

Russia

Recent IP developments: hot topics and key court decisions

Part IV of the Civil Code of the Russian Federation came into effect on January 1 2008, bringing together all the rules governing intellectual property that had previously been included in a variety of laws. Part IV of the Civil Code is really an intellectual property code, containing general provisions applicable to all spheres of intellectual property and provisions regulating specific areas, such as copyright, trademarks and inventions. New case law is also taking shape on the basis of the new IP legislation.

This chapter analyses the key events in judicial practice relating to intellectual property since Part IV of the Civil Code came into effect, specifically the adoption of the Joint Resolution of the Plenary Sessions of the Supreme Court of the Russian Federation and the Supreme Arbitration Court of the Russian Federation, and the Resolution of the Supreme Arbitration Court of Russia on the Liability of Internet Service Providers (ISPs) for Copyright Infringement.

Plenary Sessions resolution

Joint Resolution of the Plenary Sessions of the Supreme Court of the Russian Federation No 5 and of the Supreme Arbitration Court of the Russian Federation No 29 on Certain Questions Arising in Connection with the Enactment of Part IV of the Civil Code of the Russian Federation (March 26 2009) is the first act issued by the highest Russian courts clarifying provisions of the new legislation on intellectual property. This chapter gives a brief overview and analysis of the resolution's key features that should be of interest to IP owners and users.

IP agreements

Classification of agreements

Part IV establishes that IP rights may be transferred under an assignment agreement or under a licence agreement. Under Part IV, only full assignment is possible (ie, assignment of all relevant IP rights for the whole period of their duration). If an assignment agreement limits the assignee's IP rights or their duration, such an agreement may be considered by a

court as a licence agreement on the basis of analysis of the other terms of the agreement and its general meaning, as well as clarification of the true common intentions of the parties. If this proves impossible, the agreement is recognised as invalid.

Licence remuneration clause

A licence agreement must specify precisely the amount of the remuneration or the method for its determination, or expressly indicate that the agreement is gratuitous. Otherwise, the licence agreement is deemed unconcluded.

Licensor's recovery claim cannot be rejected

A claim by the licensor for recovery of the remuneration under a licence agreement cannot be rejected even if the licensee does not use the relevant intellectual property.

If the remuneration under the agreement is determined on the basis of income or revenues and the licensee has not used the IP object, the remuneration is determined on the basis of the price usually charged for legitimate use of such intellectual property in similar circumstances.

Licensee's consent not required for subsequent assignment agreements

If the right to use is granted under a licence agreement, the licensee's consent is not required for an assignment agreement that the licensor subsequently enters into. The licence agreement remains effective.

Licensor's restricted rights under agreement

A licence agreement does not generally preclude the licensor from exercising the rights granted to the licensee under the agreement. However, an exclusive licence agreement may contain respective restrictions under which the licensor cannot exercise the rights granted to the licensee during the term of the licence.

Compensation for infringement of copyright and trademark rights

Although the amount of compensation is decided by the

courts and does not depend on the rights holder's losses, a claim submitted to the court must specify a fixed amount of compensation. Compensation is awarded provided that the violation can be proven; the rights holder need not demonstrate the loss incurred. Since the sum to be awarded remains at the discretion of the court, in deciding the amount of compensation the courts should be guided by the following factors:

- the nature of the violation committed;
- the period during which unlawful use was made;
- the offender's degree of guilt;
- whether the offender had previously violated the rights of the given rights holder; and
- the rights holder's potential losses.

The compensation must be appropriate given the consequences of the violation committed.

Copyright and related rights

Creativity criteria

The resolution stresses that unless otherwise proven, it is assumed that any work is a result of creative efforts. In addition, an attempt is made to determine the criteria for creativity; but the courts have merely indicated that the absence of any novelty, uniqueness or originality cannot in itself prove that the work was not a result of the author's creative efforts and consequently is not protected by copyright.

