

The Most Important New Changes To Russian IP Law

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On Oct. 1, 2014, substantial amendments to the Civil Code of the Russian Federation as it relates to intellectual property come into force. The amendments cover all areas of intellectual property, including copyright, patents, trademarks, know-how and general provisions covering the licensing, registration and protection of intellectual property rights. This article highlights some of the most important changes and how they may affect rights owners conducting business or seeking protection of their intellectual property rights in Russia.

General Provisions

Registration Requirements

Under the current legislation, all license and assignment agreements for intellectual property registered in Russia, such as patents and trademarks, require formal registration with the Federal Service for Intellectual Property (Rospatent). Without this registration, they are invalid.

The new rules substitute the requirement for registration of license and assignment agreements with a new requirement to register only the title transfer and license grant. It is important to note that, as with the current registration requirements, the new rule will apply to all transfers and grants, even if an agreement is governed by a foreign (i.e., not Russian) law. The consequence of noncompliance with this requirement is that, as a matter of Russian law, title is not deemed to be transferred under an assignment agreement, and a license is not deemed to be granted under a license agreement.

In addition, owners or licensors/licensees will now be allowed to file a notarized extract from the agreement for registration, instead of the whole text of the agreement.

Financial Terms in License/Assignment Agreements

In practice, quite often companies grant royalty-free licenses. For example, this may happen where a license is granted within a corporate group or if the parties simply, for commercial reasons, wish to conclude a license on a royalty-free basis.



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Russian law generally considers royalty-free licenses and assignments to be gift contracts, which are invalid under Russian law if made between commercial legal entities. Thus, under the existing legislation, there was a risk for parties entering into a royalty-free licenses and assignments without any monetary consideration that the agreement would be treated as invalid. The reforms to the Civil Code have addressed this risk and made the position clear.

Amended Articles 1234 and 1235 of the Civil Code contain the following clarification:

- an assignment between commercial legal entities for no monetary consideration is not allowed;
- royalty-free licenses between commercial legal entities are not allowed, but the restriction applies only if the license is (1) an exclusive license, (2) granted globally and (3) granted for the period until the expiration of the exclusive right(s).

Therefore, based on the new rules, commercial legal entities are free to enter into a royalty-free license agreement, unless the agreement falls within conditions (1) to (3) above.

Protection of Intellectual Property Rights

The current Civil Code provides for a special remedy for infringement, which can be applied instead of a claim for damages. For example, where there is an action for trademark or copyright infringement compensation in an amount between \$275 and \$140,000 can be payable by the infringer for each unlawful act, without the rights owner needing to prove actual damage.

The amended Civil Code changes the approach in cases where the rights of one proprietor to a number of intellectual property rights are infringed simultaneously by a third party (for example, two or more copyright works reproduced on one device). Compensation will now be awarded for each right that is used unlawfully, rather than for each case of unlawful use. It is, therefore, more favorable for rights owners. Under new Article 1252 of the Civil Code, however, the court has a discretion, depending on the nature and consequences of the infringement, to reduce the total amount of compensation by up to 50 percent of the minimum amount of compensation established by the Civil Code for such infringements.

Copyright

Open Licenses

A new Article 1286.1 introduces the following rules relating to open licenses, applicable to any copyright works, including software and databases:

- the terms and conditions of the open license must be available to the general public and identified so that a licensee can review them prior to starting to use the copyright work;
- an open license can identify actions which, if taken, mean that the terms of the license are deemed to be accepted;
- an open license is royalty-free unless it is otherwise specified in the license;

- if the term of an open license is not determined, the license is deemed to be granted for a period until the expiration of copyright to the applicable software and/or databases. For other copyright works, the term is deemed to be five years.

Previously in Russia, open licenses were unregulated and so these new provisions operate to fill in that gap and provide a legislative framework to clarify how Russian law will view open licenses going forwards.

Databases

In Russia, databases are protected as copyright works only, and no sui generis database right^[1] is available under Russian law. The amended Civil Code now specifies certain actions which will not be treated as infringement of database owner's rights in their database.

A user of a published database is now allowed, without the database owner's consent, to extract and use the database materials:

- for the purpose for which the database was provided to the users, unless otherwise provided for by contract;
- for personal, scientific and educational purposes, but only to an extent justified by these purposes;
- for other purposes, but only to the extent that use is of a non-substantial part of the database.

However, the repeated extraction and use of database materials which constitute a substantial part of the database is not allowed if this is contrary to normal database use and unreasonably affect the database owner's interests.

Patents

Utility Models

A substantial change relates to the process for utility model applications (Article 1390 of the Civil Code). Now, in addition to a formalities review, a patentability examination will be conducted by Rospatent to check whether a utility model appears to be novel and industrially applicable.

The previous lack of a patentability examination has meant that a large number of utility model registrations have been granted, which in turn has caused them to be asserted against competitors, causing market distortion and uncertainty based upon clearly dubious rights. The change in regime is aimed at preventing this by ensuring that only appropriate utility models are granted.

Trademarks

Opposition Procedure

Although current trademark legislation allows any person to review any filed trademark application, it

does not provide for any opposition procedure. The amended Articles 1493 and 1499 of the Civil Code introduce such a procedure as follows:

- Rospatent publishes the details of trademark applications in its official bulletin;
- after publication but prior to making a decision on trademark registration, any person is entitled to file with Rospatent written objections specifying the reasons for rejection of the registration;
- the aforesaid objections are then taken into account during the examination of the application.[2]

This makes the new process a hybrid between the formal contested opposition proceedings common to U.S. and European practice, and the provision of third-party observations permitted during European patent examination. In particular, it is worth mentioning that the opposition procedure is not a substitute for but supplements, the examination of the trademark application, which is conducted by Rospatent.

Trade Secrets (Know-How)

In accordance with the current definition of know-how, information can be treated as a trade secret only if the owner of this information has introduced the requisite trade secrecy regime in relation to the applicable information. Legal requirements under this regime involve a number of measures which are not always practical. For example, all media containing the confidential information should bear a notice detailing that it is a “Trade Secret,” and the name of the owner and its address.

This complexity of procedure leads to serious practical problems. In particular, companies which have not introduced this regime properly experience difficulties with the protection of their rights to this information. The changes to the Civil Code offer greater protection and scope for enforcement to holders of confidential information.

Amended Article 1465 of the Civil Code changes the current requirements so that now it is sufficient to take reasonable measures to keep information confidential, including but not limited to, the introduction of the trade secrecy regime. This change brings Russian law into line with Article 39 of the World Trade Organization’s agreement on trade-related aspects of intellectual property rights,[3] which provides for the protection of confidential information if the person lawfully in control of the information has taken reasonable steps to keep it secret.

Conclusion

In our view, the amended Civil Code is aimed at eliminating current practical problems in the area of intellectual property in Russia. Overall, the amendments bring Russian law more into line with practices in other jurisdictions and will have a positive effect on the protection and enforcement of intellectual property rights in Russia.

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[1] For example, a sui generis database right is provided for by the Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases.

[2] During the examination of the application Rospatent examines whether a sign meets registrability requirements and also establishes a priority of the trademark.

[3] Agreement on Trade-Related Aspects of Intellectual Property, 1994.

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