

13. INTELLECTUAL PROPERTY

13.1 General

Ukrainian intellectual property legislation affords protection, *inter alia*, to: copyright and neighboring rights; trademarks and service marks; trade names; inventions; utility models; industrial designs; trade secrets; plant and animal varieties; appellations of origin; layouts of integrated circuits; and technical improvements. In addition, implementing regulations have been adopted, and amendments have been made, with respect to the applicable civil, administrative, and criminal legislation, in order to allow the more effective and adequate enforcement of intellectual property rights in Ukraine.

The above mentioned intellectual property rights are, *inter alia*, regulated by the following laws of Ukraine:

- the *Civil Code of Ukraine* (the *Civil Code*);
- the *Criminal Code of Ukraine* (the *Criminal Code*);
- the *Customs Code of Ukraine* (the *Customs Code*);
- the *Civil Procedural Code of Ukraine* (the *Civil Procedural Code*);
- the *Commercial Procedural Code of Ukraine* (the *Commercial Procedural Code*);
- the *Administrative Infringements Code of Ukraine* (the *Administrative Infringements Code*);
- the *Law of Ukraine “On Copyright and Neighboring Rights”* (the *Copyright Law*) dated 23 December 1993;
- the *Law of Ukraine “On the Distribution of Copies of Audiovisual Works and Phonograms”* dated 7 December 2000;
- the *Law of Ukraine “On the Protection of Rights in Trademarks and Service Marks”* (the *Trademark Law*) dated 15 December 1993;
- the *Law of Ukraine “On the Protection of Rights in Inventions and Utility Models”* (the *Inventions Law*) dated 15 December 1993;

- the *Law of Ukraine “On the Protection of Rights in Industrial Designs”* (the *Industrial Designs Law*) dated 15 December 1993;
- the *Law of Ukraine “On the Protection of Rights in Appellations of Origin”* dated 17 June 1999;
- the *Law of Ukraine “On the Protection of Plant Varieties”* dated 21 April 1993;
- the *Law of Ukraine “On the Protection of Rights in the Layouts of Integrated Circuits”* dated 5 November 1997;
- the *Law of Ukraine “On the State Regulation of Activities in the Sphere of Transfer of Technology”* dated 14 September 2006;
- the *Law of Ukraine “On Information”* dated 2 October 1992; and
- the *Law of Ukraine “On Protection Against Unfair Competition”* dated 7 June 1996.

Ukraine has yet to implement specific legislation on the protection of the rights of performers or recording and broadcasting organizations, or on such novel matters as the registration and maintenance of Internet domain names or the protection of computer programs. On the other hand, under the *Treaty “On Partnership and Cooperation”* concluded between the European Union and Ukraine, Ukraine has agreed to implement certain EU directives in the area of intellectual property rights and to accede to a number of international agreements.

13.2 State Intellectual Property Department

The functions of the Ukrainian Patent and Trademark Office are vested in the State Intellectual Property Department of the Ministry of Education and Science of Ukraine (the Department). The Department is responsible for the following: carrying out the examination of industrial property applications; maintaining a system for the search and examination of industrial property applications; and granting patents and certificates on industrial property objects, as well as certificates with respect to copyright objects. The Department also certifies patent/trademark agents and maintains registries of patents, trademarks, and other intellectual property objects, as well as of certified patent agents.

13.3 International Conventions

Ukraine is a party, *inter alia*, to the following treaties in the field of intellectual property:

- the 1883 *Paris Convention for the Protection of Industrial Property* (the *Paris Convention*);
- the 1886 *Berne Convention for the Protection of Literary and Artistic Works*;
- the 1891 *Madrid Agreement Concerning the International Registration of Marks* (the *Madrid Agreement*);
- the 1952 *Universal Convention on Copyright*;
- the 1957 *Nice Agreement Concerning the International Classification of Goods and Services*;
- the 1961 *International Convention for the Protection of New Varieties of Plants*;
- the 1967 *Convention Establishing the World Intellectual Property Organization* (“*WIPO*”);
- the 1970 *Patent Cooperation Treaty*;
- the 1977 *Budapest Treaty on the International Recognition of Deposits of Microorganisms for the Purposes of Patent Protection*;
- the 1989 *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks* (the *Madrid Protocol*); and
- the 1994 *Trademark Law Treaty*.

Ukraine has also signed a number of bilateral treaties on the protection of intellectual property and a number of multinational agreements on intellectual property matters, within the framework of the Commonwealth of Independent States. Moreover, Ukraine became the 152nd member of the World Trade Organization (“*WTO*”) on May 16, 2008. Thus, Ukraine is now subject to the requirements of the Agreement of the World Trade Organization on Trade Related Aspects of Intellectual Property Rights (the *TRIPS Agreement*).

