The new IP Court in Ukraine: its creation and exclusive jurisdiction

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Abstract

Ukraine has set out to establish a new specialised IP Court. The creation of this IP Court is an important element of current reforms that are aimed at improving the operation of the Ukrainian judicial system. It is believed that the new Court will improve IP enforcement by decreasing the duration of court proceedings and simultaneously increasing the quality of decisions in IP cases. While the creation of the IP Court is generally considered to be highly desirable, certain issues in the set-up and operation of this Court may reduce the effectiveness of the judicial process in IP cases, and require clarifications and/or adjustments. Among such matters is the exclusive jurisdiction of the IP Court and a potential overlap with the jurisdiction of the administrative courts and other state authorities. This chapter will outline the developments leading to the establishment of the IP Court. It will also discuss certain examples of a potential collision between the jurisdictions of the IP Court and the administrative courts, and will provide suggestions on how this could be rectified.

1 A Global Trend Towards Increasing the Judicial Specialisation in the Field of IP

In the knowledge-based economy the role of intellectual property (IP) is becoming increasingly important.[1] During recent decades the protection of IP has undergone significant transformations. These include the broadening of the types of products and technologies that can be protected by IP rights on the one hand, and on the other a policy shift towards

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[1] This chapter draws on some of the findings and conclusions of a recently completed project funded by the UK Government and conducted by the Centre for Commercial Law Studies (QMUL) on the creation and functioning of a new IP court in Ukraine. The authors of this chapter formed part of the team of experts that prepared the project's report, which provided recommendations to the Ukrainian Government on possible ways to improve the legal framework related to the establishment and operation of this new IP court. The full report on this project and its findings can be found here: CCLS QMUL 'Ukraine DFID/FCO IP Court Project: the Final Report' (September 2020).

harmonisation of standards for protection and enforcement at the international level.[2] The latter includes the adoption of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS),[3] which marked the beginning of a new era for the protection of IP at a global level. As world trade increases, the protection of IP and its effective enforcement becomes more important.[4] If the IP owners are not able to enforce their rights in a speedy and cost-effective manner with a predictable outcome the value and benefits of such rights are significantly undermined and their effect on economic growth reduced.[5] The creation of well-functioning IP enforcement mechanisms is considered to be of paramount importance because they help to facilitate an environment in which IP can fulfil its role of stimulating innovation, providing equitable benefits for both owners and users of IP.[6]

The creation of a robust IP enforcement system – an essential element of which is an effective judicial system – has therefore been one of the key policy goals in many jurisdictions.[7] The benefits of introducing specialised IP judiciary are increasingly acknowledged worldwide because of the economic significance and the legal complexities associated with IP rights due to constant technological advancement. Many countries have either already established[8] or have been considering the introduction of various forms of a specialised judiciary,[9] including the UK, Germany, France, the Netherlands and the US.[10] A study on specialised IP judiciary found that their creation promotes greater understanding of, and familiarity with, IP related issues and "reduces judicial errors and lowers litigation costs, potentially resulting in greater

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2 World Bank, 'Intellectual Property Rights and Economic Development' (WDP 412, Discussion Paper) 2000.

3 WTO Agreement on Trade-Related Intellectual Property Rights, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 15 April 1994.

4 International Bar Association, 'International Survey of Specialised Intellectual Property Courts and Tribunals' (2007) 3.

5 See Advisory Council on Intellectual Property, 'Should the jurisdiction of the Federal Magistrates Service be extended to include patent, trademark and design matters?' (2003) 2 <https://www.ipaustralia.gov.au/sites/default/files/final_report_extending_jurisdiction_of_federal_magistrates.pdf?acsf_files_redirect> accessed 6 November 2021.

6 WIPO, 'Building Respect for Intellectual Property' <https://www.wipo.int/enforcement/en/> accessed 6 November 2021.

7 European Commission, 'A Balanced IP Enforcement System Responding to Today's Societal Challenges' (Communication), COM(2017) 707 final; European Commission 'Making the most of the EU's innovative potential. An intellectual property action plan to support the EU's recovery and resilience' (Communication), COM(2020) 760 final; United Kingdom Intellectual Property Office, 'Protecting creativity, supporting innovation: IP enforcement 2020' (Strategy on IP Enforcement) 2016.

8 International Chamber of Commerce, 'Adjudicating Intellectual Property Disputes' (Report) ICC 2016.

9 Kazakhstan, for example discusses the establishment of a specialised IP judiciary in its IP Strategy 2021–2025. See Kazakhstan Government Decree on the Approval of the IP Concept for the development of intellectual property in the Republic of Kazakhstan in 2021-2025 <https://legalacts.egov.kz/npa/view?id=5772344> accessed 6 November 2021.

10 See Final Report (n 1).

consistency and increased predictability of case outcomes".[11] It also signals to the stakeholders that the government considers IP to be an important area for protection.[12]

In Ukraine, the creation of a specialised IP court (the High Court of Intellectual Property Rights (IP Court)) is a salient element of the ongoing judicial reform that is aimed at improving the operation of the judicial system in general, as well as the functioning of the IP enforcement system. The improvement forms part of Ukraine's international obligations. In particular, Ukraine is a party to a number of bilateral and multilateral international treaties which regulate the protection of IP rights,[13] including the TRIPS Agreement.[14] Under these various international instruments Ukraine is obliged to provide efficient protection and enforcement of IP rights within its territory. For example, under Art. 41(1) TRIPS, members have undertaken to

> "[…] ensure that enforcement procedures […] are available under their law to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements".

