
Russian Intellectual Property Law Provisions and their Implications for Western Parties

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INTELLECTUAL PROPERTY LAW IN RUSSIA

Art. 138 of the Civil Code of the Russian Federation defines intellectual property as:

"an exclusive right of a citizen or juridical person to the results of intellectual activity and the means of individualization of the juridical person equated to them or the individualization of a product or the work fulfilled or services (firm name, trade mark, service mark, and other)...[and the] use of the results of intellectual activity and means of individualization which are the objects of exclusive rights may be effectuated by third persons only with the consent of the possessor of the right".¹

In addition to international affiliations established before the break-up of the Soviet Union, the President's Decree "On the State Policy in the Sphere of Copyright and Neighboring Rights", dated 7 October 1993, foresaw possibilities of Russia's further participation in other important international conventions in this sphere.² Thus, at the present moment Russia is party to the following international conventions and treaties associated with intellectual property:

- Convention, establishing the World Intellectual Property Organization (WIPO);
- Trademark Law Treaty;
- Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks;
- Paris Convention for the Protection of Industrial Property;
- Madrid Agreement Concerning the International Registration of

Marks;

- Locarno Agreement Establishing an International Classification for Industrial Designs;
- Convention for the Protection of Producers and Phonograms Against Unauthorized Duplication of Their Phonograms;
- Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite;
- Patent Cooperation Treaty;
- Strasbourg Agreement on International Patent Classification;
- Agreement on the Registration of Trademarks;
- Budapest Treaty on the International Recognition of Micro-organisms Deposits;
- Nairobi Agreement on the Protection of the Olympic Symbol;
- Geneva Universal Convention on Copyright;
- Berne Convention for the Protection of Literary and Artistic Works; and
- Geneva Phonogram Convention.³

At the same time, Russia is not a party to international conventions dealing with industrial designs, new varieties of plants and those dealing with appellations of products' origins.

The country is eager to join the World Trade Organization,⁴ a precondition for partnership in which is better protection of intellectual property rights.⁵ In March 1995, the Russian Government has issued a Decree mandating the establishment of the Inter-Agency Commission responsible for the coordination of

activities of various governmental bodies dealing with such matters.⁶

Currently, the following classes of intellectual property are protected in the Russian Federation: inventions (patents); utility models; industrial designs; trademarks and service marks, appellations of products' origins; trade and service names; trade secrets (including know-how); copyrights and related rights; topologies of integrated circuits. Legal protection of appellations of products' origins and topologies of integrated circuits is available mostly to Russian residents while foreign residents enjoy such protection only on the basis of treaties or effective reciprocal agreements between their states and Russia.⁷

When analyzing the state of the intellectual property protection in Russia, it is important to examine the following laws:

- Patent Law of the Russia Federation (23 September 1992) (the "Patent Law");
- Law on Trade Marks, Service Marks and Appellations of Origin (23 September 1992) (the "Trademark Law");
- Law on Legal Protection of Computer Programs and Databases (23 September 1992) (the "Software Law");
- Law on Legal Protection of Topologies and Integrated-circuit Layouts (23 September 1992) (the "Topology Law"); and
- Law on Copyright and Neighboring Rights (9 July 1993) (the "The Copyright Law").⁸

This article addresses main provisions of the Russian IP laws. Since the fact that the law has been adopted does not mean that it is followed, the article also lists additional practical

advice from Russian and foreign Russian IP law observers.

LAW OF THE RF ON COPYRIGHT AND NEIGHBORING RIGHTS

(July 9, 1993) and ITS AMENDMENTS (July 19, 1995)

SCOPE OF THE COPYRIGHT LAW

The Copyright Law governs issues arising in connection with creation and use of works, or any part of such, of science, literature and arts, stage productions, phonograms of radio broadcasting- or cable TV companies,⁹ irrespective of purposes or merits of such works, methods and forms of their expression, including:

- written: manuscripts, typewritten works, musical notations;
- oral: public pronouncements, public performances;
- audio/visual: mechanical, magnetic tapes, digital and optical recordings;
- image: drawings, sketches, paintings, plans, diagrams, movie-, TV-, video- or photo episodes;
- three-dimensional: sculptures, models, mock-ups, structures, and other forms.¹⁰

Through courts of general jurisdiction and arbitration courts, inquiry bodies or preliminary investigative bodies,¹¹ the Copyright Law protects intellectual property rights of citizens of any country whose works are published, exhibited or performed in Russia, as well as intellectual property rights of Russian citizens whose works are published, exhibited or performed abroad regardless of their aesthetic, monetary or moral value.¹²

According to both the Berne Convention and the Copyright Law, copyrights or neighboring rights do not have to be registered with state authorities, but should be recognized when the author affixes to his or her work a copyright notice of a Latin letter "C" in a circle, accompanied by the author's name and the year when

the work was produced,¹³ or the producer of a phonogram/performer affixes on each copy of his/her product a neighboring right sign which consists of the Latin letter "R" in a circle, the name of the exclusive neighboring rights' holder, and the year of the first publication/performance of the phonogram.¹⁴

SCOPE OF PROTECTION

Copyright Law Protection is Not All-Inclusive

The word "including" in the text of the Copyright Law indicates that this law does not list all possible forms of intellectual property, and thus covers virtually every form a creative work can take, except for those explicitly excluded: a copyright does not apply either to ideas, methods, processes, systems, concepts, principles, discoveries and facts,¹⁵ or to official documents and their translations, state symbols or signs, folk art or news reports,¹⁶ and is not connected to the right of ownership in objects expressing them.¹⁷

Doctrine of Fair Use

Copyright protection is limited by the doctrine of fair use, which is defined as a privilege granted to persons other than the copyright holder for the use of copyrighted materials in a reasonable manner without the owner's consent.

