

Report of the 16th EU-Ukraine IPR Dialogue

20 June, Kyiv

1. On 20 June 2018, one year after the previous meeting, the **16th meeting of the EU-Ukraine IPR Dialogue** took place in Kyiv. On the EU side the Dialogue was chaired by Mr Peter KOVACS. The Dialogue chair on UA side was Mr Valeriy ZHALDAK – Director of the Department for Intellectual Property of the Ministry of Economic Development and Trade of Ukraine (MEDT). Mr. ZHALDAK was supported by his deputies Mr Bohdan PADUCHAK and Ms. Oksana YARMOLENKO as well as other MEDT colleagues. One member of the Verkhovna Rada of Ukraine (Ms Victoria PTASHNYK) was also present. The Ukrainian government representatives recalled that IPR is a priority for the Ukrainian government and emphasized their openness to constructive dialogue with the EU on IPR but noted that the legislative process is slow because of the diverging views and interests as well as crossing priorities in the Verkhovna Rada of Ukraine. The EU replied that improvement of the IPR environment in Ukraine is a long-term project but it will eventually benefit both sides.
2. Ukrainian side presented the **state of play of IPR reform**. Insofar as new draft laws are concerned, seven drafts are in different phases of the legislative process in Ukraine in the area of IPR: 1) on collective right management (Bill 7466), 2) on semiconductors (Bill 5694), 3) on utility models and inventions (Bill 7538), on 4) Geographical indications (Bill 6023), 5) on Trademarks and designs (Bill 5699), on 6) IPR border measures (Bill 4614) and 7) copyright and related rights (implementing some aspects of the DCFTA Bill 7539). The Bill on the National Intellectual Property Authority will be presented to the Profile Committee of Verkhovna Rada of Ukraine before the end of 2018; currently Ukraine is working on a draft. Although the EU acknowledged that there has been some progress (such as the establishment of the National Education IP Centre or the mechanism for State Support of Inventions) on IPR in Ukraine since the last Dialogue, but the EU also expressed its misfeelings about the slow progress of the overall legislative IPR reform in Ukraine. The EU also expressed concerns about the current institutional framework of intellectual property in Ukraine, because the new IP Authority is still not operational and the bill for its establishment has not been submitted to the RADA. Ukrainian side agreed to speed up the process on the establishment of a single National IP Authority as state-owned organization on the basis of the current Ukrpatent. Ukraine also presented the new IP Council, which is an advisory body under the Cabinet of Ministers of Ukraine with the objective to coordinate law enforcement and IPR policy implementation. Ukraine also explained its plans to reinstall the state inspectors system for IP enforcement (a draft will be elaborated by September 2018).
3. On **enforcement**, a representative from police gave an overview of police activities particularly in relation to IP crimes, both piracy and counterfeiting. The Ukrainian side gave an overview of the open investigations on IP issues and claimed that the activity of rightholders has decreased. The EU emphasized Ukraine should step up efforts against piracy and counterfeiting. There is robust data on websites hosted in Ukraine which are engaged in pirate services and the destruction of counterfeit agrochemicals is an unsolved problem in Ukraine. Besides, counterfeit goods and the manufacturing equipment are not destroyed in Ukraine. The Ukrainian side acknowledged that the adequate policies on storage and destruction of counterfeit

agrochemicals are still missing and tons of confiscated agrochemicals are still not destroyed.

4. Regarding **customs IPR enforcement**, the Ukrainian side emphasized that one of the pending draft laws brings the Ukrainian IPR border enforcement rules in full compliance with the EU Regulation 608/2016. The Ukrainian side also added that the draft law foresees international exhaustion regime for trademarks. The EU recommended to follow closely the EU's IPR Border Measures Regulation and emphasized the importance of the fast-track destruction procedure of counterfeits and the swift destruction of counterfeit trade mark and pirated goods sent in postal or express couriers' consignments. The EU also emphasized the need for the involvement of trademark holders in administrative proceedings initiated by the customs and the destruction procedure as well as explained that fines should not be the only sanction for counterfeiting, because they are not deterrent enough. Ukrainian side merely noted that counterfeit goods should not reappear on the market. As a follow up, the EU side once again encouraged the Ukrainian authorities to maintain a good cooperation with the rightholders.
5. The sides had a short discussion also on the **judicial reform and the specialised court**. Ukraine also presented the establishment of the new Specialized IP Court, which will be operational by spring 2019, the latest. The selection process of the 21 judges is ongoing and seems very serious. The EU side welcomed the establishment of the new court and proposed that the reform should also consider addressing the current difficulty of obtaining preliminary injunctions and the way of calculating damages. The EU noted that the corresponding DCFTA provisions on IPR enforcement are sufficiently exhaustive, and implementation thereof should not create any difficulty.
6. On **copyright**, the EU side underlined that Law 7466 on collective right management has a number of weaknesses. The government will need to monitor its implementation closely to avoid the current chaotic situation to re-emerge. Ukraine has to make sure that the collective management organisations are governed and controlled by the right holders. The law seems not to respect the national treatment principle, discrimination needs to be prevented. The law needs to be implemented in a way that prevents the registration of those entities which currently undermine the collective right management system in Ukraine. The tariff-setting in the law seems not to be in line with the EU law, just like the definition of cable retransmission. Some of these problems could be handled in the draft law on copyright and related rights, others in a secondary legislation. MEDT acknowledged that the CMO law which was adopted (and the next step is the President's approval) has some weaknesses which will need to be handled either by secondary legislation or in the draft law on copyright and related rights. Ukraine also informed the EU about a WIPO seminar for the implementation of the law.
7. The EU also raised the long-standing issue of **non-payment of royalties for performers and phonogram producers for the recorded music** and asked for a solution to be found. MEDT explained that the UA government has no influence over the national public broadcasting company, because it is a public joint stock company. The EU suggested limiting the annual budget of the public joint stock company in case they keep not paying. A stakeholder proposed to contact the European Broadcasting Union and exclude the UA public broadcaster from its members. It is