Under a more recent international treaty – namely the Association Agreement signed between Ukraine and the European Union[15] – Ukraine has undertaken to provide "[…] measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights".[16]

While none of its international obligations of ensuring efficient protection and enforcement of IP rights requires Ukraine to establish a specialised IP court in order to fulfil these obligations,[17] the establishment of such a court has been viewed as being an effective

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11 International Intellectual Property Institute and United States Patent and Trademark Office, 'Study on Specialized Intellectual Property Courts' IIPI and USPTO 2012, 1.

12 Ibid 6.

13 For example, Bern Convention for the Protection of Literary and Artistic Works (1886) on 31 May 1995, which entered into force for Ukraine on 25 October 1995; Madrid Agreement Concerning the International Registration of Marks (25 December 1991); Paris Convention for the Protection of Industrial Property (25 December 1991); Patent Cooperation Treaty (25 December 1991). For a detailed list of all IP related Ukrainian laws and international treaties see <https://www.wipo.int/wipolex/en/profile.jsp?code=ua> accessed 6 November 2021. For more details, see Yuriy Kapitsa, 'Association Agreement and Challenges and Problems of Approximating Intellectual Property Legislation of Ukraine with the Legislation of the European Union' in this volume.

14 Ukraine joined the Agreement on Trade-Related Aspects of Intellectual Property Rights (1994) on 16 May 2008.

15 Association Agreement between the European Union and its Member States, of the one part, and Ukraine, of the other part 2014, L 161/3 OJEU, in which Chapter 9 'Intellectual Property' contains a comprehensive list of substantive provisions on various types of intellectual property, as well as procedural provisions on IP enforcement (EU–Ukraine Association Agreement).

16 EU–Ukraine Association Agreement, art 230.

17 See, for example, TRIPs, art 41(5), according to which "[i]t is understood that this Part does not create any obligation to put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law in general, nor does it affect the capacity of Members to enforce their law in general".

way of improving the IP enforcement system.[18] It was received positively by Ukrainian legal professionals as well as the academic community and is expected to become an effective and valuable tool for IP rights holders.[19] In particular, it is believed that the creation of a specialised IP court will improve the IP enforcement system in Ukraine by decreasing the duration of court proceedings and simultaneously increasing the quality of decisions in IP cases.[20] This, it is hoped, will be achieved, *inter alia*, by selecting and training skilled judges within specific areas of IP specialisation, as well as by developing a uniform and consistent judicial practice. Although the new IP court is not yet operational its launch remains high on the agenda in Ukraine, and it is expected to start functioning in the near future.

This chapter will discuss how the new IP Court in Ukraine was created, including the developments that had led to it. It will then examine certain matters regarding the exclusive jurisdiction of the IP Court. Specifically, it will analyse a number of issues that may lead to an overlap between the jurisdiction of the IP Court and jurisdictions of the administrative courts and other state authorities. It will also provide recommendations on how to resolve these overlaps to achieve a better judicial certainty.

2 Creation of the IP Court in Ukraine

2.1 Developments Leading to the Establishment of the IP Court

Disputes concerning IP rights can be very complex. This is because they require not only the knowledge of specific legal norms related to an IP right in question, but also often necessitate a deep understanding of technical aspects of IP protected products (e.g. disputes over pharmaceutical or computer-implemented inventions). In Ukraine such disputes have been traditionally considered by three different types of courts: commercial, civil and administrative. While it provides a number of options for resolving IP disputes the system has a significant disadvantage, namely that it routinely generates confusion as to the jurisdiction of those courts

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18 See e.g. Mykola Pototsky and Mariya Zakharenko, 'A specialised court that considers disputes related to intellectual property in Ukraine: a mistake or necessity?' (2014) Legal Bulletin 204 (discussing whether the creation of a specialised IP court will make the IP protection system in Ukraine more effective).

19 Tetiana Pashkovska, 'The Intellectual Property High Court is on the Finish Line' (2017) *Yurydychna Gazeta* <http://yur-gazeta.com/publications/actual/vishchiy-intelektualniy-sud-na-finishniy-pryamiy.html> accessed 6 November 2021.

20 The decision to create a specialised IP court in Ukraine was also an issue of intense debate. Some experts emphasised that "the policy choice to create such a court should be based on an informed and transparent analysis of the situation in the country". See Democracy Reporting International 'Ukraine's new Intellectual Property High Court: implications for the justice system' (29 May 2018) <https://democracy-reporting.org/en/office/ukraine/news/ukraines-new-high-intellectual-property-court-implications-for-the-justice-system> accessed 6 November 2021. They argue that this standard was not sufficiently met in Ukraine because the policy choice to establish the IP Court was not supported by convincing evidence and was not preceded by a broad public discussion and consultation with regards to the advantages and disadvantages of creating such specialised court. They also note that "[t]he explanatory note to the Law On the Judiciary and Status of Judges justifies the creation of the court by referring generally to the positive experience of other European countries with intellectual property courts, without explaining further the details of these experiences and why they are relevant for Ukraine" (ibid).

in IP disputes. It also frequently results in lengthy judicial processes and divergent court practices when considering identical IP issues. In addition, different courts and procedures (as well as uneven levels of expertise of judges) often lead to unpredictable and inconsistent outcomes in IP disputes.[21] Therefore, the legal community has long argued that the creation of IP specialisation is necessary to overcome these problems.[22]

