

IP Issues Due To Russia/Ukraine Conflict

*Impact of Russia-Related Sanctions and
Export Controls on IP Transactions*

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- The U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") has issued multiple waves of sanctions targeting Russian oligarchs, government officials, financial institutions, defense sector entities, and state-owned enterprises
- Rapidly evolving situation— new actions frequently escalate and build upon prior sanctions
- Currently, the Russian Harmful Foreign Activities Sanctions Regulations and associated Executive Orders do not prohibit the filing, prosecution, receipt, renewal or maintenance of a patent, trademark, copyright, or other forms of intellectual property protection in Russia
- No comprehensive sanctions (yet) on the Government of Russia or the Russian Federal Service for Intellectual Property ("Rospatent")

- The Central Bank of the Russian Federation is subject to Directive 4 sectoral sanctions prohibiting:
 - “**any transaction involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation, including any transfer of assets to such entities or any foreign exchange transaction for or on behalf of such entities.**”
- Payments by U.S. persons to the Central Bank, or by foreign persons on behalf of a U.S. person, are prohibited unless authorized by OFAC
- Rospatent uses the Central Bank for receipt of fees related to IP filings

- **Payment of renewal fees to Rospatent**
- **Filing new applications with Rospatent**
- **Electing Russia as the Search Authority in any Patent Cooperation Treaty (PCT) application**
- **Filing a PCT Demand if Russia is already selected as the Search Authority**
 - examination fees will be directed to Rospatent and processed by the Central Bank
- **Paying annuities for the maintenance of a granted Eurasian Patent in Russia**
 - annuities will be directed to Rospatent and processed by the Central Bank

- OFAC issues general licenses (GLs) to permit certain categories of transactions that would otherwise be prohibited by U.S. sanctions
- Many sanctions program (including Iran, Cuba, North Korea) have GLs that authorize IP transactions and associated payment to sanctioned governments
- GLs related to Directive 4 do not explicitly authorize IP transactions
- Recently-Issued General License 31 authorizes specific Russia-related IP transactions

General License 13

- Administrative GL
- In effect through 12:01 a.m. eastern daylight time, June 24, 2022
- “U.S. persons are **authorized to pay taxes, fees, or import duties, and purchase or receive permits, licenses, registrations, or certifications . . .** provided such transactions are ordinarily incident and necessary to such persons’ day-to-day operations in the Russian Federation.”

General License 14

- Clearing/Settlement GL
- Does not expire
- Transactions “where the Directive 4 entity’s **sole function in the transaction is to act as an operator of a clearing and settlement system**, are authorized, provided that: (i) there is no transfer of assets to or from any Directive 4 entity, unless separately authorized; and (ii) no Directive 4 entity is either a counterparty or a beneficiary to the transaction, unless separately authorized.”

- On May 5, 2022, OFAC issued a new [General License 31](#) to authorize the following IP-related transactions that otherwise would be prohibited by the Russian Harmful Foreign Activities Sanctions Regulations (“RuHSR”) due to involvement of Central Bank:
 - The filing and prosecution of any application to obtain a patent, trademark, copyright, or other form of intellectual property protection;
 - The receipt of a patent, trademark, copyright, or other form of intellectual property protection;
 - The renewal or maintenance of a patent, trademark, copyright, or other form of intellectual property protection; and
 - The filing and prosecution of any opposition or infringement proceeding with respect to a patent, trademark, copyright, or other form of intellectual property protection, or the entrance of a defense to any such proceeding.
- GL doesn’t expressly mention payments, but talks about Russian Central Bank
 - GL 31 would have been unnecessary but for Central Bank sanctions
- Other sanctions program (including Iran, Cuba, North Korea) have GLs that authorize IP transactions and associated payments to sanctioned governments

How Other Sanctions Programs Address IP

North Korea

- Covers patent, trademark, copyright, or other form of IP protection in the U.S. or DPRK
- Allows the export of services to DPRK and payment for such services
- Authorizes filing, prosecution, renewal, receipt of IP and filing and prosecution of opposition or infringement proceedings and defense
- Authorizes payment of fees to the govt. of DPRK and to attorneys/representatives in the U.S. and DPRK

