M E M O R A N D UM

Via Email
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TO: The Hon. Lyudmila Alexandrovna Novoselova, Chairman
Intellectual Property Court of the Russian Federation
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FROM: Bruce Alexander McDonald
Scientific Consultative Council of the Intellectual Property Court

RE: Advisory Council Report

Date: November 25, 2016

Attached in response to the Court's invitation for input on designated questions of intellectual property law is a set of sample agreements and secondary sources, for purposes of comparison and contrast, involving the commercialization of intellectual property by academic institutions in the United States.

I. Commercialization of Intellectual Property by Universities and Academic Institutions

The announcement of today's meeting states that discussion will focus on "questions arising in connection with the application of Russian law to "official results" (*sluzhebniye resul'tatie*)) of "intellectual activity." which has been interpreted in this report as "work made for hire" as between the inventor and the university. As a general matter it is a matter of contract law in which we have observed a distinction between public universities, which are likely to claim a greater interest in the equity of the spin-off corporation owned by the professor or other staff of the University, than we see at the private universities. Perhaps this is because the private universities are more effective at creating what the parties see as a "partnership," rather than a "license." Even though it is a license, the fact that the parties view it as a "partnership" correlates with the likelihood of success.

II. Other Developments in U.S. Trademark Law

From the standpoint of U.S. trademark law, there have been at least two developments that will be of interest to this Court, one relating to Russia, the other a decision from the U.S. Supreme Court. This report will defer a discussion of other developments in U.S. intellectual property law for a subsequent report.

A. Stolichnaya

In *Federal Treasury Enterprise Sojuzplodoimport v. SPI Spirits Ltd.,* 726 F. 3d 62 (2d Cir. 2013), the U.S. Court of Appeals affirmed the trial court's dismissal of Sojuzplodoimport's claim of ownership in the STOLICHNAYA trademark in the United States. Although the Government of the Russian Federation had designated Sojuzplodoimport as its assignee and legal representative relative to protection and enforcement of the *Stolichnaya* trademark, the trial court held that Sojuzplodoimport lacked "standing" because the Russian Federation, as owner of the trademark, did not join the plaintiff in the lawsuit. The

trial court in the *Stolichnaya* case rejected the argument that the juridical status of Sojuzplodoimport under the Russian law of "operative administration" should be recognized by the U.S. courts as a matter of international law and comity, and the appellate court agreed.

At the time of this Advisory Council's first meeting on December 17, 2013, Sojuzplodoimport was pursuing a petition for review at the U.S. Supreme Court. Shortly afterwards, Sojuzplodoimport elected to pursue an alternative remedy, and the petition for review was denied. Instead of arguing that the trial court was mistaken, and that Sojuzploroimport was the "assignee" of the U.S. *Stolichnaya* registration, Sojuzploroimport elected to cure the asserted defect of title by obtaining an assignment from the registered owner, *i.e.,* the Government of the Russian Federation. Fortified with that assignment, Sojuzploroimport filed a new lawsuit.

In response to Sojuzplodoimport's new lawsuit, the defendants again obtained an order from the trial court dismissing Sojuzplodoimport's claims, this time on the ground that Sojuzplodoimport, as a Russian federal enterprise, was *prohibited* from owning a trademark – *any* trademark – despite the expressed intent of the Russian Government to assign its rights in the mark (including the actual assignment) to Sojuzplodoimport, under the same law of "operative administration" that the trial court had refused to recognize in the previous case. Sojuzplodoimport appealed that order and again found itself at the United States Court of Appeals for the Second Circuit in New York.

