

**AEB**  **HOW TO INVEST IN RUSSIA**

THE AEB GUIDE TO INVESTING IN RUSSIA



## CONTENTS

<b>Part I. Russia is the right place for investing</b>	<b>5</b>	New compliance challenges posed by rollback on transparency of state procurement and ownership rights	34
Foreign investment control: the latest changes in legislation and state policy	6	What international e-commerce companies should know about Russian law in order to do business in Russia?	38
How the sentiment of European companies in Russia has changed	9	Protection of intellectual property in Russia: practical overview	42
<b>Part II. Localisation and investments</b>	<b>11</b>	Effective licence agreements with Russian clients, partners and subsidiaries	46
State support for industrial projects: successful examples and new opportunities	12	<b>Part IV. Entrepreneurship in Russia: regional and industry specific aspects</b>	<b>49</b>
Reformatting of special investment contracts (or SPIC 2.0)	16	Lipetsk region: the energy of success	50
Draft Federal Law 'On Protection and Encouragement of Investments': overview of key provisions	19	Investment in life science business in Russia: common legal risks and mitigation options	54
Utilisation of technology transfer in the pharmaceutical industry	23	Renewable energy in the Russian energy sector: recent developments and key perspectives	58
<b>Part III. Before you start</b>	<b>27</b>	Catching big fish on the Russian fishery shipbuilding and fish processing markets	61
Doing business in Russia: how to bridge the gaps	28		
Tax incentives for investors in Russia: what's next?	31		

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# Protection of intellectual property in Russia: practical overview



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## Introduction

Practice shows that when companies plan to enter a new market, they usually prioritise supplying products to the new market as quickly as possible through subsidiaries or distributors, and gaining market share. In the pro-

cess companies tend to put a number of important legal issues on the back burner, for instance, those related to the protection of intellectual property (IP). As a result, they only start paying attention to this issue when they have already been confronted by a number of difficulties, from seizure of their products by the customs authorities and actions related to suspected trademark infringement, to unfair competition through the sale of counterfeit products or registration of a domain name in contravention of their rights.

We highly recommend a different approach – to prioritise meticulous legal preparation before accessing a new market, in particular issues related to IP protection.

## IP registration

The first step when protecting IP on a new market is to register IP in the relevant country. Generally, the legal protection of trademarks, inventions, utility models and industrial prototypes involves the registration of such IP with the Federal Service for Intellectual Property (Rospatent).

The legal protection of trademarks in Russia can also be ensured through the international registration of the trademark with the World Intellectual Property Organisation. This approach can take more time than registration directly with Rospatent.

Meanwhile, only national registration with Rospatent is permitted for inventions, utility models and industrial prototypes. The registration of an invention with the Eurasian Patent Organisation located in Moscow is another option. In doing so, the rights to an invention may also be protected in Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan.

As in the European Union, the state registration of copyrighted IP (including software) is not obligatory in Russia. While such registration is voluntary, it is highly recommended for valuable IP assets, as this makes it easier to prove who is the asset owner.

Trade names are protected in Russia upon their registration in the respective register (e.g. in the commercial register in Germany or in the company register in Austria) based on the Paris Convention for the Protection of Industrial Property. Protection begins when a company launches any activity in Russia, for example, imports its products or participates in exhibitions, etc.

## IP rights transfer registration

The general rule is that any legal actions with IP rights (for example, transfer, licensing, pledge, etc.) must

be registered with Rospatent if registration of the relevant IP rights themselves is required.

Since 2014 this registration is not applicable to the respective agreements. It only applies to the transfer of IP rights (licensing, pledge, etc.). As a result, all the relevant agreements may be concluded in simple written form according to the general rules of the Civil Code of the Russian Federation. In the absence of such registration, these agreements will have no legal force in respect of any third parties (including the state authorities), but will be deemed concluded and effective for the parties to such agreements.

The registration process can be completed in different ways: applicants can submit a brief notification signed by both parties, the entire agreement or a notarised extract from the agreement to Rospatent. It is irrelevant whether the agreement is subject to Russian or foreign law – Rospatent will still check whether the submitted documents comply with certain provisions of Russian law and deny registration in the event of non-compliance. Foreign companies should bear in mind that these provisions will be applicable in every case, and seek advice from Russian lawyers or patent attorneys as to whether the respective foreign agreement complies with such provisions before signing the respective agreement.

Finally, such agreements must be enforceable in court. However, as there is no agreement between Russia and Germany (and also a number of other EU countries and the USA) on the recognition and enforcement of judgments by foreign state courts, we recommend selecting either an

arbitration tribunal or a Russian state court (in cases when enforcement is to be performed in Russia).

### Trademark protection

Once the relevant IP has been registered, it requires further legal protection. In the case of trademarks – one IP item commonly used all over the world – trademark infringement in Russia frequently occurs in two key areas.

Firstly, this concerns online sale of products and services. Infringers often register domain names that are confusingly similar to trademarks protected in Russia, and then use these domain names to advertise and sell products which are usually sold and advertised under the relevant trademark by its owner, or simply offer to sell the domain name to the latter. In

that the trademark owner will be able to sue the infringer, obtain control of the domain name and receive monetary compensation (with compensation ranging from approximately 150 to 70,000 euros, depending on the actual infringement).

The aforementioned approach is also applicable in situations when the infringer registers their own creative and unique domain name but uses a protected trademark on the website connected to this domain name. In this case, the trademark owner will also have the right to sue the infringer. It is highly likely that the trademark owner will also be able to compel the infringer during pre-trial negotiations or in court to delete all words and images which are confusingly similar to the protected trademark, and pay compensation.

