

## **SINO-RUSSIAN BUSINESS: FIVE TIPS ON RUSSIAN INTELLECTUAL PROPERTY LAW**

Emerging trade relations give rise to various concerns, and in today's world the legal aspects of intellectual property are growing increasingly important. This is especially true for trading relationships with other jurisdictions, as intellectual property rights protection levels can differ significantly between countries.

Russia's accession to the World Trade Organisation has encouraged Russia to adopt legislation that is harmonized with international standards for the protection of intellectual property rights, which includes making provisions for criminal prosecution of intellectual property rights infringement. Russia is party to a number of the most important international treaties and conventions on intellectual property issues.

The ever-growing complexity and variety of disputes in this field has given rise to the idea of creating a court specialized in intellectual property issues, in order to ensure a more professional approach and due protection. This specialized court – the Court for Intellectual Property Rights – has been functioning in Moscow since July 2013.

### **Tip 1: General Issues**

Part IV of the Russian Civil Code, significantly renewed during the complex civil law reforms of 2014, regulates, *inter alia*, intellectual property areas such as copyright law, trademark law, patent law and protection of know-how. The latest amendments to Part 4 of the Civil Code will enter into force on October 1, 2014 and will introduce new procedures to many of the IP fields, such as publishing trademark and patent applications, introducing free and open licenses, changing the status of know-how, changing the scope of protection for industrial designs, and so on.

Some of the amendments, *inter alia* governing the pledge of intellectual property rights, have already come into effect.

The Civil Code provides an exhaustive list of the rights to the results of intellectual activity and protected means of individualization. Many of them (such as trademarks or patents) are subject to state registration. At by-law level certain practical registration issues are regulated by the Federal Service of Intellectual Property ("Rospatent"), which is the federal authority in charge of these registrations. Notably, communication with Rospatent is only allowed for foreign companies if they have the assistance of specialized Russian patent and trademark attorneys.

From a contractual point of view there are a number of contract types in the field of intellectual property, some of which are briefly discussed below. One should also take into account the

formal and administrative elements that accompany the process of concluding these contracts. It should be noted that state registration of contracts is required when the means of individualization or other result of intellectual activity are subject to state registration. These contracts can be of various types – licenses, assignment contracts, or pledge contracts. If a contract that requires state registration is not registered, it will become null and void. Registration of contracts is also performed by Rospatent.

### **Tip 2: License Agreements**

A license agreement grants the right to use means of individualization or results of intellectual activity under copyright, patent or other intellectual property protection within the limits set out in the agreement. The Civil Code enumerates certain provisions that must be included in the license agreement, including an identifiable description of the licensed object, registration document referrals (if any), the term of the license, the territory for which the license is granted, the manner in which the licensed object may be used, and the level of remuneration due to the licensee, or a method of its calculation.

The license may be granted on an exclusive or non-exclusive basis. Unless indicated otherwise, the right to issue sublicenses is not granted to the licensee.

The Civil Code permits the use of shrink-wrap licenses for software or for databases, and these may be granted to any user (i.e. the conditions of the license are indicated on the wrapping of a CD, or on another carrier, and the first use of the software or database by the consumer means that they agree to adhere to the conditions of the license). Once the latest amendments to Part 4 of the Civil Code will enter into force, the so-called ‘free and open licenses for copyright objects’ (such as software) will be introduced into Russian practice.

### **Tip 3: Patents**

Under Russian laws patent protection covers inventions, which are technical solutions in any field related to a product or a process, utility models, which protect new and industrially applicable devices, and industrial designs, which are the result of intellectual activity in the domain of artistic design.

Patent protection is subject to conditions, which depend on the type of object being protected:

- an invention can only be protected if it is new, inventive, and is capable of industrial application.
- a utility model can only be protected if it is new and capable of industrial application.
- an industrial design can be protected only if its substantial features are new and original.

State registration is mandatory to ensure the protection of the patent rights.

The right to become a patent owner belongs to the inventor(s), to their employers (should the object be created in the course of performance of the employee's labor duties), or to assignees. The application for patent protection is filed with Rospatent for examination, and the latter grants the patent if the relevant patentability criteria are met.

The maximum duration for patent protection can be between 5 and 25 years, depending on the type of the patent.

#### **Tip 4: Trade Secrets and Know-How**

Following the latest amendments to the Civil Code, information on the results of intellectual activities in technical and scientific spheres that has actual or potential commercial value can be defined as a commercial secret or know-how as long as the necessary criteria are met. In particular, the information must not be known by third parties, due to the lack of free access to it, and reasonable measures of protection (including adopting a commercial secrecy regime) have been adopted by the owner of the information..

The law on commercial secrets (as amended to comply with Part 4 of the Civil Code) defines them as know-how (trade secrets) or other kinds of confidential information that meet the criteria of commercial secrecy provided by law. The law also provides for civil, administrative and criminal liability for breach of the commercial secrecy regime.

The latest amendments to Russian law are aimed at helping *inter alia* foreign investors to improve protection of their know-how. The amendments also aim to protect employers against the theft and destruction of commercial secrets by their current and former employees, including company directors.

In practice, protection of trade secrets and know-how still requires a significant number of internal rules and procedures.

#### **Tip 5: Trademarks and Service Marks**

A trademark is a designation to be used for distinguishing the goods or services of an individual entrepreneur or a company. A trademark can be verbal, figurative, or three-dimensional, or a combination of these elements.

The Civil Code establishes the criteria for a trademark to be registrable.

To be protected in Russia, trademarks need to be registered with Rospatent in the State Register of Trademarks. Alternatively, it may be protected in Russia under the Madrid System of the International Registration of Marks.

Trademark protection is valid for ten years, calculated from the date of the filing of the application with Rospatent. This may be renewed for an unlimited number of 10-year periods, subject to the necessary applications and payments being made.

As a general rule, the exclusive rights to a trademark are transferable to a third party, unless the assignment is found to be misleading for consumers. The exclusive right to use a trademark

may also be subject to a license agreement, providing the obligatory quality requirements set out by the licensor are met.

‘Collective trademarks’ can also be registered in Russia.

Trademark protection may be terminated early if the trademark is not used, or is insufficiently used, by the trademark owner or the party under the owner’s control in Russia, during any period of three consecutive years after the date of registration.

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