The Patent Lawyer

GLOBAL REACH, LOCAL KNOWLEDGE

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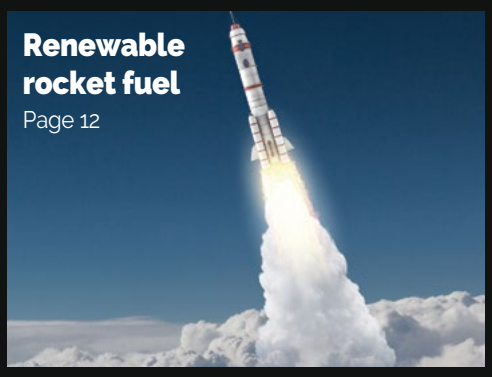
Fair, reasonable, and non-discriminatory [FRAND]: US, UK, & Germany

UK & EUROPE Law firm RANKINGS

Eugene Goryunov, Partner at Haynes & Boone and US patent specialist, Andrew Sharples, Partner at EIP and UK patent specialist, and Thomas Hirse, Partner at CMS Hasche Sigle and German patent specialist, each provide an overview on the jurisdictional differences of FRAND.



Renewable rocket fuel
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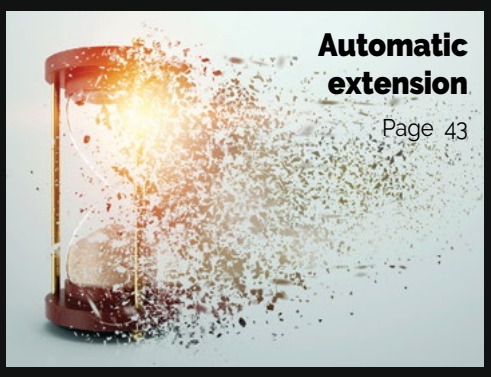

Automatic extension
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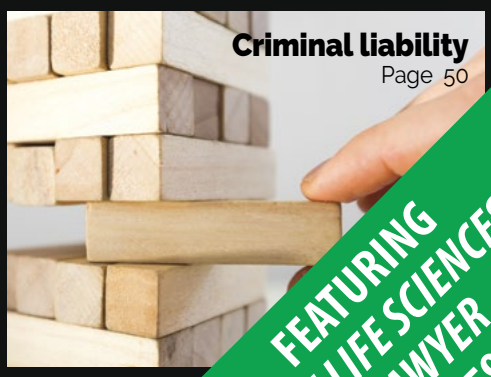

Criminal liability
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CTC Legal Media

Spain

ABG Intellectual Property
Balder
Bird & Bird
Clifford Chance
Elzaburu
Gómez-Acebo & Pombo
Grau & Angulo
Hoyng Rokh Monegier
PONS IP
Uría Menéndez

Russia

A Zalesov & Partners
Baker McKenzie
Gorodissky & Partners
Gowling WLG
Papula-Nevinpat
Patentica
Patentus
Sojuzpatent
Vakhnina and Partners
Zuykov and partners

Mitigating risk of criminal liability and administrative sanctions for patent infringement when launching a product in Russia at risk

Dr. Aleksey Zalesov & Irina Ozolina of A. Zalesov & Partners discuss the problem of criminal prosecution and administrative sanctions threat in detail to understand how to mitigate such risk.

Since Russia is an attractive market of around 150 million consumers with rather good buying capacity, many foreign companies consider entering it with their products. While making decision to launch a new product in Russia it is essential to appraise correctly possible legal risks, one of which is liability for patent infringement. The peculiarity of the Russian patent system includes an existence and practice of application of criminal and administrative remedies against patent infringement. These actions are to be taken by different Russian law enforcement agencies (police, investigative committee, public prosecutor, and courts).

The product's launch at risk usually means that patent research made before the first sale shows existence of a Russian or Eurasian patent with the scope of protection possibly covering the proposed product. In particular if freedom-to-operate opinion prepared by a qualified patent attorney shows that proposed product allegedly infringes Russian patent(s).

The knowledge of the operation of the Russian patent system shows that Russian courts rarely provide preliminary injunction in patent infringement trials. The Russian civil law states that only proven damages can be collected for a patent infringement or statutory damages in the maximum amount of 5,000,000 RUR (about 80,000 USD) can be claimed. So, launch at risk while problematic patent(s) is (are) in force is considered as one of the possible business models on the Russian market. When choosing such a strategy, foreign businessmen acting in this country should be well aware of the fact that there is a risk of criminal and administrative prosecution on patent infringement.