## The legal protection of trademarks, inventions, utility models and industrial prototypes involves the registration of such IP with the Federal Service for Intellectual Property.

some instances, such infringers even pretend to be the official Russian distributors of the trademark owner (e.g. a foreign manufacturer), misleading consumers and adversely affecting the trademark owner's profits in the process.

So far, Russian jurisprudence and the practice of the antitrust authorities have been developing in favour of trademark owners. If the domain name is confusingly similar to a protected trademark, it is highly likely

In most cases of online infringement, it is not important whether the products advertised and sold via the infringer's website are original or counterfeit. On the other hand, this question becomes material in the second area of frequent trademark infringement – the import of products into the Russian Federation and their further sale.

If the products are counterfeit (in other words, they were manufactured by another party and the rel-

evant trademark was not applied by the trademark owner or was not applied upon its request), then the case is simple – the products should be seized and destroyed by the customs authorities or the police acting ex officio. The trademark owner will also have the right to sue the infringer, demand that the latter destroy the counterfeit products and pay compensation.

The situation is more complicated, however, for parallel imports. In this case original products (i.e. products that were duly manufactured and the relevant trademark applied by the trademark owner or upon its request)

ter (registration is free). As a result, parallel importers are detained at the border by the customs authorities; the trademark owner is immediately notified and is able to take all the necessary legal actions against the infringer.

Until February 2018 such legal actions usually included claims for the confiscation and destruction of the respective goods and compensation payment. However, in February 2018 the Constitutional Court of the Russian Federation ruled that a claim for the confiscation and destruction of goods may only be satisfied if the plaintiff has proven that the goods

Finally, the Constitutional Court stated that identical sanctions could not be applied to parallel importers and the importers of counterfeit products, as in the latter case the trademark owners suffer reputational damage related to the non-compliance of the products with the anticipated attributes and consumer requirements. As a result, the Constitutional Court determined that compensation paid to the trademark owner in case of parallel imports must in general be lower than for importing counterfeit products.

### Copyright protection

Copyright is used to protect a range of different IP items: texts, music, pictures and photos, video, designs, etc. Most of this IP may be successfully used in business and, consequently, may also become a target for infringers.

At the beginning of this article we recommended that you register all valuable copyrighted IP. But it is also true that for some copyrighted IP registration is impractical (for various reasons). Nonetheless, there are many ways to prove copyright to the respective IP. For this purpose, each company should meticulously prepare and keep all the documents that will assist in proving its rights. Such documents may include, for instance, employment contracts with the individuals responsible for the creation of such IP (the job duties of such individuals listed in their employment contracts should include the creation of the respective type of copyrighted IP, e.g. photos or software), special letters (or any other types of written documents) addressed to such individuals with requests that they create the respective copyrighted IP, the certificates of acceptance of the work

## Under Russian law the import of products marked with any trademark constitutes the use of the respective trademark, which requires the consent of the trademark owner.

are imported into Russia by an importer who did not receive the permission of the trademark owner to do so. This permission is mandatory, as under Russian law the import of products marked with any trademark constitutes the use of the respective trademark, which requires the consent of the trademark owner. Once it has been obtained, the exclusive right to the trademark is exhausted, and the importer and its customers may freely sell the respective products in Russia.

Generally, parallel imports are not prosecuted by the Russian state authorities. However, trademark owners are entitled to enter their trademarks into a special Russian customs regis-

imported by the parallel importer pose a threat to public health or public interests (for example, public interests would be at risk if the parallel imports were to be purchased via the special governmental procurement system).

The Constitutional Court also ruled that the rights of trademark owners may in general be restricted in certain circumstances, e.g. if the trademark owner acts in bad faith or abuses its rights. In such cases the claim filed by the trademark owner against a parallel importer may be dismissed in full, or the amount of compensation might be reduced substantially.



results, etc. If the creation of copyrighted IP is outsourced, then the relevant contract should contain special provisions related to the IP rights and the transfer of such IP rights to the customer.

The most popular copyright infringement area can be found online. For instance, if an unfair competitor runs a website where it advertises and offers products similar to yours, it may be experienced enough not to use the protected trademarks on its website or in the domain name. Nevertheless, the competitor may still use product pictures and text descriptions that it has copied from your website, or even the entire design of your website. The use of this copyrighted IP also constitutes copyright infringement. After the infringement has been documented by screenshots, the respective infringement case may be taken to court,

and the infringer may be compelled to delete all the unlawfully uploaded materials from the website and pay compensation to the owner of the copyrighted materials (with compensation ranging from approximately 150 to 70,000 euros, depending on the particular infringement).

Another area of possible infringement is one of the most popular copyrighted items – software. The physical media containing the software (for example, compact discs) may be circulated freely (without the specific consent of the software owner) on the Russian market once they have been lawfully introduced onto the market by the software owner or its official distributor – a licensee vested with the respective powers. The buyers of an official compact disc with software automatically receive the right to download the software to their computers – the same rights are usually

granted to any user who downloaded the software from an official online resource.

Some rights, however, tend not to be granted to the user, e.g. the right to transform or modify the software, use it on an unlimited number of computers, etc. For instance, modifications to video games that remove the copy protection protocols or anti-cheat systems constitute unlawful use of the software, i.e. infringement of the software owner's rights. Moreover, further distribution of such modified software, even if performed by third parties not involved in the modification process, will also be treated as a copyright infringement. The software owner will be entitled to file a claim demanding that the infringers delete all modified software copies, destroy the physical media containing them and pay compensation. ■