Permitted use of a copyrighted work without the copyright holder's consent or royalties paid includes:

- use of short excerpts as inclusions in reviews of current events;
- use exclusively for educational or scientific purposes;
- citations of short excerpts for informational purposes, provided that if a broadcasting or a cable company uses copies of a phonogram produced for commercial purposes, royalties are paid;
- uses that, under the Copyright Law, would constitute "free uses" with respect to copyrighted works.¹⁸

The Copyright Law indicates that copyrighted works can be reproduced without the author's consent when this is done for the reproducer's personal use or when the reproducer indicates the true author's name and the source of borrowing,¹⁹ or when a reproduction is made for the use in a public place,²⁰ for judicial purposes²¹ or purposes justified by the nature of the applicable ceremony (e.g.: wedding, funeral).²² Use of such nature may also involve altering the work, reproducing and converting it for the exclusive use of the person making such changes.²³

In assessing fair use, courts will take into account (1) purpose and character of the use, (2) nature of the copyrighted work, (3) the portion that was taken, and (4) the economic impact of the taking.²⁴

Author's Rights

The Copyright Law outlines authors' non-property rights²⁵ (e.g.: the right to be recognized as the author of the work, ability to authorize uses of the work, to publish and to protect the work, etc.) and property rights²⁶ (e.g.: the right to reproduce, distribute, publicly demonstrate and perform the work, as well as translate, adapt and re-arrange/rework the product, etc.).

If two or more authors create identical works independently, each of them retains a copyright for his/her creation.²⁷

Delegation of the Rights

Copyright holders may transfer their rights to third parties by means of a contract. Generally, any such contract shall be in writing²⁸ and will specify ways in which a work may be used and the territory on which the rights are transferable, as well as indicate the amount of royalties (minimal rates for authors' remuneration are established by the Council of Ministers of the Russian Federation).²⁹

Where it is difficult to exercise intellectual property rights individually, parties involved may, on the basis of a voluntary written agreement,³⁰ form an organization which would, under the governance of the statute agreed upon, exercise those powers for them.³¹ In Russia this

service is provided by the Russian Society of Authors (RSA), functioning under the protection of the President of the Russian Federation.³²

Employer Rights

A copyright in a work, created on the job belongs to the author of such work, unless the job involves compiling an encyclopedia, a periodical or any other published collection.³³ While moral rights to a copyrighted work belong to its author, under an employment agreement, economic rights to a copyrighted work belong to his or her employer.³⁴

Terms of Protection

A copyright is protected during the author's lifetime and 50 years after his or her death, subject to additional periods of copyright protection arising under surrounding circumstances, listed in Art. 27 of the Copyright Law. After this period the work falls into the public domain, i.e.: it can be used by anyone without any authorization.

Neighboring rights are valid for 50 years after the work's performance/transmission, starting on January 1 of the year following the event.³⁵

Liability

Unless an infringer can show a legitimate reason for disregarding either author's moral or economic rights, the Copyright Law prescribes sanctions for the copyright infringing. Copyright and/or neighboring right violations lead to civil, criminal or administrative responsibility,³⁶ where the latter, at the author's election, may express itself in an injunction order or a confiscation,³⁷ together with a recognition of the rights; restoration of the situation similar to the one preceding the infringement; compensation of the losses associated with the infringement; receiving profits accumulated by the infringer. A court of general jurisdiction or an arbitration court may also order that in addition to giving up the accumulated profits or paying compensation losses, amounting to 10-50,000 minimal monthly wages, the infringer may be forced to pay

another 10% of the amount, awarded by such court in favor of the plaintiff, to appropriate federal coffers.³⁸

Both preliminary and permanent injunctions are available in courts of general jurisdiction and arbitration courts. Counterfeit copies of the copyrighted work are subject to obligatory confiscation resulting in their destruction or turning to the copyright holder at his/her request. At the same time, there are no special administrative procedures for customs actions, except for the seizure of goods against which a claim is filed.

Art. 146 of the new Criminal Code states that copyright or neighboring right infringements are punishable by a fine of 200-400 minimal monthly wages, or by a fine equal to the infringer's income for two-four months, corrective labor for 180-240 hours,³⁹ or an imprisonment for up to two years.

If an infringement is committed repeatedly or by a group of persons "involved in conspiracy", or by an organized group, the fine may be increased to 400-800 minimal monthly wages, that equal to the income of those involved for four-eight months, or lead to arrests for four to six months, or imprisonment for up to five years.⁴⁰

Generally, cases involving copyright infringements go to arbitration courts as those offering a faster problem solution, while cases regarding inventors' remuneration or involving only legal entities and/or businessmen go to courts of general jurisdiction. If a case involves an issue of unfair competition, it may be dealt with through the Anti-Monopoly Committee — though the damages are not awarded, the abuse of the copyright will be brought to an end. While the Higher Chamber of Rospatent is not set up, the Moscow City Arbitration Court deals with appeals to decisions issued by the Rospatent Chamber of Appeals.

