Russia

Changes to IP legislation ring in the new year


Part IV codifies the majority of the IP rules set out by various Russian laws and introduces certain new provisions. It represents the third attempt to codify IP legislation within the body of the Civil Code in the past 10 years, and the first time that Russian IP laws have been combined into a single piece of legislation.

This chapter provides a brief overview of the new IP legislation.

Main features
Part IV repeals the following IP acts:

- the Patent Law;
- the Law on Copyright and Related Rights;
- the Law on Trademarks, Service Marks and Appellations of Origin of Goods;
- the Law on Legal Protection of Computer Software and Databases;
- the Law on Legal Protection of Integrated Circuit Topographies; and
- the Law on Selective Achievements.

The main features of Part IV can be summarised as follows:

- It contains general provisions applicable to all areas of intellectual property;
- All agreements on the transfer of IP rights are divided into assignment and licence agreements;
- It provides for liquidation of a legal entity or an individual entrepreneur guilty of repeated or gross breaches of IP rights; and
- It allows for the pledge of IP rights.

Copyright
Part IV incorporates the provisions of the Law on Copyright and Related Rights and the Law on Legal Protection of Computer Software and Databases which are currently in effect, and sets out important new provisions, including rules governing collective rights management organisations and copyright agreements.

Copyright agreements
Part IV divides all copyright agreements into two types:

- copyright assignment agreements, which are agreements to transfer all the economic rights in the copyrighted work for the duration of the copyright; and
- copyright licence agreements, which involve a temporary grant of economic rights in a copyrighted work pursuant to an exclusive or non-exclusive licence. An exclusive licence does not permit the licensor to grant licences to third parties during the term of the licence. Under a non-exclusive licence, the licensor reserves the right to grant licences to parties other than the licensee. At present, there are no provisions on the assignment of economic copyrights and it is unclear whether copyright assignment is permitted under the existing copyright law.

Software agreements
Part IV introduces new rules on agreements for commissioned software (ie, the creation of computer software and/or databases). Under the new law, the party commissioning the software or database will automatically hold the exclusive economic rights to the software or database, unless the agreement stipulates otherwise. The existing law does not allow for the automatic transfer of rights and states that any rights granted under any type of copyright agreement (including those for commissioned software) must be expressly specified in the agreement.

In addition, Part IV introduces new provisions on
computer programs and databases created by contractors or agreements on the performance of research, scientific and technological work that do not expressly provide for the creation of computer software or databases. The economic rights to a computer program created during the performance of such contracts will belong to the contractor, unless the contract stipulates otherwise.

Part IV also requires state registration of assignment agreements for computer programs (or databases) that are registered with the Russian Intellectual Property Office (Rospatent). Registration of a computer program or a database with Rospatent remains optional.

Works created during employment
According to Part IV, employers hold the copyright in works created by employees in the course of performing their duties, unless an employment or other contract provides otherwise. At present, the employer holds the copyright in works created by employees performing not only their employment duties, but also specific assignments from the employer, unless a contract provides otherwise.

The new law states that the exclusive rights in the work will be transferred to the employee if the employer fails to do the following within three years of creation of the work:

- use the work;
- assign exclusive rights in the work to a third party; or
- notify the employee of its decision to keep the work confidential.

If the holder of copyright in an employee’s work is the employer, the employee is entitled to remuneration. The parties must agree on the amount of the remuneration; in the event of a dispute, this is decided by the courts.

Collective rights management organisations
Collective rights management organisations are organisations that act on behalf of rights holders on a collective basis, according to agreements concluded with individual copyright holders or other collective rights management organisations, including foreign organisations. Such agreements grant licences to users and collect remuneration for use of the works on behalf of the owners.

Part IV introduces voluntary state accreditation of collective rights management organisations and states that only collective rights management organisations that have obtained state accreditation have the right to manage the rights of copyright holders without concluding agreements with them. Under the existing law, any collective rights organisation can act on behalf of a rights holder without a contract.

Part IV lists the areas in which collective rights management organisations may apply for state accreditation, including the management of economic rights to music for both public performance and public communication via cable or air transmission.

Accredited collective rights management organisations will be overseen by an authorised government body.

Related rights
In addition to traditional related rights (eg, rights to performances and phonograms), Part IV introduces two new types of right:

- the right of a publisher to previously unpublished works; and
- the right of a database maker.

Publishers’ rights
Part IV introduces protection of the rights of the individual who is the first to publish lawfully or to arrange for publication of a previously unpublished copyrighted work that either has passed into the public domain or was in the public domain as a non-copyright protected work (known as the publisher).

Publishers’ rights include:

- the same economic rights as the author or any other right holder; and
- the right to include the publisher’s name on the work.

Economic rights come into effect when the work is published and last for 25 years, starting from January 1 of the year following the year of publication.