13.4 Registration of Industrial Property Rights

Ukraine is a “first to file” rather than a “first to use” jurisdiction. As a result, in order to protect those industrial property rights, which are subject to mandatory registration in Ukraine, it is important to file a formal application with the Department for the registration of the relevant object of industrial property.

13.5 Trademark Protection

The current Ukrainian legislation affords protection to two types of trademarks and service marks:

- Marks registered with the Department pursuant to the *Trademark Law*; and
- Trademarks and trade names, which are not registered with the Department, but which enjoy protection pursuant to international agreements to which Ukraine is a party.

Trademarks pending registration enjoy temporary protection until the relevant registration certificates are granted. The Department issues registration certificates for a term of ten years from the filing date. At the request of the owner of the mark, and upon payment of the required extension fee, trademark registrations may be extended an indefinite number of times for additional ten-year periods.

As a member of the Madrid Union, Ukraine honors international trademark registrations extended to the territory of Ukraine, under both the *Madrid Agreement* and the *Madrid Protocol*.

The *Law of Ukraine “On the Introduction of Changes and Amendments to Legislative Acts of Ukraine on the Legal Protection of Intellectual Property”* (the *2003 IP Law*) dated 22 May 2003 introduced a number of important changes to Ukrainian intellectual property legislation. Among them is the inclusion of the provisions on the protection of “well-known trademarks”. Under the revised law, well-known trademarks are protected in Ukraine under the provisions of Article 6 of the *Paris Convention* and the amended *Trademark Law*, based on the recognition of a trademark as being “well-known” by the Chamber of Appeal of the Department or a court. A well-known trademark must be treated in the same way as if an application for its registration in Ukraine had been made on the date on which the Chamber of Appeal of the Department or the court made the decision that it was “well-known”.

It should be noted that in accordance with the *Civil Code*, a trademark assignment agreement is subject to obligatory registration with the Department, while the registration of a trademark license or sub-license agreement is at the discretion of the parties to such agreement.

The *2003 IP Law* has also brought significant changes to the opposition and cancellation procedures setting more severe sanctions for the violation of intellectual property rights, and extending the authority of the courts in applying measures directed at removing infringing products from all trade channels.

Under the *2003 IP Law*, any third person may file an opposition against a pending application to the examining authority if the trademark to be registered does not meet the requirements of registrability. Such opposition can be filed until a final decision on the respective application is taken by the examining authority. The results of the examination of the opposition must be reflected in the decision issued on the relevant application by the Department.

As a result of such revisions of the opposition procedure, the applicant now has an opportunity to file an opposition against a conflicting application, whereas, under the previous law, the applicant could only oppose a decision of the examining authority on the applicant's own application. However, the applicant now has less time to file an opposition against a decision of the examining authority on the applicant's own application, which is two months after the date of the receipt of the decision. Further more, the Chamber of Appeal of the Department will now consider oppositions within two months, instead of four months, as was previously the case. This term may be extended at the applicant's request, but by no longer than two months. The term for opposing a decision of the Chamber of Appeal of the Department before the court has also been reduced to two months, instead of six months, as was previously the case.

Ukrainian intellectual property legislation and the *2003 IP Law* in particular now extend the scope of infringement of trademark owner's rights to include the storage of goods bearing a registered trademark for the purpose of sale or the offering for sale, and/or the importation and exportation of goods bearing this sign. Thus, trademark owners now have the necessary tools to sue distributors and importers or exporters who violate their rights.

13.6 Patent Protection of Inventions and Utility Models

Ukraine follows the principle of universal novelty in granting patents. This means that an invention must be completely original worldwide within the relevant area of science and technology. Inventions are required to meet each of the following requirements, in order to be granted patent protection:

- novelty;
- non-obviousness; and
- utility.

The *Inventions Law* provides for a 12-month grace period for any public disclosure of information concerning an invention either by the inventor or by any third person who directly or indirectly obtains such information from the inventor.

A patent may be issued for an invention in the name of the inventor, his/her employer, or his/her legal successors. As a general rule, an inventor is entitled to patent his/her own invention, unless the *Inventions Law* provides otherwise. In all cases, the inventor is entitled to retain the rights of authorship in his/her invention indefinitely.

An invention made by an employee during the period of his/her employment and in relation to his/her working functions should be patented in the name of the employer, to the extent that such invention is made within the scope of the employee's working functions, pursuant to the direct instructions of the employer, or with the use of the expertise, know-how, trade secrets, and/or equipment of the employer. Employers and employees are authorized to provide different conditions for the patenting of inventions under the employment agreements concluded between them.