LAW OF THE RF ON TRADEMARKS, SERVICE MARKS AND ORIGIN NAMES (September 23, 1992)

SCOPE OF THE TRADEMARK LAW

The Trademark Law differs from the analogous legislation in many Western countries, most notably in that trademark protection is based on the priority of registration, not prior use. Framework of trademark protection and prosecution under this law is otherwise consistent with that of most other jurisdictions.⁴¹

The Trademark Law provides protection to visual information and wording formulae appearing on trademarks of Russian and foreign legal entities.⁴² When a trademark certificate is issued by Rospatent, all elements defining the stylistic nature of the registered trademark are taken into consideration: the number and the content of its elements, their form, mutual positioning and subordination, their plastic characteristics, graphic and color decision.

Trademarks are identified as such by a Latin letter "R" in a circle and are issued for names which are distinct and not used as generic terms.

SCOPE OF PROTECTION

Trademark Law Protection is Not All-Inclusive

A name cannot be registered as a trademark if it is used as a generic term, or lacks distinctiveness, is descriptive in nature or indicates any of the state symbols, well-known titles or personal names.⁴³ In addition, names registered as trademarks can lose this protection if they become confusing or misleading to the public, or turn into terms commonly used.⁴⁴

Terms and Procedure of Trademark Registration

A registration application to Rospatent in the Russian language must be submitted through a patent attorney registered with Rospatent. As a result of the application procedure which takes approximately 18 months to complete, a trademark is registered in the name of the applying legal entity/businessman. Thereafter a trademark, a service mark or an appellation of the product's origin is

valid for ten years.⁴⁵ This period can later be extended for an additional ten-year period by means of filing a new application and paying an appropriate fee. On the other hand, this registration may be revoked if the trademark is not used for an uninterrupted five-year period following the submission of the registration application.⁴⁶

Registered User Certification

Rights to the use of a trademark can be transferred or shared with third parties. Documents, certifying a contract agreement between the original trademark holder and third parties for (1) the exclusive right to use the trademark, or (2) a simple right to use the trademark, include information on the terms and the territory where the shared use of the trademark is allowed, as well as indicate royalties and other payments in relation to such contract.⁴⁷

A simple right to use the trademark allows a new holder to use the trademark in a limited way, permitting, at the same time, the original trademark holder to use the trademark as well, and to provide it to other purchasers. In case of the exclusive trademark agreement, the original trademark holder loses all rights to the use of his or her trademark, while the licensee may sell sub-licenses to other interested parties.

Trademark Cancellation

The Rospatent Chamber of Appeals may invalidate a trademark partially or completely if such trademark lacks distinctive character or if the trademark holder is neither a legal entity nor a businessman. A trademark can also be terminated at the time of its expiration, or at the trademark holder's request, or due to the liquidation of the legal entity of the trademark holder.

Liability

Sanctions associated with trademark infringements include payments of both damages and lost profits, provided that the latter are not lower than the income made by the infringer.

Disputes under the Trademark Law

are resolved in courts of general jurisdiction or arbitration courts. If the Trademark Law contradicts an international treaty to which Russia is a party, the treaty prevails.

Courts of general jurisdiction and arbitration courts provide permanent and preliminary injunctions. In addition, infringing goods can be confiscated through criminal proceedings. Either court can issue a goods seizure order. No administrative procedures for customs actions are available.

Art. 180 of the new Criminal Code states that trademark infringement is punishable only if it is committed repeatedly or causes substantial damages.⁴⁸ The Criminal Code sets out penal provisions with respect to trademark infringements amounting to a fine of 200-400 minimal monthly wages or an equivalent of the defendant's income for the last two-four months, or corrective labor for 180-240 hours, or possible imprisonment for up to two years.⁴⁹ If an infringement is committed repeatedly or by a group of persons "involved in conspiracy", or by an organized group, it may result in a fine of 400-800 minimal monthly wages, or fines equal to the income of those involved for four-eight months, or arrests for four-six months up to five years.

PATENT LAW OF THE RF
(September 23, 1992)

SCOPE OF THE PATENT LAW

The Patent Law regulates moral and economic rights arising out of development, legal protection and use of inventions, useful models and industrial designs ("industrial property").⁵⁰ In accordance with international agreements of reciprocity, the Patent Law extends these rights to both Russian citizens and foreigners.⁵¹

Patents can be registered in the name of inventors, those whom they delegate, or employers if inventions are made while performing employment duties, and can be inherited.⁵² When a patent is passed on to the employer, the author should be compensated in proportion to the

profit that has been or may have been obtained by the employer as a result of the invention.

It should be pointed out that according to Art. 9 of the Patent Law, the Federal Invention Fund of Russia may select inventions, acquire rights of patent holders and realize them in the interest of the state.⁵³ Every time the state decides to take over the invention, a special decree is issued (no such decree has been issued in the last 80 years) and the patent holder is paid.

SCOPE OF PROTECTION

Patent Law Protection is Not All-Inclusive

The Patent Law does not see patent rights as exclusive. On the one hand, the Patent Law does not apply to intellectual property which is deemed secret by the state,⁵⁴ or consists of scientific theories and mathematical methods; methods of organizing and managing the economy; conventional symbols, timetables and regulations; methods of fulfilling mental operations; computer algorithms and programs; construction development projects and schemes, designs of the outer appearance of items only; topologies of integrated microcircuits; plant varieties and animal breeds; microorganism strains, cultures, their novel utilization, architectural objects; those depending exclusively on a technical function of a given product; printed media as such; items of variable shape made of gas, liquid, non-cohesive and similar materials; items and solutions opposing public interests and principles of humanity and morality.⁵⁵

On the other hand, the Patent Law outlines actions which are not considered to be infringements of the patentee's exclusive rights, including:

