



NATIONAL RESEARCH UNIVERSITY
HIGHER SCHOOL OF ECONOMICS

Eduard P. Gavrilov

**LEGISLATION ON
INTELLECTUAL PROPERTY IN
THE RUSSIAN FEDERATION:
NOVELS INTRODUCED IN THE
CIVIL CODE OF R.F. BY THE
FEDERAL LAW OF MARCH 12,
2014 № 35 FZ**

BASIC RESEARCH PROGRAM

WORKING PAPERS

SERIES: LAW

WP BRP 52/LAW/2015

LEGISLATION ON INTELLECTUAL PROPERTY IN THE RUSSIAN FEDERATION: NOVELS INTRODUCED IN THE CIVIL CODE OF R.F. BY THE FEDERAL LAW OF MARCH 12, 2014 № 35 FZ²

This paper is a short English version of my various articles on this topic published in Russian, in journals: «The business and the law» (Chozjaistvo i pravo) and «The patents and licenses» (Patenti i licenzii).

As is known modern Russian revolution in the field of intellectual property legislation occurred January 1, 2008: on this day Russian intellectual property legislation was codified, included in the text of the Civil code of the Russian Federation as part fourth of the Civil Code (CC).

Part fourth of the Russian CC (Federal law №230-FZ, 2006) entered into force on January 1, 2008.

Second Revolution in this field took place during 2014: Federal law №35-FZ, 2014, substantially amending the Fourth part on the CC, entered into force on October the first 2014.

The essence and evaluation of these amendments is the subject matter of this paper.

Factually the Federal Law №35-FZ (2014) is the eleventh law amending the text of the part fourth of the CC. But all previous amendments were small and not substantial. As far as amendments introduced by the law №35-FZ (2014) are concerned, they are numerous and very, very substantial.

I cannot say that the law №35-FZ (2014) represents a new Revolution in the field of intellectual property legislation of my country, but I convinced, that the law is a rather big step towards building a modern system of intellectual property legislation in Russia.

Before entering into force of the law №35-FZ (2014) (thereafter - law 35-FZ), the Part fourth of the CC contained 328 articles. The law 35-FZ amends 169 articles of it and adds to it new seven articles.

Keywords: general provisions of Russian intellectual property legislation, disclaimer from rights, compensation instead of collection of damages, compensation for employment objects of patent law, exclusive rights for publicly performed works, exclusive rights for know-how, “fault” principle, examination of utility model applicants.

JEL Classification: K19

¹ National Research University Higher School of Economics, Doctor of legal sciences, Ordinary professor of HSE, sirill@mail.ru

² This study (research grant №14-01-0138) was supported by the National Research University – Higher School of Economics' Academic Fund Program in 2014/2015.

General provisions (Chapter 69 of the CC)

The previous text (consisting of 30 articles) was supplemented by one additional article, 20 articles were amended.

Article 1227 devoted to correlation between intellectual rights and property right.

New title of it: «Intellectual rights and rights to a thing» became broader and more correct than the previous title.

A new provision was included into this article: «No provisions of Division II of the present Code shall be applied to intellectual rights, unless otherwise provided by the rules of the present Division».

Division II of the Code relates to the rights of property.

Property rights are similar to intellectual rights: both kinds of rights are absolute and exclusive. Besides, legal provisions concerning property rights are numerous and much better elaborated than those of intellectual rights. Therefore the new provision included into art.1227, seems to me, contradicts with one general principle of the civil law: application of the norm to similar relation (analogous use of a norm - art. 6 of the CC).

Article 1229 para.3, deals with the cases when the exclusive right belongs to several persons jointly. The previous norms, ordering, that disposition of the exclusive right (i.e. - concluding an alienation of rights' or license contract) belonging to several persons shall be made by right holders jointly unless otherwise provided by the present Code, were supplemented by adding the words: «and unless otherwise is provided by the agreements among them».

Consequently the norm became a dispositive one, rights of the rightholders are became much broader. One may suppose that such a conventional agreement between (or among) rightowners will be an agreement that any rightowner has the right to give non-exclusive license or has the right to alienate his (or her) share of the exclusive right.

Another novel - addition to para.3, art.1229 a new subparagraph: «Every rightowner has the right to defend his (or her) right independently from the other rightholders».