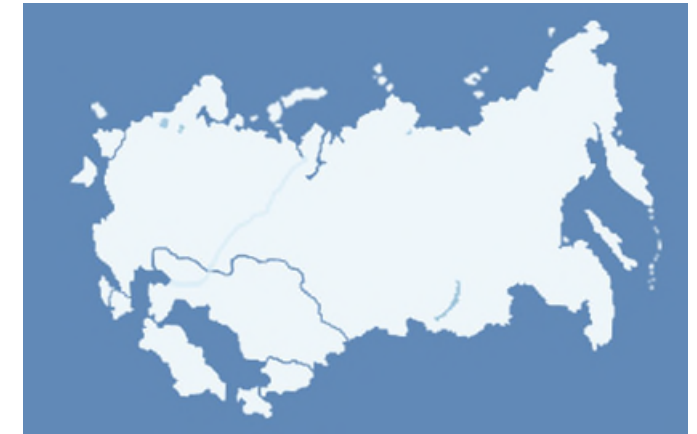
Iran

- Covers transactions by U.S. persons in connection with a Iranian patent, trademark or copyright
- Authorizes filing, prosecution, renewal, receipt of IP and filing and prosecution of opposition proceedings and defense
- Authorizes the payment of fees to the govt. of Iran and to attorneys/representatives in Iran

Cuba

- Covers transactions by persons who are not sanctioned in connection with a blocked foreign patent, trademark or copyright
- Authorizes filing, prosecution, renewal, receipt of IP and filing and prosecution of opposition proceedings and defense
- Authorizes the payment of fees to any foreign government and to attorneys/representatives in any foreign country
- Blocked foreign IP: issued by a designated foreign country

- The Eurasian Patent Office **does not** process payments using the Central Bank
 - Directive 4 does not apply to AO UniCredit Bank
- Currently, no U.S. restrictions on payment of fees for Eurasian patent applications
- However, payment of annuities for the maintenance of a granted Eurasian Patent in Russia will be directed to Rospatent and processed by the Central Bank



- U.S. financial institutions may not be willing to process transactions involving the Central Bank or other Russian financial institutions subject to U.S. sanctions, even if made under General License 13, 14, or 31
- If you are using local counsel to file patents in Russia, you need to conduct due diligence on whether the firm and/or its bank are sanctioned. If local counsel's bank is sanctioned, they will need to open a bank account at a bank that is not sanctioned
- Other IP-related payments, such as selling, transferring, or licensing a patent, require a separate analysis to determine if the transaction involves sanctioned Russian banks or other sanctioned foreign counterparties
 - Screening is crucial to determine if a counterparty is included on the Specially Designated Nationals and Blocked Persons List (SDN List)
- OFAC guidance indicates that patents issued by sanctioned foreign governments are blocked property, which is subject to annual reporting requirements and licensing, selling or transferring the patent would require an OFAC license
 - Could be an issue if Russian government becomes comprehensively sanctioned

- Russia and Belarus were already subject to an arms embargo under the ITAR
- Dramatic tightening of export controls related to commercial/dual-use products
- With limited exceptions, the export from the US, and the reexport from abroad, of **any** commodity, software or technology/technical data that is described on the EAR's Commerce Control List (CCL), whether U.S.- or foreign-made, will require a license if destined to Russia or Belarus
 - There is a presumption of denial for such license applications
 - Major impact on aerospace, semi-conductor technology, and software that contains encryption functionality
- If the item at issue is not described on the Commerce Control List (i.e., an EAR99 item), whether U.S.- or foreign-produced, then it generally can be shipped to Russia or Belarus, unless the exporter has knowledge it is destined for a military end use, a military end user or end user on the Entity List.

- IP lawyers can be exporters
 - Pay attention to whether you are sending technical data to individuals outside the U.S. (including local counsel) or to a non-U.S. person located in the U.S.
 - Technical data consists of information in any form that is necessary for the design, development, production, use, operation, installation, maintenance, modification, repair, overhaul, or refurbishing of hardware, materials, processes, or software.
 - Is the information publicly available?
 - Ask your client for the export classification of the technical data/technology
- Who has access to your files?
 - Actual or potential access (in the case of ITAR-controlled technical data) by non-U.S. persons to export-controlled technical data may require a license
 - Any IT support being provided by non-U.S. persons?
 - Non-U.S. attorneys at your firm?