The idea of a specialised IP court was first officially advanced in the 2001 Presidential Decree "On measures relating to the protection of intellectual property in Ukraine".[23] In particular, the possibility of creating a specialised patent court was to be analysed as part of a range of measures aimed at strengthening IP protection.[24] This had been preceded by the designation of Ukraine as a "Priority Foreign Country" under the US Special 301 Report.[25] This list of countries contains the worst IP offenders with inadequate IP laws. Ukraine was included in this list because of its "persistent failure to take effective action against significant levels of optical media piracy and to implement adequate and effective intellectual property laws".[26] Due to this the US recording industry estimated it was losing over $200 million annually.[27]

At the same time, ideas advancing IP specialisation in the Ukrainian courts had started to take shape in the form of judicial training in the early 2000s. The aim of this was to provide a uniform IP background to the judges operating in different courts. While only a small fraction of judges received such training it nevertheless had a positive effect on the quality of decisions, and this was particularly in evidence in the commercial courts. Further steps were taken in 2003 when specialised judicial chambers were created in the High Commercial Court of

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21 This problem, for example, was acknowledged in Ukrainian Parliament Decree on the Recommendations to the Parliamentary hearings "Protection of intellectual property in Ukraine: problems of legislative framework and its enforcement", 2007, N 1243-V ("[…] it is necessary to take further steps in relation to implementing IP specialisation in courts. It is therefore necessary to resolve the problem of the appropriate identification of courts' jurisdiction relating to specific categories of cases. Not all the courts of civil jurisdiction have implemented sufficient specialisation and training of judges to ensure effective IP dispute resolution").

22 Svitlana Parkhomchuk, 'Ways of introducing Bodies of Patent Jurisdiction into the Ukrainian Judicial System' (2012) 2 Problems of Civil and Commercial Law in Ukraine; National Strategy for the Development of the Sphere of Intellectual Property in Ukraine for the Period up to 2020, 2014 (unofficial text) <https://uba.ua/documents/ip-strategy28082014.pdf> accessed 6 November 2021.

23 Ukrainian President Decree on measures relating to the protection of intellectual property in Ukraine, 2001, 285/2001.

24 There is no information on further developments in this regard from the 2001 Decree. However, the need for the creation of a specialised IP court was also stated in the Concept of the development of the state system of IP protection during 2009–2014, approved by the Board of the State Department of Intellectual Property; Protocol № 11, 11 March 2009.

25 USTR, 'Ukraine Designated as Priority Foreign Country Under Special 301' (2001) <https://ustr.gov/archive/Document_Library/Press_Releases/2001/March/Ukraine_Designated_as_Priority_Foreign_Country_Under_Special_301.html> accessed 6 November 2021.

26 Roman Kuybida and Roman Smalyuk, 'Where did the IP court come from and where did it disappear?' (2019) *Reanimation Reform Package* <ttps://rpr.org.ua/news/zvidky-vziavsia-i-kudy-znyk-ip-sud/> accessed 6 November 2021.

27 USTR (n 25).

Ukraine (the cassation instance at that time), including the creation of a chamber to consider IP related disputes.[28]

The discussions regarding IP specialisation have also included suggestions that such cases should belong to the jurisdiction of only one type of court to enhance the effectiveness and quality of IP adjudication.[29] As statistically most of the IP cases were considered by commercial courts,[30] the suggestions centred on the idea that IP disputes should fall within the jurisdiction of these courts.[31] This idea gained ground and formed part of the 2007 recommendations for the improvement of IP protection to be considered by the Parliament.[32] In particular, as a result of the Parliamentary hearings it was decided to look at the possibility of transferring IP disputes to the jurisdiction of the commercial courts due to the higher level of IP expertise of the commercial court judges.[33] This has eventually resulted in the establishment of the IP Court within the system of the commercial courts, as well as the development of the IP Court's procedural rules within the general rules of the Commercial Procedural Code (CPC) applied by the commercial courts.

As a consequence, over the last decade the discussion on how to improve the quality of IP disputes can be divided into two main choices: the establishment of a separate IP court, or the introduction of IP chambers within the local and appellate courts. Eventually, the first – namely the establishment of a separate IP court – was adopted.[34]

2.2 Judicial Reform in Ukraine and the Establishment of the IP Court

On 2 June 2016 the Parliament of Ukraine adopted two laws which set the current judicial reform in train. The first introduced changes to the provisions related to justice within the Constitution of Ukraine.[35] The second law – the Law on the Judicial System and the Status of

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28 Order of the High Commercial Court on the Establishment of the Judicial Chambers in the High Commercial Court of Ukraine, 2003, N 18.

29 Yuriy Neclesa, 'Problems of Realisation of the Patent Justice in Ukraine' (2018) 3 Comparative-analytical law 115.

30 For example, in 2016, out of 997 IP related lawsuits 647 were filed with commercial courts. See Nina Kucheruk, 'IP High court: Who? When? Where?' (18 October 2017) *Yurydychna Gazeta* <http://yur-gazeta.com/publications/practice/sudova-praktika/vishchiy-ipsud-hto-de-koli.html> accessed 6 November 2021.

31 Neclesa, 'Problems of Realisation of the Patent Justice in Ukraine' (n 29).

32 This problem, for example, was acknowledged in Ukrainian Parliament Decree on the Recommendations to the Parliamentary hearings "Protection of intellectual property in Ukraine: problems of legislative framework and its enforcement", 2007, N 1243-V.