Strictly speaking this provision should be included into General Provisions of the CC. Nevertheless its appearance in this place of the CC should be welcomed. But on the other side as far as practical application of this provision is concerned some difficulties may arise. For instance, it is not clear how is amount of the so called «alternative compensation» (art. 1301, 1311, 1406-1, 1515, 1537 of

the CC) to be determined by the court when the exclusive right is infringed, but payment of the compensation demanded not by all rightholders but by some of them only.

Art 1232 of the CC orders state registration for exclusive rights relating to some protected objects (indicated in the CC - inventions, industrial designs, trademarks etc.) as well as state registration for transactions relating to these objects. Details of the state registration were readdressed to normative acts of a lower level.

Some Rules on this subject matter were adopted by the Government, but they were unsatisfactory, they did not embrace all situations. The law №35-FZ adds some important details to the state registration of rights. In particular, the law included in the CC provision that the application to make the state registration of the contract may be filed by all parties of the contract or any party of the contract.

The application must be supplemented by, on applicant's choice, the text of the contract or notarized extract from the contract or by signed by contract's parties information concerning disposition about exclusive rights which took place. All new provisions included into the text of the CC are undoubtedly a good regulation of these complicated questions .

Art. 1233, para 5, provides now the possibility of owner of exclusive rights to partially disclaim from his/her rights.

In connection with these new provisions, a general question is arising: whether it is possible to any rightowner of any civil right (right to a thing, property right, exclusive right, obligatory right etc.) to disclaim (give up) his/her rights in whole or in part?

This general question in the present Russian legislation (and in the doctrine too) remains unanswered.

But let us reverse to our muttons: art.1233, para 5, of the CC now prescribes for the owner of exclusive rights for works of scholarship, literature and arts or the owner of rights for objects neighboring to copyright to partially disclaim their rights to use.

Such a disclaimer should be announced in a statement of the rightholder, which is advertised on Internet on an official site of a «Federal body of executive power».

Contents of the disclaimer are as follows: Any person has a right to, free of charge, use of the object during the period of time and on the condition mentioned in the disclaimer.

I suppose that the disclaimer may be a narrow one or a broad one, including right for reworking of the work and right of inviolability of the work.

A person who used the work or the object of neighboring rights within the limits prescribed by the disclaimer is not obliged to inform the rightholder about his/her actions. But if a dispute arises the person is obliged to prove that his/her actions were legitimate.

In connection with inclusion into para 5 of art.133 of the CC of a possibility to disclaim from a part of intellectual (exclusive) rights, some general questions relating to the sphere of the civil rights arise:

- why these provisions relate to some categories of such rights only?
- why in the civil law (in particular, in the CC) there are no provisions about the possibility to disclaim any intellectual (exclusive) right as a whole?
- Whether a rightowner of any civil right (that is - any private right) has the right to disclaim his/her right?

I suppose that such general provisions are permitted and must be included into part one of the CC.

License agreements (contracts) are the most widespread form of contracts relating to disposition of the exclusive rights. According to this type of contract the owner of an exclusive right (the licensor) grants to the other party (the licensee) the right to use (within the limits provided by the contract) of a result of intellectual property (or a means of individualization). Until recently the legislation in force did not contain any provisions concerning the question whether the licensor himself/herself reserve the right to use contract's object within the limits provided by the contract. It was obvious that the parties of a contract had the right to answer this question in the contract. But if so was not done, the answer to this question remained unclear. In practice such a situation were occurred frequently. In connection with it some court's' orders were adopted which were equal to legislative norms. But adoption of such legislative norms is beyond the competence of the courts.

Therefore adoption of the following addition to the art.123 of the CC should be greeted (welcomed). The new addition reads:

«Licensor himself has no right to use the result of intellectual activity or the mean of individualization in the limits granted to the licensee as provided by exclusive license, unless otherwise provided by the contract».

The above cited provision relates to the exclusive license only. As far as the simple (non-exclusive) license is concerned, it is supposed that the licensor retains (reserves) the right to use the license's object himself/herself.

Art. 1246 of the CC contains general provisions concerning amounts and rules about payment of compensation for some objects of exclusive rights. Most of them are introduced by the Federal law №35-FZ, which entered into force from October 1, 2014.

At the same date art.12 of the law on putting the fourth part of the CC into effect was repealed. This article provided rules concerning payments of remuneration for employment invention and employment industrial design.