Patents are granted to inventions for 20 years from the priority date. Patents for inventions in the area of medicine and related areas may be further extended for a maximum period of five years. The term of patent validity is conditional upon the payment of annual maintenance fees.

13.7 Copyright

The *Copyright Law* protects published, as well as unpublished, works of authorship. The works may be of a scientific, literary, or artistic nature. They are protected regardless of their volume, purpose or genre, as well as their scientific, literary, or artistic value.

The *Copyright Law* does not require fixation as a mandatory condition for copyright protection. It grants protection to any work of authorship, regardless of the manner of its expression. As a result, a protected work may exist in oral and/or written form.

The *Copyright Law* protects works of science, literature and arts (copyright) and grants protection to rights of performers, phonograms producers and broadcasting organizations (neighboring rights). Copyright protection arises by virtue of the creation of a work of art without any registration requirements.

The *Copyright Law* also grants protection to separate parts of works of authorship, which may exist independently from the main work (including the original name of the work). For the purposes of the *Copyright Law*, such parts are deemed to be separate works of authorship. Additionally, the *Copyright Law* also affords special protection to computer software. Computer software, as an object of copyright protection, falls under the category of written literary works of authorship.

The *Copyright Law* distinguishes between, and provides protection for, both the proprietary and the non-proprietary rights of the author. The non-proprietary rights in copyright are protected indefinitely. The proprietary rights in copyright are granted for the author's lifetime, plus an additional 70-year period following his/her death.

13.8 Enforcement of Intellectual Property Rights

13.8.1 Criminal Liability

Under Ukrainian law, any action under the *Criminal Code*, as amended on 12 February 2006 by the *Law "On the Introduction of Changes to the Criminal Code with Regard to the Protection of Intellectual Property"* (the 2006 IP Criminal Amendments), may only be initiated against an individual before the common courts. Under the *Criminal Code*, intellectual property infringement is criminally punishable if it has caused substantial, extensive or very extensive damage to the rights owner.

Criminal sanctions are based on the non-taxable minimum monthly income (currently UAH17, *i.e.*, US\$2.2 or EUR1.7). However, the gradation of damage is calculated on the basis of the tax social privilege, which currently amounts to UAH302.50, *i.e.*, US\$39.2 or EUR29.6.

According to the footnote to Article 176 of the Criminal Code, which stipulates criminal liability for infringements of copyright and neighboring rights, the damage is:

- substantial if it amounts to more than 20 times the tax social privilege (currently UAH6050, *i.e.*, US\$785.7 or EUR592.5);
- extensive if it amounts to more than 200 times the tax social privilege (currently UAH60,500, *i.e.*, US\$7,857 or EUR5,925.5); and
- very extensive if it amounts to more than 1000 times the tax social privilege (currently UAH302,500, *i.e.*, US\$39,285.7 or EUR29,627.8).

The same gradation applies to industrial property (Article 177 of the *Criminal Code*) and to individualization devices, *i.e.*, trademarks, trade names and appellations of origin (Article 229 of the *Criminal Code*).

Under the *Criminal Code* as amended by the *2006 IP Criminal Amendments*, in the event that an infringement of intellectual property regulations causes **substantial damage**, then the following sanctions apply:

- a fine of 200 to 1,000 times the non-taxable minimum monthly income (*i.e.*, currently UAH3,400 - 17,000 or approximately US\$441.5 - US\$2,207.8 or EUR333 - EUR1,665); or correctional labor for a term of up to two years; or imprisonment for the same term together with seizure of all infringing products, equipment and materials intended for the manufacture of such products. The criminal(s) may be prohibited from occupying certain positions or engaging in certain activities at the discretion of the court.

If the above acts are committed repeatedly, by a group of people, are premeditated, or cause **extensive damage**, the sanctions are as follows:

- a fine of 1,000 to 2,000 times the non-taxable minimum monthly income (*i.e.*, currently UAH17,000 - UAH34,000 or approximately US\$2,207.8 - US\$4,415.6 or EUR1,665- EUR3,330); or correctional labor for a term of up to two years; or imprisonment for a term of up to five years,

together with seizure of all infringing products, equipment, and materials intended for the manufacture of such products. The criminal(s) may be prohibited from occupying certain positions or engaging in certain activities at the discretion of the court.

If the above acts are committed by an official abusing his position or by an organized group, or **particularly extensive damage**, the sanctions are as follows:

- a fine of 2,000 to 3,000 times the non-taxable minimum monthly income (*i.e.*, currently UAH34,000 - UAH51,000 or approximately US\$4,415.6 - US\$6,623.4 or EUR3,330- EUR4,995.1); or imprisonment for three to six years, together with seizure of all infringing products, equipment, and materials intended for the manufacture of such products. The criminal(s) may be prohibited from occupying certain positions or engaging in certain activities at the discretion of the court.

