

# BEATING SWORDS INTO PLOUGHSHARES

ПЕРЕКОВАТЬ МЕЧИ НА ОРАЛА:

## Outsourcing R&D to Former Defense Scientists in Russia

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# Introduction: Changing Economics

BRIC:

Brasil

Russia (Россия)

India

China (中国)

“If things go right, in less than 40 years, the BRIC economies together could be larger than the G6 [six largest countries] in US dollar terms.”

Wilson & Purushothaman, “Dreaming with the BRICs: The Path to 2050,” Goldman Sachs Global Economics Paper No.: 99, New York, New York, October 1, 2003

<http://www2.goldmansachs.com/insight/research/reports/99.pdf>

# Introduction: Basics

- **Population - 142,008,838 – 9<sup>th</sup> in world** As of January 1, 2008, Федеральная Служба Государственной Статистики (Federal Service for State Statistics) online at: [http://www.gks.ru/free\\_doc/2008/demo/popul08.htm](http://www.gks.ru/free_doc/2008/demo/popul08.htm)
- **Economy - 11<sup>th</sup> largest in the world with a nominal GDP value of \$1,289,582 million USD.** International Monetary Fund, World Economic Outlook Database., as at April 2008 (for the year 2007), at <http://www.imf.org/external/pubs/ft/weo/2008/01/weodata/index.aspx>.
- **GDP per head of \$9,059 USD makes it the richest per capita of the BRIC countries** - *Country Briefings – Russia: Factsheet*, ECONOMIST.COM, April 29, 2008, (market exchange rate, but \$14,662.00 USD on the basis of purchasing power parity) online at: <http://www.economist.com/Countries/Russia/profile.cfm?folder=Profile-FactSheet> .

# Introduction: Law

- Russia is a civil law jurisdiction – comprehensive civil code based on the German model - drafted with assistance from the University of Leiden in the Netherlands
- Enforcement of Contracts –
  - World Bank – [www.doingbusiness.org/EconomyRankings](http://www.doingbusiness.org/EconomyRankings)
  - Based on procedures, time and cost
  - Russia and China tied for 18<sup>th</sup>

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  - Brazil is 92<sup>nd</sup>; India 180<sup>th</sup> out of 181

# Introduction: Law

## Long Term Structural Reforms:

- Land Law – mortgage market
- Centralized Federalism
- Flat Income Tax
  
- Improvement of judicial transparency
- Improvement of competition – FAS

Федеральная антимонопольная служба (ФАС  
Росси)

# Intellectual Property Laws: Introduction

- January 1, 2008 all IP Laws repealed



# Intellectual Property Laws: Introduction

- January 1, 2008 all IP Laws repealed (except for Trade Secrets)
- Replaced with the New Part IV of the Civil Code
- Patent, Trade-mark, Copyright and other branches of IP law fully included

# О патентах – Patents

Three types:

- Invention patents – 20 year term – Art. 1363(1)
- Utility Model patents – 10 year term
- Design patent – 15 years

Extensions: Art. 1363(2) – for certain chemical patents that require approval for use extensions are possible.

# О патентах – Patents

## Non – Patentable Subject Matters:

- Discoveries, scientific theories and mathematical methods
- Aesthetic creations relating to external appearance of articles
- Rules and methods of games, intellectual or business methods
- Computer programs and algorithms
- Presentation of information
- Animal breeds and plant varieties
- Topographies of integrated circuits
- Projects and schemes of constructions, buildings and area layouts
- Solutions contrary to public interests, humanistic principles and morality

# О патентах – Patents

- Eurasian Patent Application:
  - One application
  - One unitary patent in 9 countries - Russia, Kazakhstan, Belarus, Turkmenistan, Tadjikistan, Kyrgyzstan, Armenia, Azerbaijan, Moldova
  - Combined annual payments
  - License and cancellation in individual countries

## Об авторском праве и смежных правах: Copyright

- Russia is a party to the Berne Convention
- Copyright provisions of Part IV meet Berne and TRIPS requirements
- Software and databases are protected by copyright

## Об авторском праве и смежных правах: Copyright

- No registration of copyright
  - Except for computer programs and databases
  - Registration creates a rebuttable presumption
  - Registration of a computer program requires only the submission of identifying material

# товарный знак – Trade-marks

- Russia is a first-to-file system
- No declarations of use, no evidence of use required for filing
- Uses the Nice system, multi-class applications

# товарный знак – Trade-marks

- Registration is valid for 10 years
- Registration usually takes 16-18 months
- Non-traditional marks allowed: 3D, colour, sound
- Advisable to register in both Latin alphabet and Cyrillic



# товарный знак – Trade-marks

- Domain Names:
  - No provisions in Part IV – drafting issues
  - Courts have recognized that domain names are similar to a trade-mark
  - Use of a trade-mark in a domain name w/o consent is illegal

## Секреты производства (ноу-хау): Trade Secrets

- Partly in Part IV – Art. 1465-1472
- Partly in Law on Trade-Secrets/О  
Коммерческой Тайне (as amended)
- Described in Russian variously as “know-  
how” and “production secrets”

