

## 13 INTELLECTUAL PROPERTY

### 13.1 Regulatory Environment

Russian IP legislation consists for the most part of the *Civil Code of the Russian Federation*, specifically its new Part Four (“*Part IV of the Civil Code*”) put into force by Federal Law No. 230-FZ dated December 18, 2006. Part IV of the *Civil Code* along with Federal Law No. 231 FZ dated December 18, 2006 “On Enacting Part Four of the *Civil Code* of the Russian Federation” (the “*Enactment Law*”) have replaced or amended accordingly as of 1 January, 2008 all preceding individual IP laws. Part IV of the *Civil Code* represents a codification of pre-existing IP laws, which have been compiled as respective chapters in Part IV of the *Civil Code*, partially unaltered with certain instances where significant amendments have been made. Parts I-III of the *Russian Civil Code* also set out certain general provisions pertaining to legal protection of IP rights. Any foreign legal entity or individual may use and seek protection for its/his/her intellectual property rights in Russia, provided that the requirements of the law are satisfied. Russia is a signatory to major international treaties on intellectual property rights, including the Universal Copyright Convention, the Berne Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, the Patent Cooperation Treaty, the Madrid Agreement on the International Registration of Trademarks, the Protocol to the Madrid Agreement, WIPO Performances and Phonograms Treaty, and WIPO Copyright Treaty.

### 13.2 Patents

An **invention** is a technical solution in any field related to a product (*inter alia*, to a device, substance, microbial strain, cell culture of plants and animals) or a process. Patent protection is given to an invention if it is novel, inventive and industrially applicable. The maximum duration of patent protection for an invention is 20 years from the date of the application, subject to payment of annuities. The term of a patent for an invention related to a medicine, pesticide or agrochemical, the use of which is subject to obtaining special permission, may be extended at the request of the patent owner for a period not exceeding five years. The right to obtain a patent belongs to the inventor, his/her employer (in case of an employee’s invention) and their assignees. A patent application is filed with the Federal Service for Intellectual Property, Patents and Trademarks (“Rospatent”), which examines it and grants the patent if the invention meets the above-mentioned criteria.

A **utility model** is a technical solution pertaining to a device. Utility model protection is similar to that of inventions with certain limitations and restrictions. A utility model is granted patent protection if it is new and industrially applicable. The term of a utility model's patent protection is 10 years from the filing date of the application, subject to payment of annuities, and may be extended for an additional period not exceeding 3 years.

An **industrial design** is the artistic and construction solution, which determines the outer appearance of a product of industrial or handicraft origin. An industrial design is granted patent protection if its essential features are new and original. An industrial design is deemed new if the combination of its essential features does not comprise part of the information publicly available in the world before the priority date of the industrial design. An industrial design is considered original if its essential features evince the creative character of a product's distinctive features. Industrial design patent protection is granted for 15 years, subject to payment of annuities, and with the possibility of extension for an additional period specified in the application, but not exceeding 10 years.

Under Russian law it is possible to assign or license an invention, utility model and industrial design, protected by a patent, to another person. Such assignment and license agreements should be recorded with Rospatent, failing which the agreements are deemed null and void. These agreements enter into force as of the date of such recordation. The patent owner has the sole right to use an invention, utility model or industrial design that is protected by such patent. Without the patent owner's permission, no one is allowed to use a patented object in any way, including importation, manufacture, application, offer for sale, sale, other introduction into commercial interactions or storage for this purpose. Infringement of patent rights may entail civil, administrative or criminal liability in accordance with the applicable legislation.

### **13.3 Trademarks, Service Marks, and Appellation of Origin of Goods**

Under Part IV of the Russian Civil Code, **trademarks (service marks)** are designations, individualizing goods or services of legal persons and individual entrepreneurs. Legal protection of trademarks and service marks is granted by virtue of their registration with Rospatent or by virtue of international agreements to which the Russian Federation is a party. A mark may be represented by a word

or words, pictures, three-dimensional signs and other designations or combinations thereof. The trademark may be registered in any color or color combination. The trademark and service mark protection is granted for a period of 10 years from the filing date of the application and may be renewed during the last year of its validity for subsequent 10-year periods. The trademark and service mark registration is cancelled when its term expires without having been renewed. The trademark and service mark legal protection may be terminated upon a request from an interested party in respect of all or part of goods and services due to non-use of the trademark or service mark during any continuous three year period counted from the registration date. Assignments and licenses of trademarks and service marks must be registered with Rospatent. In the absence of such registration, they are deemed null and void.