13.8.2 Customs Control

Further to the appropriate provisions of the *Customs Code*, the Cabinet of Ministers has developed a procedure for the registration of goods containing intellectual property objects by the owner of such intellectual property rights with the appropriate customs authorities, in accordance with its Resolution No. 622 “*On the Approval of the Procedure of Registration of Intellectual Property Rights Objects in the Customs Register*”, dated April 13, 2007, which replaced its former Resolution No. 412 “*On the Approval of the Regulation on the Procedure for the Registration and Shipment of Goods Containing Intellectual Property Objects Across the Customs Border of Ukraine*,” dated 28 April 2001.

In practice, in order to prevent the import or export of goods infringing its intellectual property rights, the owner of such intellectual property rights (or its representative) is entitled to file a petition with the State Customs Service (Customs) on registration of respective intellectual property rights objects with the Customs Register and seek the introduction of customs controls. This can be either a petition in relation to a particular shipment of goods, or a more general request for Customs to be alert for goods infringing the specified intellectual property rights, and to stop all such infringing goods from crossing the customs border of Ukraine.

Important changes to the *Customs Code* were introduced by the *Law on Amendments to the Customs Code of Ukraine (Regarding the Protection of Intellectual Property Rights during the Transfer of Goods via the Customs Border of Ukraine)* No. 359-V dated November 16, 2006 (the *2006 Customs IP Amendments*).

In fact, the *2006 Customs IP Amendments* are a restatement of the section of the *Customs Code* which deals with customs procedures relating to intellectual property with several important new provisions:

- customs officers are now authorized to block goods *ex officio* if they have grounds to believe that the goods may violate the intellectual property rights of an organization or individual. The owner of the intellectual property rights must then file a petition to Customs. If the rights owner files the petition in time the goods cannot be cleared through customs until a court resolves the issue. If the rights owner fails to file the petition in time, the goods are cleared through customs and admitted to the territory of Ukraine;
- in the latter case the rights owner has to provide a pledge or other equivalent guarantee covering the service fee of the customs warehouse and the damages which the person importing the goods may seek from Customs;
- the *Customs Code* now has an explicit provision that the procedures relating to the protection of intellectual property do not apply to goods sent via regular or express mail, transit goods, or goods imported to Ukraine by individuals for their private needs; and
- goods which are not cleared through customs on arrival in Ukraine may no longer be exported.

13.8.3 Intellectual Property Inspectors

Intellectual property inspectors were intended to be an important tool for the purposes of protecting the interests of right owners. Their existence was stipulated by Resolution of the Cabinet of Ministers of Ukraine No. 674 dated 17 May 2002 “*On the State Inspector in the Sphere of the Intellectual Property*”. However, in practice the functions of the state inspectors were limited to controlling sales of pirate cassettes, CDs and DVDs.

Resolution of the Cabinet of Ministers of Ukraine No. 711 dated 24 May 2006 is aimed at improving the current situation. It broadens the powers of the inspector and introduces a number of new methods of control:

- the inspector is now entitled to control not only the legitimacy of the production and distribution of IP objects, but also the legitimacy of use of such objects; and
- the inspector may now conduct scheduled and unscheduled inspections during which he is entitled to seize objects of intellectual property or any material data mediums which contain these objects for a term of up to 30 days.

The inspector has a right to access every original document confirming the legitimacy of use of the intellectual property object as well as the right to access the premises where the documents are placed or stored.

14. BANKRUPTCY ISSUES

14.1 General

Ukraine's first *Law on Bankruptcy* was adopted on 14 May 1992. On 30 June 1999, this Law was significantly amended and restated, and now exists as the *Law "On Re-establishing the Solvency of Debtors or the Recognition of Debtors' Bankruptcy"* (the *Bankruptcy Law*). The Bankruptcy Law came into effect on 1 January 2000.

The *Bankruptcy Law* and certain other Ukrainian legislation establish a number of fundamental principles, which must be borne in mind when doing deals with potential Ukrainian debtors (Debtors).

14.2 Debtors Exempt from Bankruptcy

Under the applicable Ukrainian legislation, the following Debtors have absolute or limited immunity from bankruptcy procedures:

- (1) state enterprises, which fall under the category "*kazenne pidpryyemstvo*;"
- (2) municipal enterprises, which were exempted from the application of the *Bankruptcy Law* by the relevant decision of the local self-governing body;