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Grace Period from EU Association Agreement Directly Applicable in Ukraine

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The IP-related provisions of the EU-Ukraine Association Agreement, signed and ratified by Ukraine in 2014, came into force on September 1, 2017, introducing new rules regulating the non-use grace period for trademarks. The existing trademark law provides for a three-year non-use grace period, while Article 198 of the Agreement sets forth a five-year non-use grace period. However, Ukraine has not adopted any laws that implement such provisions in the national legislation and consequently, Ukrainian courts have faced a dilemma in non-use cancellation actions as to what the applicable grace period really is. This raised the question of direct applicability of the EU-Ukraine Association Agreement provisions, widely contested among Ukrainian IP professionals.

In a court ruling dated February 12, 2018 by the Commercial Court of Kyiv in the case no. 910/14972/17, the judge applied a five-year non-use grace period, as provided for under the Association Agreement (Art. 198), and rejected the non-use cancellation action, which was based on the three-year grace period, as per Ukrainian Trademark Law. The court held that the EU-Ukraine Association Agreement is a binding international agreement, thus its provisions should prevail and be directly applicable if they differ from the rules provided by the Ukrainian law. The ruling also emphasizes that the Association Agreement does not foresee any particular means of implementation of these provisions in the Ukrainian national law. This ruling was appealed before the Kyiv City Commercial Court of Appeal, which confirmed the Commercial Court of Kyiv ruling on April 23, 2018. The case ended up reaching the Ukrainian Supreme Court, which upheld the decisions of the lower courts on July 17, 2018. While the Supreme Court's arguments were similar to those of the Commercial Court of Kyiv, it did not explicitly address the issue of direct applicability of the Association Agreement.

In the debate surrounding this issue, one of the arguments against the Agreement's direct applicability considers the subjects to whom the Agreement is addressed. Art. 198 of the Association Agreement states that "**the Parties shall provide** that a trademark shall be liable to revocation if, within a continuous period of five years, it has not been put to genuine use…" The majority of the Agreement's other provisions are also addressed to the parties of the Agreement, not legal entities and individuals, which leads to the conclusion that these provisions are not self-executing and require further implementation into national legislation. In fact, the Cabinet of Ministers submitted to the Parliament a draft law implementing the provisions of Art. 198 into the Ukrainian Trademark Law on January 23, 2017, proving the Government's intentions to take additional steps to implement the provisions into the local law. However, this law has not yet been adopted.

While the cassation appeal brought before the Supreme Court mentioned the Association Agreement implementing measures contained in the Resolution of the Cabinet of Ministers No. 847 of September 17, 2014 “On the Implementation of the Agreement” and in the explanatory note to the draft law “On Ratification of the EU-Ukraine Association Agreement”, the Supreme Court decided that these were not regulatory legal acts, and that such measures did not prevent commercial courts from applying the Association Agreement’s provisions when considering this dispute. Therefore, the Supreme Court *de facto* ruled on the direct applicability of the EU-Ukraine Association Agreement.

Art. 198 of the Association Agreement seems to be the only provision of the Agreement which has been so far directly applied by Ukraine’s courts. For instance, courts, including the Supreme Court, have been applying provisions of Art. 52 of the Ukrainian Law “On Copyright and Related Rights” when regulating the compensation amount for the infringement of copyright and related rights, in spite of Art. 240 of the Association Agreement foreseeing a different mechanism of compensation. In fact, a law implementing the modified provisions of Art. 240 of the Agreement came into force on July 22, 2018.

The cassation appeal also referenced the provisions of the Decree of the Cabinet of Ministers No. 15-93 of February 19, 1993, which require obtaining licenses for some operations with currency and which are actually applied in practice, as opposed to Art. 145 of the Association Agreement, which provides for free movement of capital. The Supreme Court, however, ruled that this reference was inappropriate because the mentioned provisions did not regulate the dispute in question.

The appellant also argued that applying provisions of Art. 198 in this case would set a precedent with negative consequences, but the Supreme Court ruled that the Ukrainian legal system did not recognize judicial practice as a source of law. However, in accordance with Art. 13 of the Ukrainian Law “On the Judicial System and the Status of Judges”, the Supreme Court’s conclusions regarding the application of the rules of law are to be taken into account by other courts when applying such rules of law.

In conclusion, while on the one hand the Supreme Court’s ruling ends the long-term debate on what the non-use grace period in Ukraine actually is, on the other hand it still raises a number of issues that remain vague. It appears that only further case law may clarify the issue of the EU-Ukraine Association Agreement’s direct applicability. However, this case should be taken into account when filing a non-use cancellation action in Ukraine.

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