33 Ibid, recommendation 3. The allocation of IP cases within the jurisdiction of the commercial courts was also actively discussed by the legal community. See e.g. the discussion during the round table held by the Ukrainian Bar Association 'Patent Court: pros and cons' (27 October 2015) <http://vgsu.arbitr.gov.ua/news/1851/> accessed 6 November 2021.

34 While the legal community had diverse views as to whether the creation of a separate IP court was justified, and whether the establishment of a more in-depth specialisation within the current judicial system was the optimal means of facilitating this, the majority of IP professionals, academics and members of the Parliament supported the creation of a court. See e.g. Pashkovska, *Yurydychna Gazeta* (n 19) accessed 6 November 2021.

35 Ukrainian Law on the Amendments to the Constitution of Ukraine (Regarding Justice) 2016, 1401-VIII.

Judges (the Law on the Judicial System) – amended the judicial system itself.[36] These laws began a root and branch transformation of the Ukrainian judicial system and the administration of justice generally. The new Law on the Judicial System is a major overhaul of Ukraine's judiciary. Among other things it introduces major changes to the structure and jurisdiction of the Supreme Court and creates two new specialised courts, including the IP Court. The latter, under the Law on the Judicial System, was to be established within 12 months of the date when the Law came into force, i.e. September 2017.

In September 2017 the President issued a decree which established the new IP Court.[37] Further, the number of judges was agreed upon.[38] It was decided that the number of judges in the IP Court will be 21 at the first instance[39] and nine at the Appellate Chamber.[40] On 30 September 2017, the High Qualifications Commission of Judges (which is responsible for the selection of the judiciary) announced the start of competition for the positions of first instance IP judges for the Court.[41] The competition for the nine positions at the Appellate Chamber was launched in October 2018.[42] Finally, on 13 February 2020, the new entity, the IP Court, was officially registered.[43] However, even though the IP Court has been formally established, as of the time of writing it is still not operational.[44]

3 Some Issues Regarding the Jurisdiction of the IP Court that Require Clarification

3.1 Jurisdiction of the IP Court under the Commercial Procedural Code

One of the main reasons for creating the IP Court in Ukraine is to accumulate all IP disputes (except for criminal cases) within one court, which would be heard by judges with sufficient knowledge and experience in this field to ensure high quality of IP adjudication. The jurisdiction of the IP Court is defined in Art. 20(2) CPC. This provision covers a wide scope of IP and unfair competition disputes. In particular, it stipulates that the IP Court will consider the following categories of cases:

36 Ukrainian Law on the System of Justice and the Status of Judges 2016, № 1402-VIII (hereinafter Law on the Judicial System).

37 Ukrainian President Decree on the establishment of the High Court of Intellectual Property 2017, 299/217.

38 Ukrainian State Court Administration Order on the Establishment of the Quantity of Judges in the IP High Court, approved by the Decision of the High Judicial Council (2017) 3065/0/15-17.

39 Ibid.

40 Upon the Petition by Head of the State Judicial Administration of Ukraine 2018, 8-13462/1820.

41 Decision of the High Qualification Commission of Judges 2017, 98/зп-17.

42 See Announcement of the High Qualifications Commission of Judges 2017, 929.

43 Judicial Authority in Ukraine, 'The High IP court has been registered' (2020) <https://court.gov.ua/press/news/889183/> accessed 6 November 2021.

44 Final and Transitional Provisions of the Law on the Judicial System, art 15 Section XII.

1) disputes concerning the rights to an invention, utility model, industrial design, trademark (sign for goods and services), commercial name and other intellectual property rights, including the right of prior use;
2) disputes concerning the registration of IP rights, invalidation, extension of IP, annulment of patents, certificates, other acts that certify or on the basis of which such rights arise, or which violate such rights or the related lawful interests;
3) cases concerning the recognition of a trademark as well known;
4) disputes concerning the rights of an author and related rights, including disputes concerning collective management of the author's property rights and related rights;
5) disputes regarding the entering into, modification, termination and execution of an agreement with respect to the exercise of IP rights and commercial concessions;
6) disputes concerning protection against unfair competition in relation to: unlawful use of signs or goods of another manufacturer; copying of the appearance of the product; collection, disclosure and use of trade secrets; appeal against decisions of the Antimonopoly Committee of Ukraine on issues specified in this subsection.

At first glance, the list of cases that fall under the jurisdiction of the IP Court covers all possible IP disputes. Moreover, the wording of this provision, i.e. that the IP Court "considers cases related to the IPRs, *in particular* […]" (emphasis added), means that the list of cases specified in the CPC is not exhaustive. This implies that the IP Court may consider cases that are not specifically mentioned in the CPC if these cases are IP-related.

At the same time, cases which are not explicitly mentioned in this provision may risk being considered as falling under the jurisdiction of other courts. This includes cases in which one of the parties is a state authority. Under the Code of Administrative Proceedings any public law dispute related to decisions, actions or inactions of a state authority falls within the exclusive jurisdiction of the administrative courts.[45] Even if the decisions, actions or omissions of a state authority are related to IP, the public law nature of the dispute comes to the fore. It should be noted, however, that since the IP Court is not yet operational and the discussed provisions have not yet been applied, this analysis is currently theoretical. It may be possible that when the IP Court begins to function it will consider all IP-related cases. However, we believe that it is important to clarify any potential gaps in the jurisdiction of the IP Court to avoid any confusion in determining which court has the authority to hear a particular case. The following sections will discuss cases that are not explicitly mentioned in the CPC and which would be appropriate to refer to the IP Court. The clarification regarding such cases and inclusion of them to the list of disputes that fall within the jurisdiction of the IP Court would help to ensure high quality adjudication in all IP cases.