Dr. Aleksey Zalesov

Irina Ozolina

Let us discuss the problem of criminal prosecution and administrative sanctions threat in detail to understand how to mitigate such risk.

Russian law includes provisions on criminal liability for patent infringement (article 147 of the Russian Criminal Code) if such patent infringement is willful and it has caused damages in large scale to the patent holder. Due to the Criminal Code, it is to be estimated in each case whether damage is of large scale (depending on the circumstances of the action and how it relates to the property and business of 'injured party', i.e., patent holder in this case), but the amount should not be less than the amount of 250,000 RUR (4,000 USD approx.). In practice it means that any commercial launch of product may be potentially considered as causing damages in large scale to patent owner if patent owner manages to describe it as seriously affecting his normal business - so this feature of an action would be present in such case. Possible penalty under this article includes the term of imprisonment of two years (part 1, without conspiracy, minor crime) and five years maximum (part 2, with conspiracy, medium crime).

In accordance with article 20 of the Russian Criminal Procedural Code the criminal cases on

Procedure Code such cases are to be investigated by investigators of the Investigating Committee (not by police officers).

At the same time due to article 144 part 1 of the Criminal Procedure Code an investigator, having received information about a possible crime, should check such information. During such a check an investigator may require explanations, samples for examination, require documents and things, extract them, appoint examination, revise the place of a crime, objects, documents, require making revisions. The investigator may do this himself or give instructions to the police in accordance with part 1 article 144 of the Criminal Procedure Code and of the Law 'On Operative and Investigating Activity', in particular to initiate inspection of offices, seizure of goods for the purposes of examination and so on. Please note that police cannot make such kind of revisions without written Ruling of an investigator in accordance with part 1 article 144 of the Criminal Procedural Code. So, in view of this, presumably infringing goods cannot be arrested at this stage. It is also important to know that due to the law only the goods in amounts necessary for examination patent infringement (part 1 of article 147 of the Criminal Code), if they are not committed by an organized group or on conspiracy of the accused, relate to so called criminal cases of private-and-public accusation. It means that the case may be initiated only on a petition of the patent owner (after he is warned on criminal liability for a false statement about a crime), but it is not to be automatically ceased even in a case of reconciliation between an alleged infringer and the patent owner. A patent infringement committed by an organized group or on conspiracy between criminals (part 2 of article 147 of the Criminal Code) is a crime of public accusation, i.e., it may be started without petition of a patent owner. No need to say that the acts of legal entities are usually being qualified under part 2 of article 147 - as acts committed by a group of people on preliminary agreement. Please also note that criminal liability is imposed only on individuals in Russia.

So, in a launch at risk the managers of a company (e.g., CEO and sales director) who ordered launch may be considered as suspects and accused of the crime under part 2 of article 147 if public investigators considered 'conspiracy', i.e., preliminary agreement between them.

Since patent infringement is considered no more than a medium crime, the preliminary measures on an accused person normally do not involve court arrest if an accused person has a domicile in Russia.

In accordance with article 151 of the Criminal

Résumés

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Aleksey specializes in patent litigation, including infringement and validity trials, mostly focusing on pharmaceuticals, applied science and electronics. He has represented clients before the Supreme Arbitration Court, the Supreme Court and the Chamber for Patent Disputes having prevailed in many precedent-setting cases.
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can be extracted, so attempts of police to extract all the goods and/or materials from a plant, if such attempts are taken, are illegal.

Please also note that the law does not permit coercive measures at the stage of checking the information about a crime, before the criminal case is formally opened by the ruling of public investigator, that is clearly stated by article 115 of the Criminal Procedural Code. That means that no property can be seized before the criminal case is initiated.

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But it is also important to know that patent infringement can also be an administrative offense in Russia due to part 2 article 7.12 of the Code on Administrative Offenses), the procedure of prosecution of which is regulated by this Code. Such kind of cases is initiated by police due to the law. And due to articles 27.1, 27.10 and 27.14 goods, materials and other objects can be arrested and/or seized immediately while an empowered official review of 'the place of commitment of an offense'. Such action should be video-recorded or done in the presence of two witnesses, but still it can be done before any case (administrative) is started, or at the same time.

