



## Unlocking efficiency

The Russian Supreme Court brings clarifications to the relationship between co-owners of intellectual property

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A major and long-awaited act, this is the first guidance issued by the country's highest court on the intellectual property issues since a resolution ten years ago (no. 5) issued jointly with the Supreme State Commercial (Arbitrazh) Court (no. 29), dated 29 March 2009. Since the joint resolution, the highest Courts have only occasionally reviewed such cases and then mostly given a synthesis of existing rules. The authors of the new resolution draw attention to some of the newer issues encountered in case law. A number of the solutions that are brought forward can certainly be disputed, and sometimes they seem contradictory. But the business community needs clear rules governing its activity, and the Court does deliver this through its clarifications.

### What changed?

In particular, the Supreme Court lights up the legal uncertainty surrounding the controversial question of co-ownership of exclusive rights. This is an issue which has in practice given rise to disputes between industrial actors related to the joint management of intellectual property which is in co-ownership. Can these right holders, by agreeing between themselves, determine the distribution of their respective share in the joint property and dispose of their stake independently? Can a trademark have multiple right holders? And not least, how are disputes that arise between right holders to be resolved?

## What does the new resolution mean for co-owners?

The Civil Code has given little guidance to solving these question, the only statutory regulation on the matter being limited a rather terse provision in Article 1229(3) of the Civil Code. From this provision we have long known that joint ownership of a single intellectual property right is possible, each co-owner is free to use the right in question independently, though disposing of the right as a whole requires common agreement, and that the co-owners may agree between themselves on the distribution of incomes generated by their common use of the right.

The uncertainty caused by the curtness of the provision is also confounded by the legislative preclusion against the application to intellectual property rights of the Civil Code's provisions on property rights, and particularly those regulating joint ownership (cf. Art. 1227(3) of the Civil Code).

Nor have the courts been particularly benevolent in their practice around joint intellectual property. The Supreme Court, for instance, expressly ruled out in 2018 the possibility of joint ownership of the exclusive right to a trademark, despite the lack of a direct legislative prohibition. The Court held that a trademark cannot be used to give a singular identity to products belonging to two separate entities (Decision of the Supreme Court of 03.07.2018 No. 305-KГ18-2488 in the case No. A40-210165/2016).

Even though some uncertainty will remain, the Supreme Court nevertheless clarifies a number of issues in its Resolution:

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Firstly, the Supreme Court decided to limit the possibility for exclusive right's co-owners to **determine the proportion** of their respective stakes by mutual agreement (para. 35(1) of the resolution). The Court's intention here is seemingly to "freeze" the matter until it is resolved by the Legislator. A bill to that effect has already been submitted to the State Duma.

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Secondly, the Court pointed out the possibility to **force an unwilling co-owner** to conclude an agreement on the management of the common asset (para. 35(4) of the Resolution). The unyielding joint owner may be sued by the other(s) to compel on him an agreement on how to dispose of the joint result of their intellectual activity.



## Summary

Thus the Supreme Court has effectively ruled out the possibility for co-owners to agree in-between themselves on the distribution of the respective proportions of their shares in an exclusive IP right, and all disagreements between co-owners on how to dispose of the jointly owned right are proposed to be resolved in the courts.

The specialized Commercial Court of Cassation for intellectual property has already resolved a dispute between joint holders of a patent in the manner envisaged by the Supreme Court. The co-owners could not find an agreement to make changes to the patent's formula, so that their dispute to determine how the patent should be exercised and disposed of was resolved by the court (Resolution of the Presidium of the Court on intellectual property rights of 13.08.2018 in case No. СИП-540/2017).

However, the Supreme Court in its resolutions avoided the issue on validity of having multiple right holders of a trademark. The impact this resolution will have on the court system is yet unknown, but it seems fair to say that the Court to a certain extent has here devised a legal bottleneck that will force the Legislator to step in and review the effectiveness of the approach adopted by the Court and maybe regulate some of the questions that are left unanswered.



## Questions?

Eversheds Sutherland's Russian practice is well-equipped to advise on all issues related to intellectual property, offering a comprehensive range of services to assist our clients in the creation, maintenance and protection of their intellectual property rights, including with dispute resolution, transactions with cross-border elements and the registration of IP assets. If you have any questions about how to apply the clarifications given by the Supreme Court in this Resolution, please do not hesitate to get in touch with our specialists.

## Contacts

- **Ekaterina Tilling**, partner, head of IP Russia  
✉ [ekaterina.tilling@eversheds-sutherland.ru](mailto:ekaterina.tilling@eversheds-sutherland.ru)  
☎ +7 985 765-6722