3.2 IP-Related Administrative Cases Which Should be Considered by the IP Court Rather than the Administrative Courts

There are a number of IP-related administrative cases that require an in-depth knowledge of IP law. These cases are currently heard by the administrative courts and are not likely to be

[45] Code of Administrative Procedings, art 19(1).

referred to the IP Court once it is operational unless explicitly mentioned in the CPC. This is due to the fact that, as mentioned above, such disputes have a public law nature as they arise from public relations, involving a state body and concerning its activities. Since these disputes fall under the exclusive jurisdiction of the administrative courts the fact that it is also IP-related would not be a sufficiently valid reason for the dispute to be referred to the IP Court. However, IP-related disputes of this kind often require the court to analyse the object of the dispute, the scope of rights of the rightsholder, the compliance with the procedure for registration of IP rights and other aspects that require knowledge in the field of IP. Unlike the judges of the IP Court, administrative court judges usually do not have any special training and necessary qualifications to properly assess such matters. This therefore significantly complicates the case analysis undertaken by administrative court judges and can lead to erroneous decisions. Therefore, it may be more appropriate for such disputes to be considered by the IP Court.

3.2.1 Customs-Related Disputes that Involve IP Rights

This category of disputes concerns challenges against the decisions of customs authorities which currently fall within the jurisdiction of the administrative courts. One type of these involves disputes where the customs authority has already cleared goods, and the IP right holder has subsequently detected that such goods may infringe their IP rights. The analysis in such cases is centred on the assessment of goods cleared by the customs authority and whether they infringe the rightsholder's IP rights. In other words the dispute does not relate to the goods clearance procedure or the powers of the customs authority. The main issue that the court must consider in this dispute is whether the IP right in question has been infringed, and this requires knowledge of IP law.

Another category relates to the registration of the objects of IP rights in the customs register. This is a special procedure aimed at preventing goods that may infringe upon IP rights being imported into or exported from Ukraine's territory. The rightsholder who has a reason to believe that their IP rights are being (or may be) infringed by the movement of goods across the customs border of Ukraine has the right to apply for registration of such an IP protected object in the customs register.[46] After registration of the object in this customs register of the objects of IP rights, the customs authorities shall take measures to ensure the protection of these IP rights.[47] In particular, if a third party submits a customs clearance declaration for goods suspected of infringing IP rights included in the register the customs authorities may temporarily suspend the customs clearance of such goods.[48]

In cases where the inclusion of a certain object of IP rights in the customs register is refused, the rightsholder may appeal in court. Since the appeal in such a case will be against the customs authority's decision – meaning that the nature of the dispute would be public – such a dispute would fall under the jurisdiction of the administrative courts. However, as with the previous category of cases, the adjudication of such disputes requires a detailed analysis of

46 Customs Code of Ukraine 2012, 4495-VI, art 398(2).

47 Ibid, art 398(5).

48 Ibid, art 399.

the relevant IP rights. In particular, the court would need to assess the object with respect to which the registration was requested; whether any patents and trademark certificates that support the registration exist; whether there is any other rightsholder who challenges these patents and trademark certificates; and whether there are sufficient grounds for the refusal to include a protected object on the register, etc. Such cases require a thorough analysis of IP-related matters, as well as an in-depth understanding of IP law.

Some cases in this category can be rather complex. For example, in 2018 the Dnipropetrovsk District Administrative Court considered a dispute related to a registered design. In particular, the owner of a design "Humana" (No. 29851, issued in 2015) requested the customs authority to include this design in the customs register of IP rights under the section "baby food packaged for retail sale". The request was rejected by the customs authority, which explained that this design was registered under Class 32 "graphic symbols and logos, textural patterns, ornaments" and that the scope of legal protection provided under this registered design covers only logos and does not cover any other goods including baby food packaged for retail sale. The owner of the design appealed the decision and the court therefore had to establish the scope of protection by the registered design, namely whether it applies to baby food packaged for retail sale. During the hearing, the customs authority, acting as the defendant, also informed the court that in accordance with the international registration in 2007 the trademark "HUMANA" was protected in Ukraine, including in relation to baby food. Moreover, while this case was pending, the owner of that trademark filed a lawsuit in the civil court to invalidate the design "Humana" (No. 29851), which was later invalidated by the civil court. The administrative court rejected the design owner's lawsuit on these grounds.[49] However, had the design not been challenged, the administrative court would have needed to examine it to determine the scope of protection it provided, and establish whether the refusal to include the design in the customs register was correct. Therefore, this dispute was based on IP law rather than the customs procedures. As a result, if the assessment of a case requires knowledge and application of IP law, such a case may be more appropriate to refer to the IP Court rather than administrative courts.

3.2.2 Tax-Related Disputes Concerning IP Rights

In Ukraine, all tax disputes fall under the jurisdiction of the administrative courts. However, in some cases tax issues are closely intertwined with IP law and it is the latter that becomes primary for resolving the dispute. This applies, for example, to cases concerning royalties. The Tax Code defines royalty as a payment received as a remuneration for the use or granting of the right to use the object of IP rights.[50] Under Ukrainian law royalty payment transactions are not subject to a value added tax (VAT).[51] This means that a company that receives a royalty is not required to pay VAT on the amount of that royalty. However, disputes on whether the payment is a royalty often arise when a company receives or pays a fee, but, as a result of a tax

[49] Dnipropetrovsk District Administrative Court, Decision 72707259 (2018) 804/576/16.