New provisions included in art. 1246 are not the provisions which may be applied as such (directly). They give to the Russian Government the right to pass the following normative acts:

1) on rates, rules and terms of payment of compensation for employment inventions (utility models, industrial designs);

2) on minimal rates, rules of collections, distribution and payment of compensation for some kinds of use of the works, performances and phonograms in the cases when they are used with the consent of rightowners;

3) on rates, rules concerning collection, distribution and payment of compensation for the use of works, performances and phonograms in cases when the use of the objects is carried out without the consent of the rightholders but under the condition of payment of compensation.

On compensation for employment objects of patent law

When an employee creates the so called employment invention (utility model, industrial design) then the exclusive right to such an object shall belong to the employer, if he so desires.

In these cases the author (employee) has no more exclusive right for the employment object created by him; he retains the right to compensation only. The compensation must be paid independently from payment of a salary; it cannot be included into salary. Taking into account that the employer and the employee are not of equal standing, one may assume that any free contract between them will be harmful for the employee, that the state must somehow defend the weakest party, e.g. by establishing minimal rates of the compensation. Alas, from the October 1, 2014, any rules concerning such a compensation were abolished:

If and when any contract concerning rates and other conditions relating to the payment of compensation for employment invention (etc) is concluded, it is considered to be valid and effective, irrespective of the rates for compensation and other rules containing in it.

And only in cases when no contract between employer and employee is concluded, Government's approved rates and rules must be applied. But absence of such a contract presumes that a dispute between employer and employee has arisen. In such a case one usually recommends to the employee to begin search another job.

On compensation for authors whose works are performed publicly

In the field of copyright legislation (as well as in the field of neighboring rights), when a copyright protected work (object) is publicly performed, a special system is in use. The name of the system: Collective administration of Copyright rights and Neighboring rights (art.1242 - 1244 of the CC). The system based on a fundamental and irrefutable fact that the rightholders in this sphere (public performance) cannot exercise their exclusive rights individually.

Therefore exclusive rights practically in this sphere can be exercised by Organizations for the administration of rights on collective basis, especially by such state accredited organizations. The C.C. provides that the Russian government has the right to establish minimal rates of compensation to be paid to authors and other rightowners in cases of public performance, as well as rules concerning collection and distribution of the compensation so collected (para.6 of art. 1246 CC).

If in this field of public performance the exclusive rights for the object which is used are ceased to exist, then this new legislative provision is good and suitable to the occasion. But if (as follows from the now existing legislation) authors and other rightowners retain their exclusive rights (in the system of collective administration of rights) then this new legislative norms are not suitable, because rates and rules concerning compensation may well be fixed in the agreement. And no minimal rates and other rules ordered by the Government are needed.

The «Fault» principle and the protection of intellectual rights

Para. 3 of art. 1250 of the CC until recently read, inter alia:

«The absence of fault of an infringer shall not free him from the obligation to stop infringement of intellectual rights and also shall not exclude the application to the infringer of measures directed to the protection of such rights».

This provision born many critical remarks, because principle of «fault» is the generally applicable principle of the liability in the civil law: «no fault - no liability». New provisions included into this article of the CC (they entered into force on October 1, 2014) are aiming at amending the previous ill-worded norm. They worded as follows:

«Provided by the present Code measures of liability for infringement of intellectual rights shall be applied if there is a fault of the infringer, unless otherwise is provided by the present Code. The absence of fault shall be proved by the infringer».

Inclusion of these provisions into the text of the Code is a very great victory of logic. Strictly speaking it is a repetition of the general principles of the civil law as a whole, they ought be included into part one of the Civil Code «General Provisions».

The new provision introduced into art.1250 of the CC, however, accompanied by exceptions which, seems to me, are wrong:

The next sentence of para.3, art. 1250, provided that when infringement takes place in the course of realization of business activity then compensation for damages and alternative compensation (para.3, art.1252) may be applied regardless of the fault of the infringer.

This provision is absolutely new for the field of intellectual property (and for the field of civil law as a whole).

I personally believe that the new provision (concerning liability irrespective from the fault) is applicable to non-contractual relation only; it cannot be applied to violation of a contract, because these relations belong to the field of obligations, and in this field there is no notion of intellectual (exclusive) rights.