In practice the police usually seize samples of the goods and documents acting in a procedure of checking information about administrative offense, and then, finding the grounds for qualification of the acts as a crime (large scale, preliminary agreement of a group of people), should (but not always does) transfer the case materials to investigators of an Investigating Committee. By that time the goods are already extracted or arrested.

The criminal investigation procedure in Russia is not transparent for the third parties because, till criminal case (with an accusation approved by a public prosecutor) is transferred to the court for the decision making on the merits, the information about investigations of a certain case is not publicly available due to article 161 of the Criminal Procedure Code. The only information available on the criminal case is brief information made public by an investigator or prosecutor or announced in open court hearings if the accused person is detained and the judge decides whether to arrest him or provide other options like a bail. Since patent infringement is considered as minor or medium crime and of no violent nature - there is no practice to arrest the defendant in the trial before the sentence.

So, there is no verified statistical data on patent infringement criminal cases which have not resulted in any court sentence. So, speaking only about the patent infringement criminal cases considered in the court, we can see only 10 cases per year in Russia in 2017-2020 — which is not a big number for a large country. Practically all criminal sentences on patent infringement in Russia till now have resulted in a probation term of imprisonment or court fine or both put on defendants. We have not seen any real jail term sentences in patent infringement criminal cases.

But according to the information from the clients and colleagues we can see the activity of law enforcement agencies in IP, including in patents, in much larger scale which means that majority of the cases are dropped without trial. It means that public investigators or police have checked the matter in order to find signs of a patent infringement as a crime, but no evidence has been obtained. Usually, the most business-disturbing activity police or investigators do is taking explanations from general directors (CEO) of a company. It is sort of interrogation but without opening criminal cases and formal charges. For sure, that's disturbing and unpleasant, but if handled in a proper way with a presence of an attorney-at-law having experience in such cases, the probability of real seizure of goods and starting a criminal case on a patent infringement before the dispute is resolved by arbitration courts is very low.

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It is required as an obligatory part of criminal investigation to show that patent infringement was willful. It means that there should be evidence that the CEO was aware of the fact of patent infringement while ordering launch. This should be shown with clear evidence since the standard of proof in criminal case is 'beyond the reasonable doubt'. Usually this is the case after a warning letter from the patent owner reaches the office of an alleged infringement and is registered there.

What could be recommended to mitigate the risk of criminal liability for patent infringement when a product is going to be launched in Russia at risk (i.e., when certain patent might be infringed by a product)?

1) Prepare and keep a fully ready invalidity action to be filed once the patent infringement case is opened. The filing of nullity action will not automatically stop the investigation proceedings but once a patent is invalidated the case is to be terminated.

2) Consider very carefully the scope of problematic patent's protection to find weak points in the scope. Please note, that if infringement is not literal but by equivalence - then it really is a subject of expert opinion which can be different. So, in such 'weak protection case' receiving a Freedom-to-operate (FTO) opinion from a qualified patent attorney stating that the product is not infringing patent. The existence of FTO formally shows that a product's launch is not a willful patent infringement and thus it is not to be considered as a criminal action (the civil legal dispute on patent infringement is to be decided by a civil court).

3) Have an attorney-at-law with expertise in patent infringement criminal cases available for the defense of managers of the firm since high-quality defense makes patent attack based on criminal law far less effective.

4) Having your own patent portfolio in Russia is very helpful to mitigate criminal law risks. If the product to be launched is covered by your own patent, even having problems with prior patent rights (dependent patent situation), it is considered as a civil dispute in most cases.

If a criminal case is opened and investigation is a success, the alleged infringer as a defendant has some legal options to avoid criminal sentence.

This is because patent infringement as a crime under part 1 of article 147 is indicated as a minor crime and the criminal prosecution should be ceased if the accused person compensates the damage and pays twice this amount to the Russian Federal budget - this is a very helpful provision of article 76.1 of the Criminal Code. So, this article is applicable automatically - without any discretion on the judge or public investigator.

If patent infringement is qualified under part 2 of article 147 - then the criminal prosecution can be ceased by the court with putting a fine on the accused if damage is compensated - article 76.2 of the Criminal Code - but this notion of the law is under discretion of the judge, so it is not automatic. In an absolute majority of the current cases this is the typical scenario.

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