## Секреты производства (ноу-хау): Trade Secrets

- Part IV protects trade secrets only if the owner has included them in a “trade secret inventory” and taken other steps to maintain confidentiality
- And labeled all documents containing them
- Foreign licensors should ensure that these requirements are complied with

## Лицензионный договор – License Agreements

- One of the goals of Part IV is to improve licensing – combine IP rights with contract law
- Registration of license agreements required for registrable IP (except for copyright)

# Лицензионный договор – License Agreements

## Abuse of IP Rights –

Статья 10, Гражданский Кодекс Российской Федерации (Article 10, Russian Civil Code)

1. Не допускаются действия граждан и юридических лиц, осуществляемые исключительно с намерением причинить вред другому лицу, а также злоупотребление правом в иных формах.

Не допускается использование гражданских прав в целях ограничения конкуренции, а также злоупотребление доминирующим положением на рынке.

2. В случае несоблюдения требований, предусмотренных пунктом 1 настоящей статьи, суд, арбитражный суд или третейский суд может отказать лицу в защите принадлежащего ему права.
3. В случаях, когда закон ставит защиту гражданских прав в зависимость от того, осуществлялись ли эти права разумно и добросовестно, разумность действий и добросовестность участников гражданских правоотношений предполагаются.

# Лицензионный договор – License Agreements

## Article 10

1. Individual and juridical persons shall not exercise their rights exclusively with the intention of causing harm to the other party, or abuse their rights in any manner.

Civil rights shall not be used with the object of restricting competition, or abusing a dominant position in the market.

2. In the event of non-compliance with the requirements of paragraph 1 of this Article, the general court, arbitrazh court or tribunal may deny such person the protection of his rights.
3. Where the law makes the protection of the civil rights dependent on whether these rights have been exercised in good faith and reasonably, the good faith and reasonableness of the parties shall be presumed.

# Лицензионный договор – License Agreements

Competition Law – separate section on IP

Art. 14(2):

Unfair competition connected with acquisition and use of exclusive rights for the means of individualization of a legal person, means of individualization of production, works, services is not permitted.

- policed by the Federal Anti-Monopoly Service
- no guidelines

# О РАЗРЕШЕНИИ СПОРОВ – Enforcement

## Dispute Resolution:

Арбитражный процессуальный кодекс – **Code of Procedure for the Arbitrazh Courts** – Art. 248(3):

**Статья 248.** Исключительная компетенция арбитражных судов в Российской Федерации по делам с участием иностранных ли ....

- 3) по спорам, связанным с регистрацией или выдачей патентов, регистрацией и выдачей свидетельств на товарные знаки, промышленные образцы, полезные модели или регистрацией других прав на результаты интеллектуальной деятельности, которые требуют регистрации или выдачи патента либо свидетельства в Российской Федерации;



# О РАЗРЕШЕНИИ СПОРОВ — Enforcement

Article 248 Arbitrazh Courts have **exclusive competence** in the Russian Federation in matters **involving foreign persons** .....

3. Disputes related to the **registration or issuance** of patents, registration and validity of trade-marks, industrial designs, utility models or other registration of rights resulting from intellectual activities that require registration or a grant of certificate in the Russian Federation.

Limited arbitration of intellectual property rights

# О РАЗРЕШЕНИИ СПОРОВ – Enforcement

- Two Court Systems – General and Arbitrazh
- Also administrative enforcement by FAS
- No discovery, as in other civil law systems
- Costs lower - \$10,000 USD
- Surveys of foreign companies – improvement in enforcement
- Russian courts ruled in favour of owners in majority of infringement cases in 2008

# О РАЗРЕШЕНИИ СПОРОВ – Enforcement

## Cayenne Case

- Customs seized an authentic Porsche Cayenne being imported by a company for resale
- No international doctrine of exhaustion of rights in Part IV – only Territorial (Art. 1487)
- At trial Customs and the exclusive licensee won
- Overturned on appeal – February 2009

# О РАЗРЕШЕНИИ СПОРОВ – Enforcement

Научно-исследовательский институт по удобрениям и инсектофунгицидам имени профессора Я.В. Самойлова v. Воскресенские минеральные удобрения

(Samoilova Institute v. Voskresensky Fertilizers)

Federal Arbitrazh Court Moscow District – March 4, 2009 - Постановление № КГ-А41/13379-08

- Defendant set up in 1983 to produce fertilizer
- In 1998 contracted with the Plaintiff scientific research institute to intensify the sulfuric acid system

# О РАЗРЕШЕНИИ СПОРОВ – Enforcement

## Samoilova Institute v. Voskresensky Fertilizers

- New invention created, installed and patented by Plaintiff, that was needed to fulfill contract – who owns it?
- Article 1371(1): If an invention, utility model or industrial design has been **created in the course of performance of a contractor's contract** or a contract of performance of research and development or technological works **which did not directly require the creation thereof** the right to obtain a patent and the exclusive right to the invention, utility model or industrial design are **owned by the contractor** (performer), except as otherwise envisaged by a contract between the contractor and the customer.

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