Question relating to the so called «alternative compensation»

As is known the Russian legislation provides (para. 3, art. 1252 of the CC):

«In cases provided by the present Code for individual types of results of intellectual activity or means of individualization, in case of infringement of the exclusive right the rightholder shall have the right, instead of compensation for damages, to demand from the infringer payment of [alternative] compensation... In

such case the rightholder applying for the protection of a right, shall be freed from proof of the amount of damages caused by him».

The main merit of such alternative compensation (it is very similar to statutory damages which is well known in many foreign countries) is no need to prove the existence and the amount of damages caused by the infringement. Therefore the alternative compensation can be collected much easier and quicker than the compensation for damages.

This kind of compensation was provided for infringement of copyrights and neighboring rights (from 1993), and for infringement of trade marks and names of places of origin of goods (from 2002).

From January 1, 2008, when the fourth part of the CC was put into effect, sphere of application of the alternative compensation was enlarged. At last, on October 1, 2014 this sphere was again enlarged, and now it includes exclusive rights on inventions, utility models and industrial designs.

The alternative compensation in practice is applying very often, especially as far as exclusive rights for works of copyright and for trademarks are concerned. In fact these are three types of such compensation (available to the plaintiff at his option):

- 1) in the amount from ten thousand rubles to five million rubles determined at the discretion of the court;
- 2) in double the amount of the values of copies of the material carrier, in which the respective object of intellectual property is expressed (the reference is to copies which were fabricated/used by the infringer);
- 3) in double the amount of the value of the right to use of the protected object, should the infringer apply for such a right.

Patent law

Patent law is regulated by provisions formulated in chapter 72 of the Russian Civil Code. The federal law №35-FZ (2014) amended 48 articles, contained in chapter 72 (it included in total 63 articles) and added to this chapter two new articles.

Main amendments are:

1. Inventions relating to «new use». Until recently the first sentence of article 1350 of the CC was formulated:

«A technical solution in any area related to a product (including a structure, substance...) or a means a process of conducting actions on a material object... shall be protected as an invention».

Now this provision is supplemented by words: related to a product of a means, «including the use of a product or a means for appointed purpose».

This addition restores the so called inventions «for use», which were known in the previous Soviet legislation and are known in patent legislation of various foreign countries.

Introduction of the category of «inventions for use» - is a positive step. Nevertheless this introduction gives ground for renewal of an old dispute: whether destination of an invention is one of its legal characteristic or not.

2. Industrial design: how to determine scope of the exclusive right.

From the beginning of 90-th, last century, the scope of exclusive right of patents for industrial designs was determined by: 1) essential characteristics of the industrial design that found expression in the illustration of the manufacture, and 2) in literal list of essential characteristics of the industrial design.

Nowadays the list of essential characteristics of industrial design is excluded from the application for an industrial design and also lost its significance.

The scope of exclusive right of a patented industrial design is determined now by external appearance of the industrial design only, as it is done in Europe and many other foreign countries.

3. Utility models: term of protection shorter, substantive examination of application introduced.

Both novels, seems to me, are very negative.

The general term of protection for patents for utility models became shorter: now it ends after ten years (from the date of filling of the application). Previously the term was 13 years. Besides, substantive examination of application concerning utility model patents was enacted.

In connection with these two novels, patents for utility models will be issued two or three years after the date of filing of the applications and for the remaining shorter term. Therefore patents for utility models in many cases will be meaningless.

4. Depended objects of patent law (art. 1358-1 of the CC)

Cases of overlapping of various patents are described in the patent legislation: para 2, art 1362, para 4, art 1358 of the CC.

But, regretfully, the general rule concerning such situation in the present CC is absent: it remains unclear whether patentowner has the right to use the patented object as prescribed by the law, when simultaneously this act to use in is in fact act of use of another patent belonging to another person (That is the notion of «patent overlapping»).

Whether the procedure of invalidity of any patent in such a situation of «double patenting» can be initiated, is another question.

The modern Russian patent legislation gives the following answer to the question:

«Patent owner [of the dependent patent] has no right to use his patented invention (utility model, industrial design) without concert of another patent owner, who has another patent with earlier priority date». – art. 1358-1 of the CC.

5. Abolishment of obligatory minimal rates of compensation to be paid by the employer to the employee for employment inventions, employment utility models, employment industrial designs (art. 1246).

6. Introduction of alternative compensation for infringement of exclusive patent rights (art. 1406-1 of the CC).

There are two kinds of the compensation:

1) in the amount from 10 000 rubles to 5 000 000 rubles determined at the discretion of the court.