**The appellation of origin of goods** is a name constituting or containing a current or historical denomination of a country, settlement, locality or other geographic unit (hereinafter referred to as a “geographic unit”) or a derivative of such denomination that has become known as a result of its use with respect to goods the specific features of which are mainly or exclusively determined by natural conditions or human factors which are characteristic of such geographic unit. The designation which, through representing or containing the name of a geographic unit, has entered in the Russian Federation into the public domain as a designation of goods of a certain kind (has become generic), which are not related to the place of their manufacture, may not be deemed to be the appellation of the origin of goods. Legal protection is given to an appellation of origin of goods based on its registration with Rospatent. An appellation of origin of goods may be registered in the name of one or more persons. Person/persons that have duly registered an appellation of origin of goods obtain a right to use such appellation, provided that the goods manufactured by such person/s satisfy the criteria mentioned above. The right to use an appellation of origin of goods may be granted to any legal entity or individual which produces the goods with the same specific features within the same territory. The term of protection is for 10 years from the date of filing the application and may be renewed for subsequent 10-year periods. The owner may not grant licenses for the use of the appellation of origin of goods. Infringement of rights to a trademark, service mark or appellation of origin of goods may entail civil, administrative or criminal liability.

## 13.4 Company Names and Trade Names (Commercial Designations)

**Company names** are designations that identify or distinguish different legal entities when conducting their commercial activities. Legal protection of company names is provided by the Civil Code and the Paris Convention for the Protection of Industrial Property, to which the Russian Federation is a party. In the Russian Federation, a company name consists of two parts: the indication of a business legal structure and the distinctive name of the company. A company may use in its company name the official name of the Russian Federation or any words derived there from only with the assent of the Russian Government. The right to a company name arises from the moment of the state registration thereof along with the state registration of the legal entity. The owner of a company name is allowed to use its company name exclusively, and to prohibit others from its unauthorized use. The owner of a company name may not alienate its company name or grant the right to use it to another person. A legal entity may not use a company name which is identical or confusingly similar to the company name of another legal entity, if both entities are engaged in similar business activities and the company name of the former legal entity has been incorporated in the state register of legal entities prior to the state registration of the latter. A legal entity illegally using the company name of another legal entity is obliged to cease its use at the request of the company name owner and to compensate for any incurred losses. A company name owner may use its company name or its individual elements as a part of its trade name or a trademark (service mark) belonging to the company name owner. A company name incorporated in a trade name or a trademark (service mark) is protected regardless of the protection of the trade name or the trademark itself.

**Trade names** are protected by virtue of the *Civil Code* and the Paris Convention for the Protection of Industrial Property, to which the Russian Federation is a party. Part IV of the *Civil Code* contains a special section concerning legal protection of trade names. Trade names (so-called “commercial designations”) are designations which individualize trading, industrial or other types of enterprises owned by legal entities and individual entrepreneurs. Trade names are other than company names, they do not require registration and are not subject to obligatory incorporation into the foundation documents of trade name owners. The owner of a trade name enjoys an exclusive right to its trade name and may use it by any lawful means. The exclusive right to a trade name arises if the designation which is used as a trade name possesses sufficient distinctiveness and its use has gained notoriety within certain territory. The scope

of protection of a trade name used for the purpose of individualization of an enterprise located in the Russian Federation is limited to the territory of the Russian Federation. An exclusive right to a trade name terminates if the owner of the trade name fails to use it during a continuous one-year period. A trade name owner may grant the right to use its trade name to another person under a lease of enterprise agreement or a franchising agreement.

## **13.5 Copyrights and Neighboring Rights**

Part IV of the *Civil Code* protects works of science, literature and the arts (copyright) and grants protection to rights of performers, phonograms producers broadcasting and cable-casting organizations, database compilers and publishers (Part IV of the *Civil Code* uses the term “publicators”) (neighboring rights). Copyright protection arises by virtue of the creation of a work of art without any registration requirements. An author enjoys personal (moral) rights (right of authorship, right to the name, right to public disclosure, right to protect the author’s reputation) and proprietary rights (right of reproduction, distribution, import, public demonstration, public performance, translation, modification etc.). The personal (moral) rights are inalienable from the author and cannot be assigned or transferred by agreement. The proprietary rights to a copyrighted object may be licensed or assigned by virtue of a copyright agreement. Part IV of the *Civil Code* allows for the transfer of copyright in the form of an exclusive or a non-exclusive license agreement as well as by an assignment of copyright. The term of copyright protection for all works, including software programs or databases, shall be the lifetime of the author, plus 70 years after his/her death. The author’s moral rights (right of authorship, right to the name and right to protect the author’s reputation) are protected perpetually. Infringement of copyright may entail civil, criminal or administrative liability.