[50] Tax Code of Ukraine 2010, 2755-VI, art 14(1)(225).

[51] Ibid, art 196(1)(6).

audit, the tax authority decides that this payment is not a royalty, and therefore requires the company to pay VAT. The company may consequently challenge this decision before the court. While (as was mentioned above) these are considered to be tax disputes, the primary matters are not tax issues but those related to IP rights. The court would need to determine whether the object of the payment is IP protected; whether the actual use of this object relates to the type of use covered by the royalty; and whether the recipient of the royalty owns IP rights that protect this object. In such disputes, knowledge of tax law would be secondary since resolving this case requires knowledge of IP law and not tax law. The Tax Code contains certain additional rules related to royalties. An example of one of these rules is that royalties do not include payment for the right to distribute copies of software products without the right to reproduce them.[52] However, even in this case, the court must analyze the contract in order to determine the content of the rights under the contract. Only after establishing all the issues related to IP rights will the court be able to conclude whether the payment is a royalty and, accordingly, is exempt from payment of VAT.

Judicial practice in Ukraine contains a significant number of cases which require the administrative courts to analyse tax disputes related to IP while having limited or no knowledge of it. This lack of knowledge of IP often leads to the administrative courts failing to resolve the dispute correctly. An example of this is related to the supply of software products.[53] A company supplied software products by selling household appliances with the activation key for such software. After the audit the tax authority decided that the remuneration for such operations should be subject to VAT because the company was selling an activation key for a software product, and not the software product itself. The first instance administrative court noted that while transactions that involve the supply of software products for which the IP ownership is transferred are subject to VAT exemption, in this case there was no transfer of ownership to consumers. What was actually transferred was the right to use the IP object. Also, it was found that the fiscal receipts indicated the name of the product sold as an "activation key" rather than a "software product". Therefore, the court concluded that these transactions were subject to VAT. At the appeal, the Administrative Court of Appeals reached an opposite conclusion and decided that the electronic activation key is an integral component of a software product and ensures its functionality. Therefore, the fact that only the "activation code" was sold, was not supported by evidence. The court found that despite the name of a supplied product was incorrectly identified in fiscal receipts (an "activation key" instead of a "software product"), the activation key is an integral component of the application program which provides the use of the functionality of certain versions of the program. It is therefore a software product in the meaning of the Tax Code of Ukraine and so not subject to VAT.[54]

This example makes it clear that in such cases IP law issues are crucial when determining the merits of a case. It is true that the royalty disputes are diverse and may involve issues relating to other aspects of tax law. However, if the crux of a tax dispute is an IP right, it may be very difficult for the court to arrive at a correct conclusion without knowledge of IP law.

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52 Ibid, art 14(1)(225).

53 Dnipropetrovsk Administrative Court of Appeal, Decision 72890364 (2018) 804/4301/17.

54 Dnipropetrovsk Administrative Court of Appeal, Decision 72890364 (2018) 804/4301/17.

Therefore, such cases are more suited to be considered by the IP Court rather than the administrative courts.

3.3 IP-Related Cases that Require Clarification of Procedure

Some cases that potentially fall within the jurisdiction of the IP Court raise questions about the exact procedure under which they should be considered. Although the CPC clearly regulates the procedure for hearing disputes in the first, appeal and cassation instances, there are several cases when the law is silent about the applicable procedure.

3.3.1 Disputes Related to the Refusal to Register IP Rights

The jurisdiction of the IP Court under Art. 20(2)(2) CPC covers a wide range of disputes related to registration of IP rights.[55] This provision does not mention appeals on the refusal to register an IP right, however. Appeals on the refusal to register an IP right may be covered by the phrase "disputes concerning registration […] of IP rights". Where registration is refused, however, this provision can also be construed as not including such disputes, as the registration has not occurred and there is therefore no dispute concerning registration as such. The lack of reference to such a dispute may therefore create confusion as to which court should consider such cases. Under the Code of Administrative Proceedings these cases have fallen within the jurisdiction of the administrative courts on the grounds of being appeals on decisions, actions or inaction of state authorities.[56] As the CPC does not explicitly mention such cases they may be considered as remaining formally within the jurisdiction of the administrative courts.[57]

In fact, the administrative courts have handled such disputes for many years. However, in May 2019, in a case related to an appeal upon the refusal to register a trademark, the Grand Chamber of the Supreme Court concluded that such disputes (including in relation to other IP rights) concern IP rights and should therefore not be considered under administrative proceedings. The Court emphasised that it is incorrect to extend the jurisdiction of administrative courts to a dispute only because the defendant in such a case was a state authority and its decision was being appealed. What should determine whether a case falls under the administrative jurisdiction is its essence (ie. content, or nature). Public law disputes which are considered by the administrative courts are disputes between the parties to a public law relationship. However, since the essence of this case is IP and not public law related, it should not be considered by the administrative courts.[58] The Court then determined the jurisdiction based on the type of the party to the dispute, i.e. the dispute fell within the jurisdiction of the commercial court because the plaintiff in this particular case was a private

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55 E.g. disputes concerning third party challenges on the registration of an IP right based on its violation of their own IP right.

56 Code of Administrative Proceedings, art 19(1).

57 See e.g. Decision of the District Administrative Court of Kyiv (2018) regarding the annulment of the decision on the refusal to register a trade mark under the application for the registration m201409130 and the obligation to undertake such registration of a trade mark 826/4752/16; Kyiv Appellate Administrative Court, Decision (2018) 826/15329/16 on the annulment of the state registration of a trade mark.

