

Impact of the upcoming unified IP system

The upcoming unified Eurasian Economic Union system aims to establish more efficient mechanisms for obtaining protection for trademarks and appellations of origin – but it remains to be seen how it will function

The Eurasian Economic Union (EAEU), a successor to the Eurasian Economic Community, is a regional integration organisation covering over 20 million square kilometres and more than 182 million people. Kazakh President Nursultan Nazarbayev first suggested the idea of creating a Eurasian Union in 1994 and numerous treaties were signed subsequently to establish the trading bloc. Founded in 2000, the EAEU has been operating as a customs union since 2011 and as an economic union since 2015.

On January 1 2015 a treaty entered into force which established a new form of integration within the territory of the former Soviet Union, comprising three member states – Belarus, Kazakhstan and Russia. The EAEU expanded to two new countries soon after: Armenia's accession treaty came into force on January 2 2015, while Kyrgyzstan's accession took place on August 6 2015. The main goal of the union is to establish a single market permitting the free movement of people, goods, services and capital.

EAEU and intellectual property

EAEU member states have identified the following priorities in the IP field:

- to establish supranational IP protection, along with an enforcement system;
- to establish judicial bodies and introduce out-of-court procedures for IP dispute resolution; and
- to create incentives for innovation and high-quality production.

A supranational IP protection system has nearly been completed – on June 27 2017 the US Chamber of Commerce held a customs and transportation committee

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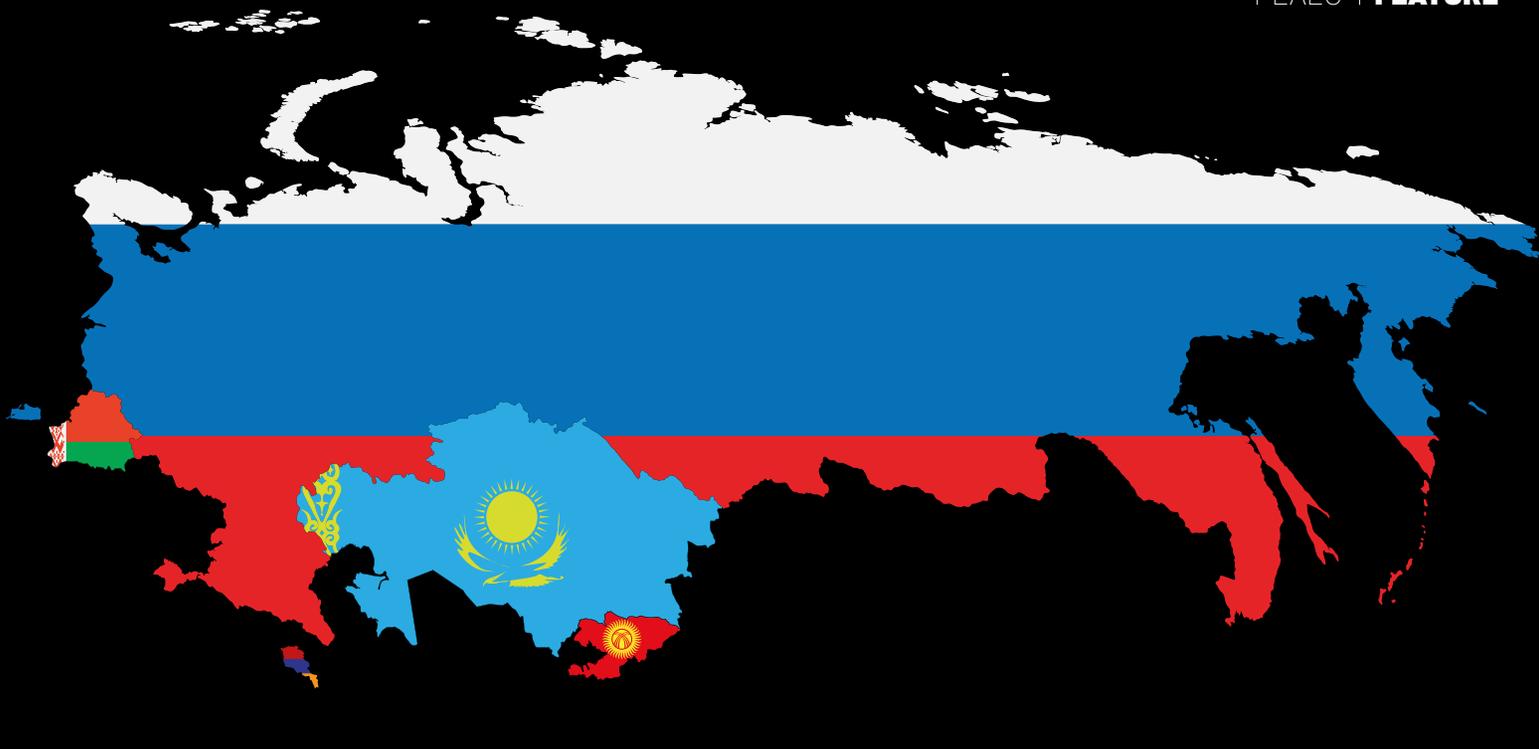
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meeting in Moscow during which the director of the Eurasian Economic Commission Entrepreneurship Development Department, Baurzhan Bekeshev, stated that both the EAEU Customs Code – which provides for the establishment of the EAEU Customs Register of IP Rights – and the Agreement on EAEU Trademarks, Service Marks and Appellations of Origin have already been approved by all member states and are now expected to enter into force in January 2018.