- temporary use, on the territory of Russia, of means incorporating patented industrial property in the process of designing or operating transport vehicles of other countries;
- use, in case of a natural disaster, with subsequent payment of

- commensurate compensation to the patentee;
- use for personal not-for-profit purposes;
- at pharmacies, one-time reproduction of drugs in accordance with a physician's prescription;
- use of means involving patent-protected inventions which have been "legally introduced into economic circulation";⁵⁶ and
- certain bona fide uses of industrial property by third parties before the item's prior use date.⁵⁷

Terms and Procedure of Patent Registration

The Patent Law provides protection to all industrial samples in a 3-dimensional, 2-dimensional, combined and color form. In order to be eligible for protection, an application for either a patent for a discovery or industrial design, or a certificate for a utility model must be submitted to Rospatent. The application must be submitted in Russian, through a patent attorney registered with Rospatent. While the patent application is submitted in Russian, other documents may be in any language, with an attached translation into the Russian language.

A patent is issued after a long examination procedure consisting of a formal and substantive stage, provided that the latter is performed only at the request of the applicant, or at the request of a third party, submitted within 3 years after the application filing date.

Protection under the Patent Law is based on the application filing date, not the date of invention, unless terms of the Paris Convention set the priority earlier, due to a filing in the member state. Patents and certificates are valid for the following terms:

- inventions (patents) — 20 years;
- industrial designs (patents) — 10 years, with a possible renewal for additional five years;

- utility models (certificates) — 5 years, with a possible renewal for additional three years.

Author's Rights

A patent holder has the exclusive right to use the patented invention, as long as such use does not infringe other patent holders' rights. If the patent holder is unable to utilize his rights without infringing rights of other patent holders, the parties should sign a license agreement.⁵⁸

Delegation of the Author's Rights

Contracts for the transfer, full or partial, of property rights to inventions must be in writing, and should define the scope of the rights transferred, compensation amounts, payment procedure and the term of the contract validity. Any license agreement should be registered with a Patent Agency.⁵⁹

Employer-Employee Agreements

Industrial property designed by an employee during the course of his duties or pursuant to a specific assignment received from the employer belongs to the employer, unless the contract between the employer and the employee stipulates otherwise. The employer should pay the employee an award that is proportionate to the profit which has been or should have been derived from this invention, and is determined in the agreement between the employer and the employee. If an invention is made by a contractor, not an employee, patent rights to such invention belong to the author of the work.

The employer must apply to Rospatent for the registration of the invention or otherwise dispose of his rights within 4 months. If he fails to do that, the right to register the invention goes to the inventor.⁶⁰

Patent Cancellation

A patent may be invalidated completely or partially if (i) it fails to satisfy patentability requirements; (ii) its claims include characteristics which were not indicated in the original application; or (iii) the patent does not correctly indicate the inventor or the patent holder.⁶¹ The Rospatent Chamber of Appeals deals with claims against patent registrations based on the

first two grounds. Disagreements with decisions of the Rospatent Chamber of Appeals must be finally solved at the Higher Patent Chamber. Since the latter institution still has not been formed, its functions are performed by courts, without any common practice therefor. Disputes based on the last ground are always dealt with by courts.

A patent may also be terminated on the request of its holder or in case a patent holder does not pay his annual fees. In the latter case, the patent may be restored within 6 months.

If the invention has been publicly used or otherwise disclosed more than 6 months prior to the application filing date (or before the priority date, if such was claimed), the patent may be invalidated by the Rospatent Chamber of Appeals due to its lack of invention novelty.

Liability

Art. 147 of the Criminal Code stipulates that unlawful exploitation of patent rights or making their essence known to the public prior to their official publication, as well as misappropriation of inventorship or coercion to co-inventorship if such acts result in substantial harm, are punishable by a fine of 200-500 minimal monthly wages, a fine equal to the infringer's income for two-four months, compulsory labor for 180-240 hours, or imprisonment for up to two years. If the infringement is committed repeatedly or by a group of persons "involved in conspiracy", or by an organized group, it may be punishable by a fine of 400-800 minimal monthly wages, fines equal to the income of those involved for four-eight months, or arrest for four to six months up to five years.

If an infringement of the patent holder's rights is claimed, it is reviewed in courts of general jurisdiction (if at least one of the parties is a physical entity who is not a businessman) or in arbitration courts (if both parties are legal entities and/or businessmen). Damages include both real damages and lost profits, provided that the latter are no less than the real income of the infringer.

Both courts of general jurisdiction

and arbitration courts may order permanent or preliminary injunctions or goods seizure, yet, neither confiscation provisions nor special administrative procedures for customs actions are designed for patent infringement cases.

THE LAW ON THE LEGAL PROTECTION OF PROGRAMS FOR COMPUTERS AND DATABASES (23 September 1992)

Scope of the Software Law

The Software Law attempts to grant software creators protection similar to that afforded to authors of literary works (with respect to software) and collections of works (with respect to databases).⁶²

Under the Software Law, protection arises simply by virtue of the fact that a software or a database has been created. Any computer work is considered a creation of mind, unless a contestant proves the opposite.

SCOPE OF PROTECTION

Software Law Protection is Not All-Inclusive

The Software Law protects software created in any language, being at any stage of completion, expressed in any form, including source text and object code, or databases not created but simply compiled, regardless of their material carrier, designation and merits. Protection under the Software law applies neither to ideas and principles underlying computer programs and databases, nor to some elements thereof, including ideas and principles of organizing interfaces and algorithms, as well as the programming languages.⁶³

Those in lawful possession of software or databases may copy them for their personal use or archives, adapt, decompile, or resell them without obtaining the author's consent.⁶⁴ Importing software into Russia without the author's consent is illegal.⁶⁵

Terms of Protection

A copyright provided by this law is valid from the moment of creating a computer program or a database for the author's lifetime and 50 years after his or her death, beginning on January 1 of the year following his or her death, subject to additional provisions applicable to specific situations.

