

## ***Compulsory Licensing: Prospects Amid Sanctions***

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Newly adopted regulatory legal acts raised the question of the future licences and possible application of the compulsory licensing rules.

In Russia, the compulsory licensing principles used to be applicable (Articles 1239, 1360, 1362, 1423 of the Civil Code of the Russian Federation, hereinafter referred to as the "CCRF")<sup>1</sup>, however, they were subject to legal proceedings with possible payment of compensation to the rightholder.

Thus, on 8 March 2022, Federal Law No. 46-FZ "On Amendments to Certain Legislative Acts of the Russian Federation" came into effect. As per Paragraph 13, Article 18, the Government of the Russian Federation gained the authority to revise the list of goods (groups of goods) which may not be subject to certain provisions of the Civil Code of the Russian Federation in 2022 regarding the protection of exclusive rights to the results of intellectual activity expressed in such goods, and the identification means that label such goods.

Additionally, Resolution of the Government of the Russian Federation dated 6 March 2022 No. 299 amended the methodology to calculate the compensation payable to the patent holder when deciding to use the invention without his or her consent. Now, the amount payable to patent holders residing in unfriendly countries is 0 percent of the actual proceeds from production and sale of goods, performance of works and provision of services if the relevant inventions, utility models or industrial designs are used for this purpose. The list of unfriendly countries might change depending on the current political situation.

This measure is aimed at ensuring that licence fees from companies using patents of foreign rightholders "stay" in Russia. Payment of licence fees is currently fraught with obstacles due to currency restrictions for individuals and legal entities.

However, one may suggest that a tit-for-tat response is possible in relation to Russian copyright holders on the territory of the respective foreign states.

In the current situation, foreign businesses in Russia should consider creating subsidiaries in jurisdictions that are not included in the list of unfriendly ones (for example, the EAEU countries, UAE, Egypt, Turkey and China). Once such subsidiary companies are established, it is worth registering the necessary intellectual property in "friendly" jurisdictions so that the patent holders are not associated with unfriendly states.

At the same time, it should be taken into consideration that the introduced rules on the use of patents of foreign rightholders may contradict Paragraph 1 of Article 27 of TRIPS which prohibits discrimination of patent rights by the place of invention or by the country from which the products were imported into Russia<sup>2</sup>.

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<sup>1</sup> The Civil Code of the Russian Federation (part four) dated 18 December 2006 No. 230-FZ // ISS ConsultantPlus.

<sup>2</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) dated 15 April 1994 // Access via URL: <https://wipolex.wipo.int/ru/text/329636>.



The exercise of patent rights may be affected by restrictions on import and export of products and raw materials: for example, some goods and raw materials can no longer be exported from Russia<sup>3</sup>, as well as medical products from unfriendly states<sup>4</sup>. The Government of the Russian Federation has been vested with regulatory authority to interfere should any defects in medicines be identified, to register biomedical cell products<sup>5</sup>, and to introduce an automatic or simplified procedure for renewing licences<sup>6</sup>. The possibility of signing a contract with a single supplier for supply of medicines that have no Russian analogues<sup>7</sup> has also been added. In accordance with draft law No. 84920-8, it is also proposed that medicines in foreign packaging will be allowed to be put into circulation, and suspended manufacture or import of medical products will be subject to mandatory 6-month notification<sup>8</sup>.

As a possible target for predictions on drafting an intellectual property law, it is worth considering the law of Iran which is not a member of the WTO and is under sanctions (for example, disconnection from SWIFT in 2018). After some international companies had withdrew from Iran, their intellectual property started to be used by Iranian residents, the protection of intellectual property due to non-use was terminated more frequently, and exclusive rights of foreign copyright holders were violated in increased number of cases. In regard to compulsory licensing, the Iranian laws also include a provision which allows to refrain from applying to rightholders for a licence under extreme circumstances<sup>9</sup>.

Recent changes in legislation are generally aimed at supporting Russian manufacturers. One should monitor the policy-making activities of the Government of the Russian Federation regarding terminated protection of exclusive rights to certain goods and the countersanctions of other countries.



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<sup>3</sup> Executive Order of the President of the Russian Federation dated 8 March 2022 No.100; Resolutions of the Russian Government dated 9 March 2022 Nos. 311, 312, 313 // ISS ConsultantPlus

<sup>4</sup> Article 38 of Federal Law dated 21 November 2011 No. 323-FZ "On Fundamentals of Healthcare of the Citizens in the Russian Federation" // ISS ConsultantPlus

<sup>5</sup> Article 13 of Federal Law dated 12 April 2010 No. 61-FZ "On Circulation of Medicines", Article 8 of Federal Law dated 23 June 2016 No. 180-FZ "On Biomedical Cell Products" // ISS ConsultantPlus

<sup>6</sup> Articles 16, 18 of Federal Law dated 8 March 2022 No. 46-FZ // ISS ConsultantPlus

<sup>7</sup> Article 93 of Federal Law dated 5 April 2013 No.44-FZ "On the Contract System of the Federal and Municipal Procurement of Goods, Works and Services" // ISS ConsultantPlus

<sup>8</sup> Access via URL: <https://sozd.duma.gov.ru/bill/84920-8>.

<sup>9</sup> The draft of the reference document on exceptions for the purposes of issuance of compulsory licences SCP/30/3 dated 21 May 2019 // Access via URL: [https://www.wipo.iNet/edocs/mdocs/scp/eNo/scp\\_30/scp\\_30\\_3-maiNo1.pdf](https://www.wipo.iNet/edocs/mdocs/scp/eNo/scp_30/scp_30_3-maiNo1.pdf).