58 Supreme Court, the Grand Chamber, Order 82420761 (2019) 826/15263/18.

enterprise.[59] According to the current rules such a dispute would be heard in the civil court if the plaintiff is a natural person. This is the current practice of establishing a jurisdiction in such cases.[60]

The conclusions of the Supreme Court on what should be regarded as a public law dispute raise an interesting issue. On the one hand, in May 2019 the registration of IP rights could be considered to be administrative services which were provided by a specifically authorised state body. Under this approach, disputes concerning such services fell under the definition of a public law dispute in accordance with the Code of Administrative Proceedings.[61] On the other hand, the approach changed in June 2020. It is now considered that actions related to the protection of IP rights are not administrative services.[62] This therefore means that, at present, disputes related to the registration of IP rights should not be covered by the jurisdiction of the administrative courts.

This decision by the Supreme Court seems to resolve the confusion regarding the jurisdiction of such cases, and once the IP Court becomes fully operational they will fall under its jurisdiction. However, even after the Supreme Court's decision the administrative courts continue to hear disputes regarding appeals against the refusal to register IP rights. For example, in September 2020, one such dispute was heard and decided on the merits by the first instance administrative court.[63] When appealed, the Administrative Court of Appeals reversed this decision, following the Supreme Court's position mentioned above. However, it indicated that the disputes concerning the protection of IP rights are civil law disputes and should be considered by the civil court.[64] Such a finding has further muddied the waters in the discussion on the jurisdiction of such disputes. In both the cases discussed above the plaintiffs were legal entities, while the defendant was an entity that has the power to register IP rights. No natural person was a party to these disputes, which would trigger the jurisdiction of the civil courts. Thus, while the Supreme Court ruled that the dispute over the refusal to register IP rights fell within the jurisdiction of the commercial court, the Administrative Court of Appeals drew attention to the civil nature of the dispute and referred it to the jurisdiction of the civil courts. The latter case is currently under cassation in the Grand Chamber of the Supreme Court.[65] This raises the question on whether the court will confirm its conclusions that the commercial courts should consider such cases, or come to a different conclusion. This, however, makes it potentially possible that competition between the IP Court and the civil courts over this type of dispute may arise. To avoid this, it would be advisable to supplement the CPC with a

59 Ibid.

60 See e.g. Pechersk District Court of Kyiv, Decision 95704237 (2021) 757/45469/20-ц, in which the dispute related to an appeal on the refusal to grant a patent to a natural person was considered by the civil court.

61 Code of Administrative Proceedings, art 4(1)(2).

62 Ukrainian law on the Amendments to Some Laws of Ukraine on the Establishment of a National Intellectual Property Authority 2020, 703-IX, art 9.

63 District Administrative Court of Kyiv, Decision 92041356 (2020) 640/22143/19.

64 Administrative Court of Appeals, Order 95611071 (2021) 640/22143/19.

65 Grand Chamber of the Supreme Court, Order 97506809 (2021) 640/22143/19.

provision stating that disputes on appealing the refusal to register IP rights should be heard by the IP Court.

3.3.2 Recognition of a Trademark as Well Known

In Ukraine, the recognition of a trademark as well known may be conducted in two types of proceedings. Art. 25 Law On Trademarks defines that such a recognition may be performed either by the Appellate Chamber of the National Authority for Intellectual Property (Appellate Chamber) or the court.[66] An out-of-court recognition can be done upon the request of a trademark owner before the Appellate Chamber, who must provide evidence demonstrating that the trademark is well known with respect to particular goods or services.[67] The law establishes a detailed procedure for this type of recognition.[68] The procedure includes a list of possible evidence which may prove the intensity and duration of the trademark use on the territory of Ukraine, as well as other factors confirming that the trademark is particularly famous.

At the same time, according to Art. 20 CPC, the IP Court may also recognise a trademark as well known.[69] However, the CPC does not define the procedure for such recognition by the IP Court. In cases where there is a dispute between the parties, the recognition of a trademark as well known by the IP Court would be conducted under the general rules of procedure that govern the adjudication of commercial disputes. However, if an IP owner were to petition the IP Court to recognise a trademark as well known in cases where there is no dispute, the general procedure for considering disputes between the parties would not apply. Similarly, the procedure developed by the Appellate Chamber would not apply either. As a result, it is unclear under what procedure such recognition should be performed in cases where there is no dispute.

It may be the case that the drafters of the new CPC intended that the recognition of a trademark as well known by the IP Court would take place only in a proceeding when there is a dispute about the use of a trademark. In such a case, the lawsuit for recognising the trade mark as well known would need to be filed together with the claim to prohibit the defendant from using the trademark in dispute and, depending on the circumstances, to perform some other actions (for example, to compensate damages). However, in such a case the dispute would relate to the protection of trademark rights. This is covered by a separate provision in the CPC, namely, Art. 20(2)(1). The recognition of a trademark as well known is not an independent category of cases where there is no dispute. As a result, the absence of a separate procedure for recognition of a trademark as well known in the CPC may force its owner to contrive a dispute in order get their trade mark recognised as well known in the IP Court.

To avoid these challenges for the trademark rightsholders, it may be advisable to clearly define the jurisdiction of the IP Court and the Appellate Chamber, so that the former would

66 Ukrainian Law on the Protection of Right for Signs on Goods and Services 1993, N 3689-XII.

67 Regulations of the Appellate Chamber of the National Authority for Intellectual Property, approved by the order of the Ministry of Economic Development, Trade and Agriculture of Ukraine 2021, 610/36232, chapter IV.