Technical means of copyright protection

With respect to the circumvention of technical means of copyright protection, the resolution prohibits technologies, technical devices and their components that are advertised, offered for sale or sold specifically for the circumvention of technical protection means. However, the courts note that the ban excludes cases where technologies, technical devices or their components are initially developed, manufactured and distributed for purposes not associated with the circumvention of technical protection means. In this instance, it is necessary to establish whether commercial use of such technologies, technical devices or their components for purposes other than circumvention is possible.

Performance rights

When an agreement for the creation of an audiovisual work (eg, a television commercial, a film) is concluded with a performer, the performer's consent to use of the performance within the audiovisual work is presumed, even if it is not expressly stipulated in the agreement. However, the agreement must specifically envisage the

performer's consent to the separate use of the performance (ie, sounds or images recorded in the audiovisual work). Otherwise, such use will be considered a violation of the performer's rights.

The resolution clarified that the separate use of sounds or images in the absence of specific indication in the agreement is an infringement of the performer's rights, even if the relevant agreement was concluded before this requirement was established by the law.

Works created in the course of employment

The resolution clarifies the procedure for payment of remuneration to the author-employee. In the event that the exclusive right to a work or invention is licensed or assigned by the employer to another person, this employer is still obliged to pay the author, regardless of licensing or assignment agreements made. However, this obligation to pay remuneration may be transferred by universal legal succession if, for example, a legal entity employer is reorganised.

In addition, the resolution explains that the payment of remuneration provisions may be stipulated both in the employment contract and in any other agreements concluded between the employee and the employer. Therefore, the employee's remuneration may be covered by the employment contract and, in such case, there is no need to enter into any other agreement with the author.

Trade names

The resolution clarifies certain issues with respect to trade names – that is, the means of identification of profit-making legal entities, the right to which is automatically protected when the legal entity is registered and cannot be assigned or licensed.

For example, a trade name cannot include the official names of foreign states and derivatives of these. This ban also applies to the inclusion of names of international unions, such as the Commonwealth of Independent States.

In addition, the resolution clarifies the rules for resolving conflicts between legal entities with identical or confusingly similar trade names which conduct similar business. The legal entity that was registered first has the right of priority, irrespective of which entity commenced its business activities earlier.

Patent and trademark disputes

Appeals against cancellation decision of Rospatent

When hearing a case disputing a Rospatent refusal to cancel a patent or trademark, the court is entitled, in consideration of the specific circumstances, to require

“ Once a patent or trademark has been cancelled, agreements concluded on the basis of that patent or trademark during its period of validity remain effective insofar as they have been fulfilled by the time the decision to cancel is issued ”

Rospatent to cancel the patent or trademark registration. This clarification helps to avoid a situation where the Chamber of Patent Disputes (the Rospatent appeal body) reconsiders an application for cancellation and again refuses to cancel trademark or patent protection.

Consequences of patent or trademark cancellation

An important clarification is provided in relation to liability for the unauthorised use of an invention (utility model, industrial design) or a trademark that is subsequently cancelled and concerning the validity of transactions based on such patents and trademarks.

Use of an invention, utility model or design, where the patent is subsequently invalidated or the trademark is subsequently cancelled, cannot be recognised as a violation of the owner's rights.

Moreover, once a patent or trademark has been cancelled, agreements concluded on the basis of that patent or trademark during its period of validity remain effective insofar as they have been fulfilled by the time the decision to cancel is issued.

With respect to licence agreements, the courts noted that the licensee cannot claim the return of payments made for the period prior to the cancellation of the patent or trademark; nor can the licensor claim payment of unpaid licensing remuneration for the period prior to cancellation.

Abuse of rights and unfair competition

The resolution includes provisions designed to stop rights holders acting in bad faith. For example, it states that the court has the right to refuse the enforcement of a trademark right if the circumstances of the case indicate that actions to register the trademark may be considered an abuse of rights. An abuse of rights or act

of unfair competition also constitutes grounds for cancellation of the trademark registration.