Author's Rights

The Software Law defines a copyright owner as either the author of a computer program, his or her heirs, or any "natural or legal person who enjoys exclusive property rights secured by virtue of the law or a contract."⁶⁶ Apparently, a legal holder of property rights to a copyrighted computer program is considered a copyright holder itself. However, under the Copyright Law, a copyright in a work created by an employee as part of his/her job responsibilities belongs to the author of such work.⁶⁷

Author's rights to a computer program or a database are protected indefinitely within and outside of the Russian Federation.⁶⁸ Software authors have certain moral rights, including the right (i) to be recognized as the author of the software, (ii) to determine presentation of his/her name as that of a recognized author, and (iii) to protect software or him/herself against distortions which may damage such author's reputation or dignity.⁶⁹ These rights exist independently from property (economic) rights to software, and are passed to the author's heirs or legal successors regardless of their citizenship.⁷⁰

If the software author has created the product independently, he/she will hold the following exclusive property rights: the right to issue, reproduce, distribute (by selling, hiring, leasing, lending or any other means), modify, publicly demonstrate, import, and translate the software. The holder of property rights to a software can freely transfer these rights to a legal entity or a physical person upon concluding a separate written contract with such entity or person.⁷¹

Finally, a copyright holder may elect, but is not obligated to, register his/

her copyright with the Agency for the Legal Protection of Computer Programs, Data Bases and Integrated Circuit Topologies (the "Agency"). If the software has been registered, a contract which assigns all property rights to this software must also be registered with the Agency. Parties to a contract assigning property rights to unregistered software may also choose to register their contract.⁷²

Delegation of the Author's Rights

A holder of property rights to software may transfer these rights to another physical person or legal entity through a written contract. According to the Software Law, such contract must stipulate (i) the extent and methods of the software use, (ii) payment procedure, and (iii) duration of the contract.⁷³

Employer's Rights

If a software was produced during the fulfillment of the employment responsibilities, the author's employer holds all property rights to the software, unless such rights have been explicitly waived in the contract with the employee.⁷⁴

Liability

Liability for the rights' infringement may be enforced through criminal sanctions, as well as be expressed in (1) recognition of the infringed author's rights; (2) reconstruction of the author's status which existed prior to the violation; (3) cessation of activities violating author's rights; (4) compensation for the damages suffered; (5) confiscation of counterfeit programs, materials and equipment used and their transfer to the state budget or the plaintiff, or (6) in case of profits gained, instead of compensation for losses suffered, at the discretion of the court of general jurisdiction, commercial court or arbitration court, payment of damages amounting to 5,000-50,000 minimal monthly wages. In addition, an institution resolving the dispute may order that the defendant pays into federal coffers an additional fine of 10% of the damages awarded.⁷⁵

THE LAW ON THE LEGAL PROTECTION OF THE TOPOLOGIES OF INTEGRATED CIRCUITS (September 23, 1992)

SCOPE OF THE TOPOLOGY LAW

The Topology Law sets out general guidelines for legal protection of integrated circuit topologies and combines elements of both patent and copyright protection. On the basis of international treaties and reciprocity agreements, the Topology Law grants foreigners the same rights as those granted to Russian citizens.⁷⁶

The Topology Law applies to all topologies commercial use of which started after the law was enacted, and topologies, commercial use of which started before the enactment of the law if they were registered with the Russian Computer Program Committee.

SCOPE OF PROTECTION

Topology Law Protection is Not All-Inclusive

In addition to not covering ideas, methods, know-how or coded information that may be embodied in a topology,⁷⁷ the Topology Law does not limit the following kinds of topology exploitation:

- use of legally acquired integrated circuits or devices containing such integrated circuits;
- use of integrated circuits if the user did not know or had no reason to know that production and distribution of such integrated circuits had breached the exclusive right with regard to the corresponding topology;
- use for personal not-for-profit purposes, or for purposes of exploration, analysis, investigation or instruction;
- distribution of integrated circuits with a protected topology, if such integrated circuits were put into general use legitimately;⁷⁸

"Original Topologies"

Protection under the Topology Law extends only to "original topologies", i.e.: topologies developed as a result of the author's creative efforts.⁷⁹ Authors or other valid licensees hold the exclusive rights to works created

by them.⁸⁰

Copying a topology, in whole or in part by incorporating it into an integrated microcircuit or using, importing, offering for sale, selling or otherwise "putting into economic use" by other means is prohibited if the author of the circuit gave no consent to such activity.

Author's Rights

Authors may use topologies created by them in any way, including manufacturing and distributing integrated microcircuits with such a topology, or banning their use.⁸¹ The topology author or those delegated by him or her may register a topology produced by them with the Russian Agency for Legal Protection of Computer Software, Databases and Topologies of Integrated Microcircuits (the "Agency"), according to the procedure outlined by the Topology Law.⁸²

Terms of Protection

Topologies are protected for ten years, starting on the earliest of the following two dates — the date of the initial use of the topology or the date of the topology's registration with the Agency. Topologies are identified by:

1. a bold letter T ("T", [T], (T), T* or T),
2. date when the use of the topology began, and
3. indication of the author of the said topology.⁸³

Delegation of the Author's Rights

Rights to a topology may be assigned completely or partially on the basis of a written contract, which stipulates the scope and methods of using the topology, remuneration amount and payment procedures, and the contract. Such agreements must be registered with the Computer Software Committee. An agreement assigning partial rights may be registered if the parties so desire.

