ozolina, Senior Partner at A.Zalesov & Partners, talks about renewed patent litigation tips in Russia and outlines why you should choose Russian Courts.**

## Why choose Russian courts & what to consider

Multinational companies more and more often choose Russian courts to resolve IP disputes. Here are some statistics: in 2017 the IP Court as a cassation instance considered 840 infringement cases, 160 of them - with participation of foreigners; 45 of all the infringement cases were patent infringement disputes.

Patent litigation in Russian is fast, comparatively inexpensive and quite effective. But there are important particulars to know before starting a patent litigation in Russia. First - bifurcated system: infringement and invalidation grounds are considered separately.

Still, judges hear reasonable references to prior art, file prosecution, history argumentation and position of parties in invalidation procedure. Second - bad faith behaviour of a patent owner is put on the judges' table when judges consider patent infringement cases; although courts have never been known to refuse in patent suits just because patent owners behaved improperly, recent court decisions highlight this issue more often as an additional consideration to other motives of refusal.

Third - courts' requirements to a claim's wording are more formal. Common practice is now to refuse in a claim aiming to destroy infringing goods, if there is no evidence, which goods should be destroyed, where they are and who is the owner.

Fourth - nobody tried non-infringement suits to come to the Intellectual Property Court, but in the first instance they are normally refused. Last but not the least - compulsory license claims are intensively discussed, however they have not come into practice yet. The first case dates back to 2012 (case No A40-83104/11), now at least one claim for compulsory license is pending, but stable court practice is to be waited for.

Other tips also should not be omitted in patent strategy.

## Obligatory warning letter

In July 2017 an obligatory pretrial procedure was finally set up in case:

- both parties are legal entities or individual entrepreneurs;
- the dispute is under jurisdiction of arbitration courts;
- patent owner claims for monetary compensation or damages.

If the counterparty refused to satisfy claims amicably or did not respond within 30 days after the letter was sent out, the patent owner could go to court.

## Practice differs, what exactly should such a letter comprise

Ruling of the Intellectual Property Court (as of July 10th, 2017, A41-63873/2016) agreed with courts of previous instances, that a suit should strictly stay within the amount initially indicated in a warning letter. In

another Ruling, (as of August 30th, 2017, A36-4979/2017), the court said that there is no good reason to require from a plaintiff to exactly know the amount of the claim in advance. The warning letter should point out an infringement; comprise reference to possibility of compensation, suggestion to settle the case and warning that otherwise the sender is going to court.

## Collecting evidence - to keep the balance

Russia does not have any disclosure. It is not an omission, it is a principal position: no data should be easily provided to a competitor unless required by courts. How to prepare a case then?

Collecting evidence needs ultimate creativity. Documents and information may be requested by an advocate. In the Russian legal system till now (although it's going to change in the near future) any person can represent others before the courts, with some exceptions. Still, only advocates have some privileges, and the privilege to request evidence and information is one of them.

To compensate for lack of disclosure, the courts are open to demand evidence from third parties. Till recently courts demanded evidence mostly from customs, but hesitated to demand evidence from other governmental bodies. In 2016 courts started demanding documents from the registration dossier in the Ministry of Health (cases A41-22640/2016, A41-12918/16, A40-197005/16). When demanding evidence from third parties, courts have to keep the balance between data protection rules and patent owner rights. Due to clause 6 article 10 of the Law «On Commercial Secrets», commercial secret regime cannot be used against protection of other parties' rights. Additionally, procedural law contains enough mechanisms to ensure, that sensitive information of defendants is not disclosed: a party can file a motion for closing hearings, as it is done by the defendant in the case A40-197005/16. Such attitude relies on position of the Constitutional Court as of March 27, 1996 No 8-II, as of November 11, 2002 No 293-O, and Plenum of Supreme Arbitration Court as of October 8, 2012 No 61.

## Preliminary injunctions - are they real?

Theoretically preliminary injunctions are available due to part 2 article 1252 of the Civil Code and article 90 of the Arbitration Procedural Code, in case of failure to impose them, it can result in significant losses to the patent owner or irreparable harm or in the case of not applying such measures, this can make the future final court act unenforceable.

To prevent causing irreparable harm to the plaintiff, the Plenum of the former Supreme Arbitration Court (Ruling as of October 12, 2006 No 55) says, PI should be targeted to keep status quo between the parties. Specific PI should be proportional to the claims and should ensure the claims. Due to these



requirements preliminary injunctions in patent cases are in fact not applied by courts. Here are a number of illustrative cases, when courts refused to suspend supplies of presumably infringing pharmaceuticals under governmental contracts: cases N A41-1841/11 Novartis vs. F-Synthez, A40-30124/15 Pfizer vs. Pharmasynthez, A40-114689/12-5-1062 Novartis vs. F-Synthez. Such suspension, due to the courts, doesn't help to keep status quo between the parties, since the patent owner may always require reinstatement of damages, if it appears that the patent was infringed. At the same time not fulfilling the obligations under the contract can put the business reputation of the defendant under threat and this is much more difficult to restore.

## A threat of infringement?

Article 1252 of the Civil Code says that a claim can be filed against actions creating a threat of infringement. This rule was not applied for a long time, because basically the Russian law does not know civil liability for preparations to infringements. A couple of years ago the concept of a suit against the threat of infringement due to the revival of the concept of the so called «preventive suits», initially dating back to eighties. In 2012, the Federal Programme «Development of the court system» suggested to develop the concept of preventive suits and gave rise to a discussion; whether a claim against actions creating a threat of infringement can be considered as a preventive suit? Since preparations to patent infringements can be easily traced in the pharma field; where information about marketing authorisation and price registration is publicly available, the concept was tried recently in some pharma cases: for example, cases A41-46966/15, A41-85807/2016, and A40-170151/17. It is interesting that the court accepted such construction of claims (to prohibit actions creating a threat of infringement) and satisfied them only in the second case, though in the last case another court in similar circumstances considered this construction as unacceptable and refused the claims. By the time this article is published the last two cases should come through the Intellectual Property Court as a cassation instance, which should say its respective opinion, whether this concept is going to survive or not.

## In-court patent examination - a «queen of evidence»

Due to the procedural law all evidence has the same force. Still, in practice an in-court examination became a «queen of evidence» in patent disputes.

Particular feature of patent disputes in Russia: parties can provide opinions of different experts, but they are not treated as «expert opinion» in a procedural sense. A truly expert opinion is one which is made by an expert nominated by the court. The parties suggest different candidates, list their credentials, suggest questions, put money to the deposit of the court, and after that a judge decides which expert should be nominated and which questions should be asked. An expert should be independent from any of the parties, so his opinion is paid for by the court for money previously paid on the deposit, and it should be very carefully observed, that the expert used has never provided any payable services to any of the parties or their representatives. Judges, who really want to go into case particulars, nominate a commission of experts: normally one from each party. Actually, this is the best way to ensure impartiality and compliance to adversarial principle, which are the basics of the Russian procedural law in economical disputes.

## Monetary compensation

The patentee can claim for damages (and prove their exact amount) or monetary compensation (without proving exact amount). Monetary compensation can be a lump sum (from EURO 140 to EURO 70 000) or a double reasonable royalty rate. In practice the courts are not too generous to satisfy monetary claims in large scales.

Ultimately, there are many other tips and factors to take into consideration when starting a patent litigation case in Russia; a short overview cannot cover them all. What is important is that Russia is a huge market with a large capacity; therefore it is very lucrative for both patentees and their competitors. At the same time patent litigation in this jurisdiction has in recent years become very professional and therefore much more predictable and is now a proper and balanced tool in the competition struggle.