## **13.6 Software Programs and Databases**

Copyright protection also applies to computer programs and databases. Pursuant to Part IV of the *Civil Code*, software programs are protected as literary works, while databases are protected as compilations. Although registration is not mandatory for protection, an author may optionally register and deposit software or a database with Rospatent. A software program or a database is protected for the lifetime of the author(s) plus 70 years after his/her (their) death(s). The right to use a software program may be granted under a software license agreement.

## 13.7 Topologies of Integrated Microcircuits

In accordance with Part IV of the *Civil Code*, legal protection is granted with regard to original topologies of integrated microcircuits, developed as the result of an author's work. The author enjoys the exclusive right to use the topology as he/she sees fit, including the prohibition of its unauthorized use by third parties. The rights into a topology may be transferred fully or partially to the other person under a written assignment agreement or license agreement. Although the registration of a topology is not mandatory for its protection, an author may voluntarily register it with Rospatent. The exclusive right to use the topology is effective for 10 years from the date of its initial use or from the date of the topology's registration, whichever is earlier.

### 13.7.1 Trade Secrets and Know-How

Use of trade secrets and know-how is regulated by the *Civil Code* (Part IV) and Federal Law No. 98-FZ dated July 29, 2004 "*On Trade Secrets*" (the "*Trade Secrets Law*"), as amended. Pursuant to the Trade Secrets Law, in order to protect (and have others respect) its trade secrets, an entity needs to establish a so-called Trade Secrets Regime and ensure that it is complied with by all of its employees and counterparties. Therefore, broadly interpreted confidential information may fail to be protected under the Trade Secrets Law. According to the *Civil Code* (Part IV) and *the Trade Secrets Law*, information may be treated as a trade secret only if: (i) it has real or potential commercial value due to the fact that it is unknown to third parties; (ii) it is not freely accessible using lawful means; (iii) the owner has taken reasonable measures to protect its confidentiality, including legal, organizational, technical and other measures; and (iv) its confidentiality allows, under the existing or potential circumstances, the increase of revenue, the avoidance of unnecessary expenses or receipt of other commercial benefits. If any of the steps required to establish a Trade Secrets Regime are not taken, the entity might be unable to protect its trade secrets under the Trade Secrets Law (*e.g.*, to initiate criminal or administrative prosecution for violation of the trade secrets regime, to claim damages, to terminate the employee for disclosure, etc.). Part IV of the *Civil Code* prescribes that an employee who has obtained access to a trade secret of the employer is obliged to keep such information confidential until termination of the exclusive right to the trade secret.

### 13.7.2 Domain Names

Please note that .ru zone domain names are registered in Russia on a first-come, first-served basis by several registrars. When registering domain names, the registrars

neither check nor require domain name applicants to prove that they have a legitimate right to use the names they seek to register. The adopted text of Part IV of the *Civil Code* retains a reference to domain names, prohibiting registration of trademarks that are identical to domain names, rights into which have arisen prior to the priority date of the filed trademark application. However, Part IV of the *Civil Code* lacks any criteria of recognizing identity between a trademark and a domain name. Neither does it contain a legal definition of a domain name. Pursuant to Part IV of the *Civil Code*, no one may use, without the permission of the trademark owner, designations that are confusingly similar to the trademark in respect of goods and services, for individualization of which the trademark was registered, or similar goods. Part IV of the *Civil Code* specifies some acceptable forms of use of a trademark by its owner. The exclusive right into a trademark may be exercised, in particular, by application of the trademark in the Internet, including its application in domain names and other means of addressing. There is no procedure similar to UDRP in Russia, therefore, all domain name disputes that are not amicably resolved need to be taken either to a court of general jurisdiction (when the defendant is an individual) or an arbitrazh (state commercial) court (when the defendant is a legal entity). There is a trend to submit all domain name disputes to arbitrazh courts, regardless of whether the defendant is an individual or a legal entity. While this is not based on any written legislation, it happens more and more often.

## **14. BANKRUPTCY**

### **14.1 Overview**

Russia has had a series of bankruptcy regulations and laws in place since 1992, and has most recently passed two sets of amendments, the first in December 2008 and the second in April 2009, to the current bankruptcy law since the inception of the financial crisis. The Russian bankruptcy law is comprehensive and provides several variants for resolving a company's insolvency, including reorganization and rehabilitation of an insolvent company as an alternative to liquidation of its assets.

However in practice bankruptcy is not yet widely viewed as a reliable and transparent process for resolving debtor-creditor issues. Indeed, it has been widely perceived as a process used by debtors to transfer assets and avoid creditors, hence the concept of "sham bankruptcy" is addressed in the legislation.