2) in double the amount of the value of the right to use of the patented object, which, in comparable circumstances, is usually paid for the lawful use of the patented object.

Right to a secret of production (know-how)

Protection of trade secrets (know-how) is provided in Chapter 75 of the Civil Code, as well as in the Federal law 2004 № 98-FZ «On commercial security».

The protection of trade secrets (know-how) lies somewhere between civil law and labor law. Besides it is regulated by unfair competition law. In a word-legal regulation of this object is really a hard-nut. But the Russian existing

legislation lays down the existence of the exclusive right for this object, which obviously is a mistake.

Taking into account that trade secrets play a rather important role in practice, one must mention a big improvement introduced by the federal law № 35-FZ.

This improvement is:

As from October 1, 2014 trade secrets receive civil law protection irrespective of any formalities concerning documents (material objects), containing trade secrets.

The formalities were established in art. 10 of the federal law «On commercial security». The notion of secret of production (know-how), contained in art. 1465 of the CC, until recently, prescribed, that the holder of know-how must introduce in respect of such information «the regime of commercial security».

It means that every document (physical carrier) must have clear indication «Commercial secret of [name of owner]», etc.

Nowadays the notion of commercial secret is changed: the holder of such information must take reasonable measures concerning preservation of confidentiality of the information. This excludes necessity to comply with the formalities prescribed by art. 10 of the abovementioned law.

Notes

The Civil Code of Russian Federation consists of four separate Federal Laws. They are entitled: The Civil Law of the Russian Federation, part one (1994), part two (1996), part three (2001) and part four (2006).

English translation of the Civil Code of the RF, part four see: Civil Code of the Russian Federation. Fourth Part. Parallel Russian and English Text. Edited and translated by Peter B. Maggs and Alexei N. Zhiltsov, Moscow, Wolters Kluwer, 2008. The Fourth Part of the Civil Code was signed into law by the President of the Russian Federation on December 2006 (Federal law №230-FZ). Собрание законодательства Российской Федерации, 2006, №52 (ч.1), ст.5496 – Sbornik

zakonodatel'stva Rossiiskoi Federatsii [Collection of Legislation of the Russian Federation], 2006, №52 (part 1), item 5496.

The Part Fourth of the CC was put into effect from January 1, 2008.

The Federal Statute of March 12, 2014, №35-FZ “О внесении изменений в части первую, вторую и четвертую Гражданского кодекса Российской Федерации и в отдельные законодательные акты Российской Федерации” (O vnesenii izmenenii v chasti pervuyu, vtoruyu i chetveruyu Gragdanskogo kodeksa Rossiiskoi Federatsii i v otdel'nie akty Rossiiskoi Federatsii – On introduction of amendments into parts first, second and fourth of the Civil Code of the Russian Federation and into separate legislative acts of the Russian Federation – Собрание законодательства Российской Федерации, 2014, №11, ст.1100 – Sobranie zakonodatel'stva Rossiiskoi Federatsii [Collection of Legislation of the Russian Federation], 2014, №11, item 1100) amended the Fourth Part of the Civil Code substantially. It entered into force from October, 1, 2014.

My short English material presented here is based on voluminous publications (alas, in Russian).

They appeared: 1) in a well known Russian scientific journal “Хозяйство и право” (Chozjaistvo i pravo – Business and law), 2014, №3 (on trade marks), №7 (on trade secrets), №8 (on general provision concerning intellectual property law), №9 (on copyright law), №10 (on patent law), №11 (on consequences of non use of trade mark); 2015, №2 (on selection achievements, in co-authorship with professor V.Sinelnikova);

2) in a scientific journal “Патенты и Лицензии. Интеллектуальные права” (Patenty i lizenzii. Intellectual'nie prava. – The patents and licenses. Intellectual rights), 2014, №4 (on designation of origins of goods, in co-authorship with K.Gavrilov), №5 (on industrial designs), №7 (on rights to thing in the thing in the part fourth of the CC), №10 (on employment inventions).

Eduard P.Gavrilov

National Research University Higher School of Economics (Moscow, Russia), Law Faculty, civil and business law division, Professor.

E-mail: sirill@mail.ru

Tel.: +7 (495) 605-18-72 (Russian, English, German).

Any opinions or claims contained in this Working Paper do not necessarily reflect the views of HSE

© Gavrilov, 2015