paradoxically that the public broadcaster do not pay royalties while the government is trying to be stricter on this and yet claim they have no power to impose this. Regarding the antipiracy law (Law on State support of cinematography), the EU side pointed at a number of flaws in the law (i.e. the notice requirements are burdensome and the lack of IP inspectors and fine for non-cooperative ISPs). The biggest problem is that since the adoption of the law, it has not been used due to the lack of IP inspectors who could handle the notices.

8. The Ukrainian side presented a bill on inventions and utility models (No. 7538), noting that it was developed to fulfil obligations under the DCFTA. The bill envisages the implementation of the Articles 219-223, as well as the provisions of the EU acts on the legal protection of biotechnological inventions and certificates of supplementary protection for medical products into national legislation. In addition, the Ukrainian side explained that the Bill 7538 fully respects the provisions of the TRIPS Agreement, the Doha Declaration on the TRIPS Agreement and the Health Care, the Paris Convention and the PCT Treaty. The Ukrainian side noted that the provisions of the Bill are aimed at restoring a certain balance between IPR and the protection of fundamental human rights to life and health. Bill 7538 was developed in cooperation with the Ministry of Health and international organizations representatives. Thus, the project envisages the introduction of a number of exemptions from patenting, as applied in the EU, in particular, surgical or therapeutic methods of treatment and diagnostic methods; processes of cloning people and using human embryos. Bill 7538 also proposes to exclude from the objects of patenting new forms of already known drugs, including salts, complex and simple esters, compositions, combinations and other derivatives, polymorphs, metabolites, new dosages or any new properties or new uses, outlined in the wording proposed by WHO and UNDP, and received support from other international and national organizations, in particular, the independent international medical humanitarian organization «Doctors without Borders», International Fund «Renaissance», NGO «Transparency International Ukraine», National Advocates Association of Ukraine, national and international patient organizations. The EU side concerning the new draft law on **patents** emphasized that innovators must be able to secure patents on all inventions that are new, involve an inventive step and are capable of industrial application. The EU criticized the limiting patentability criteria in the draft law, which excludes several key types of pharmaceuticals from patent protection. Besides, the EU raised concerns against the patentability exclusion of products and processes affecting animals, plants and biological materials, this need to be aligned with the European Patent Convention. The Ukrainian side noted that the proposed norm embodies the provisions of Article 29, paragraph 4, of Directive 98/44/ EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions. A number of stakeholders took the floor and expressed diverging views on the draft patent law. The EU explained that there are some gaps in the legislation of **compulsory licenses**, because there are no clear criteria defining circumstances under which the government can consider and grant compulsory licenses. The Ukrainian side responded that currently there are no applications for compulsory licensing in Ukraine. The EU raised concerns as regards the **regulatory data protection**, which is not effective as the status of the reference drug is not checked during registration of a generic drug. The Ukrainian side responded that the information on impending registration of the generic product is made public on the website for 20 days. Accordingly, all depends on the activity of the rightholders who have all the recourse to the legal system of Ukraine.

9. Regarding **trademarks** the EU side supported in general the current draft law and urged Ukraine to advance with its adoption. Still, the EU side suggested to stepping up efforts against bad faith applications and registrations, to streamline the opposition procedure and the provisions on genuine use with the EU law. The Ukrainian side informed the EU side about the current procedure for registering trademarks and opposition, and also clarified future changes regarding the period of non-use of trademarks. The Ukrainian side underlined that if a trademark is identical with an EU GI, it is not registered. The Ukrainian side expressed interest in learning from the EUIPO about trademark registration and opposition. Regarding the regime of IPR exhaustion, the sides stated the following. The Ukrainian side emphasised that according to the Article 160 of the DCFTA “the Parties [Ukraine and EU] shall be free to establish their own regime for exhaustion of IPRs, subject to the provisions of the TRIPS Agreement”. The EU side stated that it took into account the provision of the mentioned Article but at the same time the EU side noted its preference for the national regime of IPR exhaustion,. The position of the Ukrainian Government is in the preference of international regime for the trademarks rights exhaustion. Currently under the trademark law the international trademark regime is operating *de facto* (paragraph 6 article 16), and the changes proposed in Bill 5699 only clarify existing provisions regarding the international exhaustion of trademark rights. However, due to the fact that there is another position in the Ukrainian Parliament regarding this, the issue of trademark rights exhaustion is beyond the scope of consideration of Bill 5699.
10. While most Ukraine legislation in relation to IPR is subject to discussions in the Parliament, the Commission and Delegation continue to monitor progress to ensure maximum alignment to EU legislation.