EAEU Customs Code and unified customs register

The EAEU Customs Code aims to bring greater transparency into customs operations by creating a single-window system and introducing other mechanisms to accelerate and modernise customs procedures (eg, converting paper documents into electronic ones). The code revives the EAEU Customs Register of IP Rights, which has been operating since 2010. The register will be maintained by the Eurasian Economic Commission, a supranational body which supervises the integration process within the EAEU and which will exist alongside national customs registers.

The main advantage of the unified customs register is to avoid the unnecessary duplication of work and to centralise the administrative burden to one body – the Eurasian Economic Commission – which will manage the registration of trademarks, service marks, appellations of origin, and copyright and related rights in the unified customs register. Instead of addressing the customs authorities of each member state, a rights holder will be able to submit a request and other necessary documents confirming the rights in all EAEU member states directly to the Eurasian Economic Commission, which will then



forward the information to the customs authorities of each member state.

When submitting an application to include an IP right in the unified customs register, rights holders should ensure that they have signed a power of attorney which is valid across the whole of the EAEU and that they have the exact same IP right registered in all EAEU countries.

Once the EAEU Customs Code enters into force, the electronic application system will be introduced and will significantly shorten waiting times – it will take 20 working days to process requests filed electronically, compared to 23 working days to process requests filed on paper.

Once entered into the unified customs register, an IP right will be under customs protection for two years, although this can be extended for subsequent two-year periods an unlimited number of times. Each extension should be claimed well before the previous period lapses. However, the total term of customs protection cannot exceed the term of protection of the IP right itself in the EAEU member state in which it expires first.

Requirements for including an IP right in the unified customs register are similar to those laid down by the national laws of the member states (eg, providing a list of known manufacturers of counterfeit goods bearing the trademark as the IP right in question). The Eurasian Economic Commission plans to allow rights holders to present not only official notifications as proof of IP infringement, but also internal data. This is due to a rise in situations in which rights holders do not have official notifications of shipments comprising counterfeit goods and are unable to trace their manufacturers. For example, a rights holder dealing with parallel imports is often able to prove the problem only by using internal data to illustrate the difference between the amount of goods officially authorised for sale and the amount actually present on the market. The Eurasian Economic Commission is expected to adopt detailed regulations on running the unified customs register, as well as on the entire process after the Customs Code enters into force.

Regulation of parallel imports

The principle of regional exhaustion of IP rights set out in the first version of Article 5 of the Protocol on Protection and Enforcement of IP Rights (Annex 26 to the EAEU Treaty) was altered to reflect the position supported and initially driven by Russia's Federal Anti-monopoly Service. The final version of the protocol amending the EAEU Treaty, adopted on May 29 2014, allows for the temporary application of the international principle of exhaustion to particular types of goods.

In urgent circumstances, each member state will be able to submit a request to the EAEU Intergovernmental Council to apply the international principle of exhaustion with regard to specific goods. The criteria for urgent processing has not yet been elaborated, but the protocol provides the following general guidelines that the international principle of exhaustion should apply:

- where the goods are not available in the internal market;
- where there is a shortage of goods in the internal market;
- where the goods are available but are overpriced; and
- in other cases, depending on the social and economic conditions and interests of the member states.

In each particular case the EAEU Intergovernmental Council is to consider the exclusion request and reach a consensus.

The liberalisation of parallel imports for a limited range of goods may not be favourable to rights holders, but it is not a new idea. The Russian government has



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launched a similar initiative to allow the parallel import of specific products (eg, spare parts for passenger cars and commercial vehicles). In addition, the parallel imports of pharmaceuticals has been a hot topic of discussion among rights holders and their representatives for some time. Nevertheless, the provision directly authorising parallel imports, even if only for a limited period, is unlikely to be welcomed. The only positive point is that the decision will be adopted by consensus and not by qualified majority, which is likely to take more time and effort. In addition, the protocol allows the rights holder to initiate the annulment of the decision adopted by the EAEU Intergovernmental Council, although the conditions and the procedure for this are still to be specified. Finally, the Eurasian Economic Commission claims that it will also elaborate a set of rules allowing the possibility of annulling such decisions.

EAEU trademark system

The EAEU is also moving forward with the Eurasian trademark system, which will allow rights holders to obtain legal protection simultaneously in all member states by submitting one application – on paper or electronically – to any of the national offices of member states. In other words, they will be able to choose the receiving office. Trademarks, service marks and appellations of origin are to be registered in a single register, which will be administered by the Eurasian Economic Commission.

Therefore, the draft Agreement on EAEU Trademarks, Service Marks and Appellations of Origin (EAEU Trademark Treaty) does not require the establishment of a single office for the unified trademark system to function. The system is designed to create a unitary trademark which will coexist with national registrations.