Liability

A court of general jurisdiction, a commercial court or an arbitration panel may impose the following penalties for the infringement of topology rights:

1. injunction relief, eg: cessation of the actual or threatened infringement and recovery of losses, including any unlawful earnings;
2. confiscation of illegally manufactured copies of integrated circuits and devices incorporating such integrated circuits, as well as all materials and equipment used for their production;
3. destruction or transfer of such materials and equipment either to the author or to a valid licensee, or into the budget of the Russian Federation, and
4. an additional fine of 10% of the damages awarded may be levied payable to federal coffers.

PRACTICAL IMPLICATIONS

In Russia there is a wide gap between issuing directives and laws and their implementation. The country has no or very few instruments for the enforcement of regulations stemming from its own laws and international covenants on intellectual property. Yet, things are getting better.

The body of modern intellectual property laws, developed in Russia in the past few years, is largely irrelevant to issues facing Western clients. For them key concerns are those of succession of rights, contract rights, and employer-employee relations.⁸⁴ The following summarizes practical observations that various foreign and Russian intellectual property law observers have made in the recent past:

General

1. Western intellectual property buyers should ensure that:
 - they are getting a good title on the purchase;
 - a Russian enterprise selling/leasing intellectual property has a good title to it;
 - sales transactions are within charter powers of the Russian enterprise and documents confirming them are signed by

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correct officers;

- they understand the interaction between Russian and their domestic employment laws in the area of employee rights.⁸⁵
- 2. Foreign parties willing to cooperate with Russians in the area of technology transfer should keep in mind two concerns that Russian officials express regarding such cooperation: (1) a trend among Russian businesses to purchase or license Western technologies rather than utilize home-grown technologies; and (2) a historical phenomenon of "brain drain", accompanied by a loss of intellectual property rights that would otherwise inure to the benefit of the Russian economy. The Russian government is advocating for (1) new laws protecting Russian intellectual property and state secrets, as well as (2) the formation of an interdepartmental body able to control transfers of Russian technologies abroad, and to control activities of scientific organizations using foreign aid.⁸⁶
- 3. The Russian Ministry of Science and Technology Policy has published *Recommendations on Handling Intellectual Property in Arrangements on Scientific and Technical Cooperation and Contractual Agreements Between Russian and Foreign Organizations* (the "Recommendations").⁸⁷ Although the *Recommendations* do not represent an official statement of law, the document, with a varying degree of detail, addresses a series of issues arising in technology agreements and offers guidelines as to how they should be handled.

Mark Stein, in his article "New Guidelines for Transfer of Technology Agreements — implications for foreigners"⁸⁸ states that in the future the *Recommendations* may be used as a "safe harbor" for further technology agreements and suggests that counsels involved in drafting technology agreements pay attention to the recommendation that such

documents be drafted in both Russian and foreign language with equal legal effect given to each. Another *Recommendations'* suggestion is that, in order to escape the invalidation of such agreement, it should be brought in line with the legislation of the Russian Federation and the *Recommendations*.

- 4. Although both the Berne Convention and applicable Russian law state that copyrights, trademarks and patents do not have to be registered in order to be recognized, Russian officials are still more respectful of documents with numerous stamps and ribbons. For the time being, the best strategy for intellectual property owners in Russia is to make maximum use of the existing registration procedures. Patents, trademarks and copyrights should be registered to the extend possible.⁸⁹

License Agreements

- 1. License contracts are treated as civil contracts in Russia and are subject to registration with Rospatent. Unregistered license or assignment contracts are deemed null and void. If an assignment was made prior to either patent granting or trademark registration, parties thereto should inform Rospatent in writing about such contract.

Starting in March 1996, the Civil Code has introduced a special procedure for registering franchise agreements. If a franchise agreement contains industrial property licensing provisions, it should be registered twice — as a franchise agreement and as a license.

- 2. western licensees should watch out for two other traps set up by Russian authorities: *ultra vires* doctrine and "two-signatures rule". *Ultra vires* doctrine provided that a contract concluded by a legal entity may be invalid if it involves a purpose not stated in the Charter of the entity involved.

Under the "two-signatures rule",

an organization is making a valid foreign trade transaction only if two specified officials sign the documents. Until there is a definite repeal of the rule or a clarification is made as to which organizations are still subject to it, foreign entities can best protect themselves by seeking two signatures from their Russian counterparts.

- 3. When an intellectual property right being licensed belongs to a privatized enterprise, a Western licensee should request a proof of the legality of the privatization.
- 4. Western licensees should make sure that a license contract they receive is valid and, if it is exclusive, that there are no other outstanding licenses.
- 5. A Russian version of the license agreement must be well written or translated.

Patents

- 1. Since patents are effective only in the country of their registration, importing Russian intellectual property that is suitable for patent protection means obtaining a local patent on the invention. It should be kept in mind that Russian inventions must, before being patented abroad, be registered as patents in Russia.⁹⁰ Still, at the moment, neither Patent Law nor relevant regulations indicate any sanctions for violating this provision.
- 2. Western parties should pay attention to the fact that in some states patents can be given to any party possessing sufficient proprietary interests in the invention, while in Russia patents are issued to inventors. If contracts between employers and employees are signed in advance, disputes involving employment contracts and patents will be avoided.
- 3. Western parties should pay attention to differences between their domestic and Russian treatment of employees' interests. In some states, inventor ownership is a default standard.