68 Ibid.

69 CPC, art 20(2)(3).

consider cases on the recognition of trademarks as well known where there is a dispute between the parties, while the latter would consider cases where there is no such dispute. Finally, the appeals against the decisions of the Appellate Chamber would then fall within the jurisdiction of the IP Court, which should be included in Art. 20 CPC.

3.3.3 Overlapping Jurisdiction Between the IP Court and the Civil Courts

There is also a type of dispute in which the jurisdiction of the IP Court and the civil courts could potentially coincide. In commercial litigation there is a special type of proceeding in the form of a court order[70] which is designed to recover a debt under a contract if such a debt does not exceed 100 times the living wage.[71] This procedure is convenient because it allows the debt to be recovered in an expeditious manner without a lengthy trial. The court considers such an application for a debt recovery within five days of its receipt without conducting a hearing with the participation of the applicant and the debtor.[72] The procedure in the form of a court order can be applied to all contracts, including those that involve IP rights (e.g. license agreements).

At the same time, a certain category of IP rightsholders cannot take advantage of this simplified procedure because the CPC puts the limit on who can use it. The parties to this procedure may only be legal entities and natural persons with entrepreneur status.[73] An entrepreneurial status is a formal legal status that can be obtained by individuals by means of state registration.[74] It allows a natural person to conduct commercial (business) activities without establishing a legal entity. However, this status is not mandatory. The author or inventor may own and license their IP rights as a natural person without any registration. A natural person may also use the rights under a contract concluded with another rightsholder. Due to the limitations in the CPC, however, the creditor will not be able to use the procedure in the form of a court order to recover a debt under such a contract because they do not meet the requirements envisaged in the CPC. The only recourse available to such individuals is to rely on the general procedure in the IP Court. However, resolving a dispute under the general procedure may take several months as compared with five days under the court order proceedings. This therefore provides unequal opportunities to different types of plaintiffs, limiting their right to judicial protection without any reasonable justification. It should be noted that the Civil Procedural Code that applies to disputes between natural persons contains a similar proceeding in the form of a court order.[75] However, it is not clear whether a creditor would be able to apply for a debt recovery with the civil court if a dispute would relate to the execution of a contract in the field of IP law. The latter types of contracts under Art. 20(2)(5) CPC are within the competence of the IP Court. Moreover, it may be possible for the civil court

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70 CPC, art 147–160.

71 In 2021, one hundred subsistence minimums for employable persons were about 7,900 EUR.

72 CPC, art 154(1).

73 Ibid, art 147(3).

74 Ukrainian Law on the State Registration of Legal Entities, Natural Persons-Entrepreneurs and Civil Organisations 2003, 755-IV.

75 Civil Procedural Code, art 160–173 (such proceedings originally emerged in civil litigation, where they proved to be effective and were later adopted in commercial litigation).

to refuse to consider such an application because it does not fall within its jurisdiction. This may lead to a situation in which the creditor in such cases would not be able to use the court order proceedings either in the IP Court, or in the civil courts. This gap should be resolved as otherwise this would violate the fundamental principles of equal access to justice.

4 Conclusions

The establishment and effective operation of an IP court is a policy-driven decision aimed at encouraging innovation, facilitating investment and guaranteeing the protection of the IP rightsholders' interests. The creation of a specialised IP court in Ukraine is an important element of the current judicial reform that is aimed at improving the operation of its judicial system and enhancing the system of IP protection and enforcement as part of the country's international obligations. Despite some positive changes in the area of IP protection and enforcement during the last decade, Ukraine still remains part of the USTR 301 Report under "Priority Watch List".[76] It is therefore believed that the establishment of the specialised IP Court in Ukraine will improve protection by creating high quality jurisprudence, signaling to individuals and businesses that their investments in IP will be effectively protected. Such a result can be seen from the operation of IP judiciary in other mature jurisdictions, such as the UK, France, Germany, the Netherlands and the US, which consistently increase the specialisation of their judiciaries in the field of IP. This, in turn, positively influences the quality of IP jurisprudence in these jurisdictions.

For the IP Court to successfully function its jurisdiction must be clearly defined. As discussed in this Chapter, however, there are certain gaps in the scope of its jurisdiction that may lead to overlaps with other courts and state authorities. In particular, the analysis of customs and tax disputes involving an IP element demonstrated that it would be more appropriate for such cases to be considered by the IP Court rather than the administrative courts, as it is currently the case. This is because for such cases the application of IP law is key to resolving the dispute, while the customs border procedures or tax law are secondary. Similarly, the procedures for recognising a trademark as well known, and for appeals against the decisions on the refusal to register an IP right, should be clarified. Finally, to avoid the overlaps between the jurisdiction of the IP Court and the civil courts (or inability to use any of these courts altogether) natural persons should be allowed to use the simplified proceeding in the form of a court order for small debt recoveries. We believe that the clarifications of these gaps in the exclusive jurisdiction of the new IP Court in Ukraine will contribute to the efficient functioning of this Court, as well as the IP enforcement system in general.

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[76] See USTR '2021 Special 301 Report', USTR 2021, 59 (the Report 2021 specifically mentions the creation of the new IP court, i.e. "Progress continues, albeit slowly, to establish a fully functional specialized Intellectual Property High Court, legislatively enacted in 2017").

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