Rights of database makers
Part IV also protects the rights of a legal entity or individual that organises creation of a database and the collection, processing and arrangement of its contents. This is an attempt to bring Russian legislation in line with the EU rules on protection of the sui generis rights of database makers, namely the EU Database Directive (96/9/EC).

Economic rights (ie, the right to extract materials from the database and use them in any form) belong to the database maker if creation of the database involves substantial financial, economic, logistical or other expenses. In the absence of proof to the contrary, the creation of a database is considered to involve substantial expense if the database contains at least 10,000 independent pieces of information. A database maker may license or assign its economic rights.

This new right applies irrespective of whether the database itself or its components enjoy copyright protection.
The economic rights of a database maker take effect once the creation of the database has been completed and are protected for 15 years starting from January 1 of the year following the year of creation.

The term of protection is automatically renewed each time the database is updated. The law does not specify how substantive the changes must be in order for the protection to be renewed.

**Trademarks**

Part IV preserves most of the rules of the Law on Trademarks, Service Marks and Appellations of Origin of Goods. However, it also sets out a number of important new rules.

**Trademark registration**

Part IV introduces new grounds for refusal of a trademark registration. In particular, a sign cannot be registered as a trademark if:

- it is identical or confusingly similar to an earlier trade name for similar goods or services (at present, registration may be refused only if the trademark is identical to a trade name, but not if it is merely similar);
- it is identical or confusingly similar to an earlier commercial designation for similar goods or services (at present, this is not grounds for denial of registration); or
- it is identical to an earlier registered domain name, irrespective of the nature of the goods or services (at present, this is not grounds for denial of registration).

**Trademark licence and assignment**

Part IV obliges the licensee under a trademark licence agreement to ensure that the quality of the goods or services conforms to the licensor’s requirements and states that the licensor is entitled to exercise control over the licensee’s compliance with this obligation.

At present, the law does not require that the quality of the goods or services be specified, but rather states that the licensee must provide goods or services of a quality at least equal to that of the goods or services of the licensor.

**Trademark revocation**

Part IV allows only an interested party to file an application for trademark revocation with the Rospatent Chamber on Patent Disputes in cases where a trademark has not been used for three consecutive years. At present, any party can file an application for a trademark to be revoked if it has not been used for this period. Part IV does not define the term ‘interested party’, so it is unclear how this provision will be interpreted.

Part IV states that a trademark cannot be revoked if it has been used by its owner, a licensee under a licence agreement or any other party using the trademark with the owner’s permission. The current law restricts the concept of proper trademark use in revocation proceedings to cases where the mark is used by the trademark owner or a licensee under a registered licence agreement.

Thus, the new rules give trademark owners greater opportunity to resist trademark revocation and recognise trademark use under an unregistered licence agreement as proper use.

**Trademark invalidity**

Part IV introduces a new ground for invalidating a trademark – namely, where an action for trademark
Igor Motsnyi is an expert in IP and IT law, including copyright, trademarks, agreements for the transfer of IP rights and various issues related to online business, including advising Russian and foreign internet companies. Mr Motsnyi has substantial experience in trademark and copyright law, in particular protection of computer software and in the drafting of various IP/IT contracts. He has taken part in large projects in the areas of electronic commerce and intellectual property.

The right holder may assign the right to use a commercial designation only in conjunction with the transfer of its business. A commercial designation may be licensed under an agreement for lease of an enterprise or a franchise agreement.

Commercial designations are not subject to mandatory registration. Legal protection is granted only to those commercial designations that are used to distinguish enterprises located in Russia. Legal protection of a commercial designation is cancelled if the designation has not been used for one year. It is not yet clear how this provision will work – in particular, what may constitute proper use of a commercial designation sufficient to prevent cancellation.

Conclusion
Implementation of Part IV will require the issue of new regulations to outline, for instance, the procedures for trademark applications and for that examination and state registration of licensing or assignment agreements. In addition, several important provisions remain unclear, including those on:

- the payment of remuneration for works created during employment;
- the new grounds for denying trademark registration and the rules on trademark revocation; and
- the use and legal protection of commercial designations.

These ambiguities may create difficulties for both IP owners and courts. All interested parties are advised to pay close attention to the new rules, which come into effect on January 1 2008.

Ekaterina Tilling is an IP dispute resolution expert with substantial experience of conducting judicial and administrative proceedings in the area. Ms Tilling has contributed to the successful resolution of disputes involving the protection of rights to inventions in the chemical, medical and automotive industries, as well as trademark and copyright protection disputes. She has taken part in a number of major projects to combat counterfeiting in Russia.

Ekatetina Tilling
Head of IP practice, Moscow
Tel +7 495 967 00 07
Email e.tilling@pgplaw.ru
Pepeliaev Goltsblat & Partners
Russia

Igor Motsnyi
Senior attorney, Moscow
Tel +7 495 967 00 07
Email i.motsnyi@pgplaw.ru
Pepeliaev Goltsblat & Partners
Russia