Russian Intellectual Property Law Provisions and their Implications

Under Russian law, inventions created by employees belong to the employer.

6. Prospective Western licensees should keep in mind that Russian law allows employees to apply for a patent if his or her employer fails to do so within four months after the date of being informed about the invention.⁹¹ Thus, they should either try to ensure that Russian employers file a patent registration within this four-month period or obtain an assignment of rights directly from the inventor.
7. Damages awarded by the court in case of a patent infringement might not be able to compensate for the losses suffered.

Trademarks

1. It is recommended that an enterprise concerned about its image, first of all, registers its trademark, and, secondly, appraises its value - a Rospatent certificate and a valuation certificate are the main documents in case of a court proceeding. Furthermore, valuation of intangible assets is important at the time of establishing authorized capitalization for a start-up enterprise, a franchise network, selling licenses, valuing a collateral for credit, as well as determining losses from unfair competition.⁹²

Software

1. Despite similarities between the Software Law and the Copyright Law, one should remember that protection granted under the Software Law to software and databases is lower than if these products were copyrighted.

Trade Secrets

1. Under Russian law, remedies for trade secret violations are weak and untested. Relevant cases can be brought to courts of general jurisdiction (when a non-business individual or a foreign company is involved) or commercial/arbitration⁹³ courts (any other commercial case). Alternatively, the Antimonopoly

Committee can take action against the violator. The fact that Russian law recognizes trade secrets can be used as a basis for the protection under US law.

3. A list of information that cannot constitute a commercial secret includes founding documents and by-laws; certificates of registration, licenses and patents; data on the economic activities and financial status of the enterprise; documents pertaining to its solvency and strength; composition of the work force, pay-rolls, working conditions and vacancies, tax returns and mandatory deductions; data on the environmental protection undertakings of the company, instances of breaches and anti-monopoly regulations, work safety rules; information on the sale of products detrimental to the human health; information on the amount of damages done by transgressors; information about the enterprise' employees' involvement in business activities of cooperatives, small businesses, JSCs and other business entities.⁹⁴

Court Proceedings

1. It is crucial that a copyright/trademark/patent holder is clear about its goals in bringing a claim against a violation of its intellectual property rights. On the one hand, a copyright/trademark/patent holder may seek to restrain and to end the infringer's activity as quickly as possible. Additionally or alternatively, it may wish to obtain an award of damages in respect to losses it has incurred in Russia because of the infringer's alleged illegal activities. A pursuit of the latter goal entails a significant burden of proof on the part of the truthful holder, and, even if very strong evidence is available, the cost of amassing it may outweigh any damages awarded in its favor.⁹⁵
2. In case of parallel imports, a trademark owner is best advised to consider characterizing its claim against the infringing party as an unfair trade practice, which

would then come before the RF Antimonopoly Committee, whose decision is of great value for other Russian civil and criminal adjudicators. It is advised that, if possible, a trademark holder exhausts its other available remedies before turning to the court of general jurisdiction.

- 1 Laura Krupitsky. "Coping With Intellectual Property Assets". *Doing Business in Eastern Europe*, No. 5 (May 1996), pp. 100-103 at p. 100.
- 2 V. A. Dozortsev (ed.). *Prava na rezul'taty intellektual'noi deiatel'nosti*. Moskva: Izd-vo "De-iure", 1994 at 59.
- 3 Antonina Slabak, in "New Copyright Legislation Expands Intellectual Property Protection", *Doing Business in Eastern Europe* (18 January 1994), pp. 7-10 at p. 8, writes that Russia is only party to the Geneva Convention of 1952, yet Russian sources and WIPO *Intellectual Property Reading Material* indicate that Russia applied and remained a party to these conventions.
- 4 Russia applied to WTO in December 1994. Admission negotiations are expected to take at least two years.
- 5 *Russia and Commonwealth Business Law Report* (31 July 1996), p.6.
- 6 Janet L. Hoffman. "Russian Federation Establishes an Inter-Agency Commission for the Protection of Intellectual Property". *Russia and Commonwealth Business Law Report* (1995), p. 2.
- 7 Alexander A. Christophoroff. "Protection of Intellectual Property in Russia", Internet (May 1997).
- 8 These laws should be studied in combination with the Constitution of the Russian Federation (Arts. 15.4, 44, 71(o)); the Criminal Code of the Russian Federation (Art. 146, 147, 180); the Civil Code of the Russian Federation (Part I - Arts. 2, 8, 18, 26, 128, 138, and 139; Part II - Arts. 769, 771, 772, 1027-1040); Law "On Competition and Limitation of Monopolist Activities" (Arts. 2 and 10); Law "On Architectural Activities in the Russian Federation" (arts. 16-19), as well as relevant government and agency regulations.
- 9 Art. 1, the Copyright Law.
- 10 Arts. 6 and 7, the Copyright Law.
- 11 Art. 49, the Copyright Law.
- 12 Arts. 5 and 37, the Copyright Law.
- 13 Art. 9, the Copyright Law.
- 14 Art. 36, the Copyright Law.
- 15 Art. 6, the Copyright Law.
- 16 Art. 8, the Copyright Law.
- 17 Art. 6, the Copyright Law.
- 18 Catherine V. Mannick, Esq. "Update on New The Copyright Law". *East/West Executive Guide* (January 1994), p. 10.
- 19 Arts. 18-19, the Copyright Law.
- 20 Art. 21, the Copyright Law.
- 21 Art. 23, the Copyright Law.
- 22 Art. 22, the Copyright Law.
- 23 Art. 25, the Copyright Law.
- 24 Lawrence Savell. "The Internet and the Law". *AmCham News* (July-August, 1996), p. 15.
- 25 Sometimes referred to as "moral rights"; Art. 15, the Copyright Law.
- 26 Sometimes referred to as "economic rights"; Art. 16, the Copyright Law.
- 27 Art. 10, the Copyright Law.
- 28 Art. 32, the Copyright Law.
- 29 Art. 31, the Copyright Law.
- 30 Art. 45, the Copyright Law.
- 31 Art. 44, the Copyright Law.