In the event of unfair competition, an application for cancellation may be submitted only by an interested party (ie, a person whose rights are violated by an act of unfair competition), with the decision of the anti-monopoly authority recognising the registration of the trademark as an act of unfair competition attached. On receipt of the application and the decision of the anti-monopoly authority, Rospatent will cancel the trademark registration.

Rospatent's decision to cancel the trademark registration may be disputed in court only once the relevant decision of the anti-monopoly authority has been repealed by a court. However, both decisions may be disputed in a single court case.

A court is entitled, in the course of hearings and on its own initiative, to recognise a person's actions in registering a trademark as an abuse of rights or unfair competition. In this case, the court will repeal the Rospatent decision and require it to cancel the trademark registration.

Liability of internet service providers

The Russian IP legislation contains no special provisions regarding the liability of ISPs for violations of copyright or related rights. In this regard, it differs from the legislation of the EU member states and the United States. For example, in the United States, this area is regulated by the Digital Millennium Copyright Act of 1998, and in the European Union by the EU E-commerce Directive (2000/31/EC).

The issue of ISPs' liability for copyright infringement was considered in the Resolution of the Supreme Arbitration Court of Russia on the Liability of ISPs for

Copyright Infringement (December 23 2008, No 10962). This resolution analyses the liability of ISPs for copyright infringements committed by users.

A plaintiff which owned the copyright in a number of musical works sued the ISP for infringement of its copyright. The plaintiff argued that the musical works had been made available unlawfully on the website hosted by the defendant. The court found the ISP not liable for copyright violations committed by its users.

The Supreme Arbitration Court justified its position with the following arguments:

- An ISP merely fulfils the technical function of enabling and servicing the subscriber's equipment. As a rule, the ISP is not allowed access to that equipment, so in general, any liability for the information posted on a website should be borne by the subscriber, not the ISP.
- When deciding whether an ISP is liable, it must be proven that the ISP knew or could have known about the violation of copyright or related rights. The burden of proof in this case lies with the rights holder claiming protection of its rights.

Thus, the ISP may be liable for violations of copyright and related rights only if it can be proven that it:

- initiates the transmission of information;
- selects the recipient of the information; and
- can somehow influence the integrity of this information.

The ISP must be responsible only for information that it has itself posted on the Internet, or in whose placement it somehow participated.

Two key arguments in the ISP's favour were that:

- the ISP helped to find the subscriber who had posted the musical works unlawfully; and
- the rights holder did not send a request to the ISP.

However, in the absence of a regulatory framework for the liability of ISPs for violations of copyright and related rights in the Russian Federation, legal uncertainty still remains. Russia clearly needs legislation to deal specifically with ISP liability. Therefore, work is currently underway to draft a law regulating the liability of ISPs for IP infringements.



Ekaterina Tilling

Partner

Tel +7 495 287 44 44

Email ekaterina.tilling@gbplaw.com

Goltsblat BLP

Russia

Ekaterina Tilling is a recognised IP dispute resolution expert with substantial experience in conducting judicial and administrative proceedings in this area. Ms Tilling has contributed to the successful resolution of disputes involving patent, trademark and copyright protection. She also advises on contracts for creating and using IP assets. Ms Tilling is widely recommended among the leading Russian legal experts for IP matters (*The European Legal Experts*, *The European Legal 500*, *The Legal 500 EMEA*, *Chambers Europe*).



Igor Motsnyi

Head of group

Tel +7 495 287 44 44

Email igor.motsnyi@gbplaw.com

Goltsblat BLP

Russia

Igor Motsnyi advises both Russian and foreign clients on a broad range of IP and IT issues such as copyright, computer software, patents, trademarks, know-how and protection of personal data. Mr Motsnyi assists clients in various areas of intellectual property and information technology, including software development and technology licensing, trademark registration, licensing and franchising, protection of personal data, internet law and the use of encryption technology. He is registered as a trademark attorney.