On February 23, 2015, the Advisory Council of this Court submitted a "friend of the court" brief to the U.S. Court of Appeals and was subsequently recognized by the Court as *amicus curiae* in support of Sojuzplodoimport. Our brief explained that Russian allow *does* allow for Sojuzplodoimport to own the pleaded trademark notwithstanding anything to the contrary in the law of "operative administration." The Councils' *amicus* brief was successful as indicted on January 5, 2016, when the U.S. Court of Appeals upheld Sojuzplodoimport misappropriation claim, reversed the trial court in relevant part and held that:

(1) considerations of international comity prevented the district court from adjudicating the validity of Russian Federation decree under the law of the Russian Federation authorizing the transfer of ownership rights in trademarks;

(2) the "act of state doctrine" prevented the district court from adjudicating the validity of Russian Federation decree; and

(3) the trial court erred in holding invalid the Russian Government decree and assignment authorizing the transfer of ownership rights in the *Stolichnaya* trademark to Sojuzplodoimport, in conflict with the interpretation of Russian law advocated by the Council in its *amicus* brief

Sojuzplodoimport was not successful on all of its claims at the Court of Appeals. The Court of Appeals held that Sojuzplodoimport's claims other than trademark misappropriation were barred by res judicata (time-barred). The bottom line is that Sojuzplodoimport will at least have its day in Court after fighting for 12 years, and the parties are currently back at the trial court engaged in a dispute about the validity of the defendants' asserted counterclaims.

B. B&B Hardware

In the last three years, the U.S. Supreme Court has issued one major decision under the U.S. trademark law. In *B&B Hardware, Inc. v. Hargus Industries, Inc.,* 135 S. Ct. 1293 (2014), the owner of the trademark "SEALTIGHT" used with fasteners in the aerospace industry, brought an action against the owner of "SEALTITE" as used with self-drilling screws for the constructing of buildings. A jury found in favor of the defendant and the plaintiff appealed. The Court of Appeals affirmed in part and remanded in

part, and an appeal was taken to the Supreme Court. The Supreme Court reversed and remanded, holding that –

(a) agency decisions, in this case a decision by the Trademark Trial and Appeal Board,[1] can bar a subsequent claim by the unsuccessful party on grounds of "claim preclusion";[2]

(b) despite lower court rulings to the contrary, nothing in the U.S. trademark law bars the application of "issue preclusion," *i.e.,* the notion that a party is estopped from pursuing a claim because it had an opportunity to litigate the claim in a prior case, and specifically, noting bars the application of issue preclusion based on a prior adverse holding by the Trademark Trial and Appeal Board;

(c) the likelihood-of-confusion standards are the same in trademark registration and infringement suits;

(d) there was no reason to doubt the quality, extensiveness, or fairness of the TTAB procedures in connection with the defendant's trademark registration; and

(e) the stakes for registration are not so much lower than for infringement that issue preclusion should never apply to TTAB decisions; in other words, an opposer at the TTAB is not to be excused for failing to put his best case forward on the assumption that he can simply re-litigate the claim *de novo* in a U.S. trial court if he is unhappy with the holding of the TTAB.

III. Intellectual Property Issues in Russia of Interest to American Companies

The IP-related interests of American and Russian companies alike are reflected in the compilation of sources in Attachment 1 to this memorandum, particularly in the pharmaceutical market. A recent power point presentation reflecting the American understanding of the Russian pharmaceutical industry is appended as Attachment 2.

Broadly speaking, American companies in Russia are concerned about patent linkage, data protection and exclusivity, and the availability of preliminary injunctions in cases of intellectual property infringement. In addition, a concern has been expressed by Internet service providers about decisions by the Moscow District Court holding them liable for copyright infringement arising from user-generated content uploaded by the companies' users, not on the grounds that the companies failed to comply with their status as "Internet intermediaries" within the meaning of Russian legislation, but because they are not "Internet intermediaries," even though they have been or ought to be recognized as such. Appended as Attachment 3 is a handful of court cases which may be useful to consideration of this issue.

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[1] The Trademark Trial and Appeal Board ("TTAB") is the adjudicatory body with jurisdiction over trademark disputes at the U.S. Patent and Trademark Office (PTO). The TTAB has jurisdiction to adjudicate trademark registration claims including opposition and cancellation actions

[2] "Claim preclusion" is the term used by the Supreme Court in reference to "estoppel" and "res judicata."

IV. Conclusion

It is hoped that this memorandum and attached materials will contribute to the Court's consideration of the issues on today's meeting of the Court's Advisory Council.

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Attachments