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- 32 Decree of the President of the Russian Federation No. 1607 of October 7, 1993 "On State Policy in the Protection of Copyright and Related Rights".
- 33 Art. 11, the Copyright Law.
- 34 Art. 14, the Copyright Law.
- 35 Art. 43, the Copyright Law.
- 36 Art. 48, the Copyright Law.
- 37 Art. 50, the Copyright Law.
- 38 Art. 49, the Copyright Law.
- 39 No definition of "corrective labor" or its value is given; in the Soviet times it meant working at a chemical or other dangerous for one's life factory.
- 40 Art. 146, the Criminal Code.
- 41 Elizabeth Messud. "Protecting Trademarks in Russia". *BNA's Eastern Reporter* (4 November 1996), p. 739.
- 42 Art. 47, the Trademark Law.
- 43 Arts. 6 and 7, the Trademark Law.
- 44 Arts. 28 and 29, the Trademark Law.
- 45 Art. 16, the Trademark Law.
- 46 Art. 22, the Trademark Law.
- 47 Arts. 20, 21, 25-27, the Trademark Law.
- 48 A requirement of substantial damages or repeated infringements made a lot of lawyers unhappy because there is no indication what constitutes a substantial use. Provisions are also not clear as to what constitutes the first use. Lawyers also would prefer to see that criminal liability of a trademark leads to penalties as strong as those applicable to patent infringements.
- 49 Elizabeth Messud. "Protecting Trademarks in Russia". *BNA's Eastern Reporter* (4 November 1996), p. 740.
- 50 Art. 1, the Patent Law.
- 51 Art. 36, the Patent Law.
- 52 Art. 10, the Patent Law.
- 53 Those are usually defense related issues.
- 54 Art. 3, the Patent Law.
- 55 Arts. 4-6, the Patent Law.
- 56 Art. 11, the Copyright Law.
- 57 Art. 12, the Patent Law.
- 58 Art. 6, the Patent Law.
- 59 Art. 13, the Patent Law.
- 60 Art. 8, the Patent Law.
- 61 Alexander A. Christophoroff. "Protection of Intellectual Property in Russia", Internet, (May 1997).
- 62 Art. 2, the Software Law.
- 63 Art. 3.5, the Software Law.
- 64 Arts. 15-16, the Software Law.
- 65 Art. 17, the Software Law.
- 66 Art. 1, the Software Law.
- 67 Art. 14, the Copyright Law.
- 68 Art. 6, the Software Law.
- 69 Art. 9, the Software Law; Art. 15, the Copyright Law.
- 70 Art. 7, the Software Law.
- 71 Art. 10, the Software Law; Art. 16, the Copyright Law.
- 72 Art. 13, the Software Law.
- 73 Art. 11, the Software Law.
- 74 Art. 12, the Software Law; Art. 14, the Copyright Law.
- 75 Art. 18, the Software Law.
- 76 Art. 13, the Topology Law.
- 77 Art. 3, the Topology Law.
- 78 Art. 8, the Topology Law.
- 79 Art. 3, the Topology Law.
- 80 Art. 1, the Topology Law.
- 81 Art. 5, the Topology Law.
- 82 Art. 9, the Topology Law.
- 83 Arts. 10-11, the Topology Law.
- 84 Peter B. Maggs. "Importing Russian Intellectual Property: the interaction of Russian and United States Law". *Parker Sch. J.E. Euro. L*, Vol. 1:23, p. 48.
- 85 *ibid.*, p. 70.
- 86 Bruce A. McDonald. "Protection of Technology Transfers and International IP Agreements". *East/West Executive Guide* (May 1996), pp. 18-20 at pp. 18-19.
- 87 See *Poisk* (February 1996).
- 88 See *East/West Executive Guide* (July 1996), pp. 21-23 at p. 23.
- 89 Bruce A. McDonald. "Protection of Technology Transfers and International IP Agreements". *East/West Executive Guide* (May 1996), pp. 18-20 at p. 20.
- 90 Art. 35, the Patent Law.
- 91 Art. 8, the Patent Law.
- 92 A. Sannikov. "Russian: intellectual property protection viewed". *Ekonomika I zhizn'*, No. 39 (October 1996), p. 39.
- 93 Its name may sometimes be translated as "arbitration court".
- 94 Decision No. 35 of the RSFSR Government "On the List of Data Not to Be Regarded as Confidential Commercial Information" (5 December 1991).
- 95 Elizabeth Messud. "Protecting Trademarks in Russia". *BNA's Eastern Reporter* (4 November 1996), p. 739.


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IN OUR NEXT ISSUE...

Our next issue looks at

Electronic Commerce

Contributions from members of all Societies are welcome. Although this is the central theme of the issue, contributions can be on any topic relating to computers and law and can take the form of an article, product or book review, abstract or press release.

 Please send your contributions to the Editors no later than 15 February 1998.