According to the EAEU Trademark Treaty, an application can be filed in Russian or in any officially recognised local language together with a Russian translation (in the event of any discrepancy, the Russian version will prevail). A filing fee is to be paid to the receiving office and examination fees to all national offices separately.

At present, in order to obtain trademark protection in five EAEU countries an applicant must file applications at each national office. The unified system is expected to offer a faster and more affordable procedure because of lower costs and strict deadlines.

Trademarks which are not capable of being represented graphically are excluded from registration (eg, sounds or scents). Trademarks can thus consist of:

- words;
- letters;
- digits;
- pictures;
- holograms;
- colours and combination of colours;
- two-dimensional or three-dimensional forms; or
- any combination of these elements.

It will be possible to register collective EAEU trademarks. Applicants will be able to claim priority in accordance with the Paris Convention.

Each trademark application will undergo preliminary (formal) and substantive examinations, with the entire

registration procedure due to take approximately one year. The receiving office is to complete the preliminary examination within one month of the filing date. If formal requirements are met, a decision establishing the application's filing and priority dates should follow, as well as the publication of the trademark on the Eurasian Economic Commission's website.

Following this, each EAEU member state is to conduct separate substantive examinations. The applicant will be invited to pay the official fees for the substantive examination according to the payment requests sent by the national offices. If the official examination fees are not paid to each national office within a month, the receiving office will issue a decision refusing the trademark application. If the official fees are paid, the receiving office will forward the application to the other national offices. However, all future correspondence with regard to the application is handled through the receiving office only, which will issue a decision based on the examination reports provided by the national IP offices. Again, the receiving office can be any of the national offices of the EAEU member states.

Any interested person may file an opposition within three months of the publication date. The receiving office should inform the applicant about the filed opposition and publish it on the official website within five working days after expiry of the three-month period. The applicant can file a response to the opposition within three months of being informed of it by the receiving office.

The substantive examination should be conducted within six months of the date that the receiving office sends the application materials to national offices. Each national office examines applications independently on both absolute and relative grounds for refusal and sends opinions to the receiving office. If no opinions are issued within six months, the national offices forfeit their right to refuse the trademark registration.

The receiving office will gather all national reports and issue a grant decision or an office action no later than 15 working days after the expiration of the six-month period. A response to the office action can be filed within the next three months, although a three-month extension is possible. The response should be sent through the receiving office to the national offices for further consideration. National offices must make a decision within one month, which can be appealed before relevant national appeal bodies. The appeals are to be considered within three months. If no appeal is filed within this time limit, the receiving office issues the final decision. If the appeal is filed in any member state, the receiving office waits until the appeal is considered and decided on by the national bodies.

182 MILLION

People residing in the Eurasian Economic Union



The receiving office can issue the following types of final decision:

- a grant, if all national offices believe that the mark can be registered;
- a grant in respect of some goods or services, if at least one national office has refused the mark for certain goods or services; or
- a refusal, if at least one national office is against trademark registration in respect to all claimed goods or services.

In case of a grant, the registration fee should be paid to the receiving office within one month of the date of the decision's receipt.

Before the issuance of the final decision, the applicant may opt to convert the EAEU trademark application into a national application, keeping the EAEU's priority date. According to the draft EAEU Trademark Treaty, a national office should not charge an official fee for the conversion and examination of a new national trademark application. The same applies if the applicant has identical national trademarks in all EAEU member states – it can convert the national trademarks into the EAEU trademark.

Each EAEU trademark registration is valid for 10 years from the application date and can be renewed for 10 years an unlimited number of times.

All disputes arising from the EAEU trademarks are to be considered by national courts or national administrative bodies.

The draft EAEU Trademark Treaty provides for a three-year non-use grace period. Article 16.2 of the draft states that the EAEU trademark registration cannot be cancelled due to non-use if the rights holder, a registered licensee or an affiliated entity in any of the EAEU member states has used it. This provision is favourable to rights holders because it will be sufficient to prove use in one country only (eg, Russia), to keep the trademark right

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in force in all other member states.

The Eurasian Economic Commission will create and administer a database containing EAEU trademarks which will be available on its official website, along with specific rules governing filing and prosecution.

Conclusion

The unified system aims to establish more efficient mechanisms for obtaining protection for trademarks and appellations of origin within the EAEU and to improve IP rights protection at EAEU borders. The plan looks good on paper, but it remains to be seen how it will function in reality.

Rights holders should benefit financially. Even though all national offices will charge separate trademark examination fees, there will be only one filing fee and one registration fee. There will also be the possibility of streamlining the process by using one trademark attorney instead of five attorneys in different countries. Similarly, the EAEU Customs Register allows customs watch protection to be obtained throughout the region without investing in five different procedures.

Recordation of a customs watch application in all five EAEU countries is advisable because of the free movement of goods. It is insufficient to have a trademark entered into a register in one country alone as counterfeits will move freely within the EAEU.

At present, the main issue and goal for EAEU authorities is to absorb the best practices of the national authorities – both in terms of trademark prosecution and customs protection – and to set high performance standards. If this is achieved, the proposed supranational system should prove beneficial for rights holders. **WTR**



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