

# Russia-based IP for business in the EU

Risk management



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# A typical IP transfer dilemma



- There is a brilliant idea but nothing that can be formally licensed:
  - Russian inventions etc. are typically not patented in the EU;
  - Trademarks either have not been filed or are not suitable for filing in the EU;
  - Know-how is poorly documented;
  - Copyright is not duly cleared, some employees have quit, it is not clear who created what, when exactly etc.
- **As a result:**
  - Something is wrapped up like a lollipop to sell for money;
  - The parties sign an agreement on what to do in case of a divorce;
  - The brilliant idea is just disclosed.

# Protection of commercial secret in Russia: basics

- Compliance with formal requirements of the Federal Act “On commercial secret”

## Commercial secret

(коммерческая тайна)

## Company name

(наименование компании)

## Address of registration

(адрес регистрации)

- Very limited court practice!
- Protect information by technical means, sign NDAs with the following mandatory conditions – foreign law, agreed arbitration tribunal, fines.

# What do we see when we open an IP closet



- Check how IP is managed by a Russian company and improve:
  - CEOs have a bad habit of naming themselves authors of all inventions. We check this;
  - Non-patented know how is usually poorly documented. First thing, document it. Start with a series of interviews;
  - Employees may quit, and there are no non-compete obligations in employment agreements. Every significant author must be treated with due attention;
  - Companies normally have no IP handling strategy and no relevant regulations. Study the workflow and draft regulations that may be necessary.

# What has to be done to protect IP of a Russian company

- It is advisable to obligate employees keep their works secret. Just in case;
- Relations with employees who create copyrightable or patentable works must be formal:
  - local regulations on commercial secret;
  - an employment agreement;
  - a thorough description of job responsibilities;
  - keep track of all significant works, have them transferred and accepted under a written act or in a similar way;
- In addition to a salary, another remuneration must be paid for creation of a copyrightable work or for a patented work (*e.g.* a Norilsk Nickel case);

If this has not been done, the rightholder may already be a different person.

# Transactions involving intellectual property rights

- In our practice, protection of IP is to a large extent about structuring of transactions with IP and setting up proper joint ventures (if any):
  - it is not advisable to set up 50%-50% JVs;
  - it is not advisable to provide exclusive licenses without an opt-out clause;
  - it is not advisable to let IP stay registered in the names of private persons;
  - sometimes it is better to buy IP than to have it registered in the name of a JV;
- All disputes on registration or validity of IP rights which are subject to state registration in Russia (i.e. patents and trademarks) will be heard in Russia (Art 16(4) of the Brussels Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters 1968)

# Typical risks related to NON-USE

- Mandatory patent licenses
  - Non-use or “insufficient” use of a patent to an invention or an industrial design may entail a mandatory license in favor of a competitor;  
(in 4 years after the patent issue date for an invention or an industrial design, in 3 years for a utility model or a breeder’s right – Arts. 1362, 1424)
- Termination of trademark protection:
  - Non-use of a trademark during any 3 consequent years for a particular product or service may entitle an interested party to challenge its protection in part (Art. 1486);

This is not only about the use, it is about documenting the use.

## Typical risks related to KNOW-HOW

- Know-how = commercial secret. As soon as the secret is disclosed, the know-how is not protected any more (Art. 1466):
  - Do not inject know-how into a charter capital of a Russian company;
  - Since it is difficult to protect legally, know-how must be protected technically and economically;
  - Transfer know-how only to deep-pocket companies and provide for FINES.
- Very formal rules for protection of commercial secret:
  - Check whether a Russian company follows at least a reasonable part of the requirements. If it does not, help it follow.



# Typical risks related to works of employees

- Copyright:
  - Copyright to works “automatically” returns to their authors after 3 years if not used, transferred or made secret (Art. 1295 of the Civil Code of Russia);
- Invention, utility model, industrial design:
  - A right to patent an invention “automatically” returns to the inventor after 4 months if the employer files no application, does not transfer or make the invention secret. The employer gets only a non-exclusive license (Art. 1370);

**There is always the risk of finding valid third-party patents like these:**



## A mock task

- An experimental factory in St. Petersburg has launched a production line of new pancake frying pans with a nano-enamel which cuts the pancakes in four pieces, fries without burning and even turns them over.
  - What must be taken care of before acquiring this technology?

# Thank you! Any questions?



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