

GORODISSKY WEBINAR

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SOFTWARE PROTECTION IN RUSSIA: THE IT LIFE AFTER CIVIL-LAW REFORM

Sergey Medvedev, LLM, PhD
Software Attorney | Senior Lawyer
Gorodissky & Partners
www.gorodissky.com

GORODISSKY

GLOSSARY

CP means computer program

DB means database

IP means intellectual property

IT means information technology

RCC means Russian Civil Code

AGENDA

Part 1. Legislative Framework and IT Climate

Part 2. Computer Programs and Databases as Valuable IP Assets

Part 3. Software Development and Ownership Issues

Part 4. Software Distribution and Licensing Models

Part 5. Software in Clouds and Outsourcing

Part 6. Software Protection and Enforcement Mechanisms

Part 7. Questions and Answers

part1

Legislative Framework | IT Climate

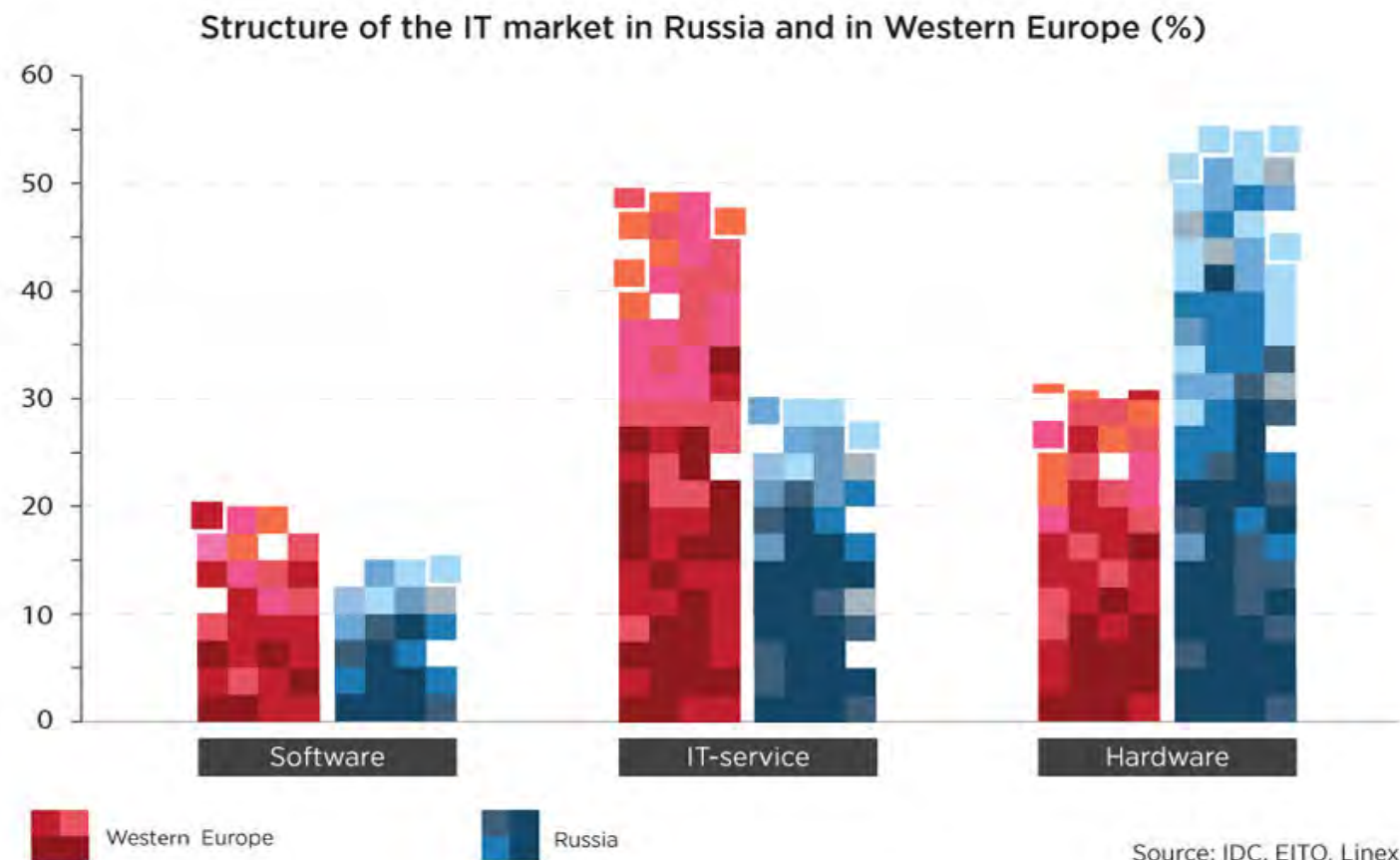
LAWS AND REGULATIONS

- Russian Civil Code (RCC)
- Law on Information, Information Technologies and Protection of Information (IT Law)
- Law on Personal Data (Data Protection Law)
- Administrative Regulations on Software and Database Prosecution (ARSDP)
- Administrative Regulations on Registration of IP Agreements (ARRIPA)
- Tax Code (TC)
- Code on Administrative Offenses (CAO)
- Criminal Code (CC)
- Other

IT DEVELOPMENT STRATEGIES AND PLANS

- **Russian IT Industry Development Strategy (until 2025)** – approved by Resolution of Government No. 2036-p (2013)
- **Action Plan for Development of IT Industry (in 2014-2018)** – approved by Resolution of Government No 2602-p (2013)
 - development of research and development in IT
 - IT infrastructure development
 - training and professional development of IT professionals
 - improving the institutional conditions of doing business in IT
 - creation of information and analytical base for the development of the IT industry
 - measures related to general nature of IT

IT MARKETS COMPARISON



Source: IDC, EITO, Linex

LEADING RUSSIAN IT COMPANIES

- Kaspersky Lab
- Yandex
- Groub-IB
- V Kontakte
- Yota
- Luxoft
- Mail.ru
- Parallels
- Skolkovo

FOREIGN COMPANIES WITH RUSSIAN R&D CENTERS

- Cisco Systems
- Google
- Hewlett-Packard
- IBM
- Intel
- Microsoft
- Samsung
- Oracle
- Other

STRUCTURE OF RUSSIAN IT MARKET

- IT services
- **Software**
- PCs
- Mobile phones
- Telecommunication and network equipment
- Other equipment

SOFTWARE EXPORT VOLUME

Software export volume in 2002–2015, \$ billion



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Computer Programs | Databases

PRINCIPAL CHARACTERISTICS

CPs and DBs:

- are individual and independent types of IP that are used in the IT area
- are complementary (cooperating) IP subject matters
- have electronic nature and may not function without computers
- must be created as a result of creative or investment input to be protected
- may have various forms of IP protection and may be enforced in different ways

REGIMES OF IP PROTECTION

Copyright:

- CPs as literary works (notwithstanding their value, purposes and methods of expression)
- DBs as compilations (principles of selection and arrangement of data content)

Related right ('right of database maker'):

- content of DBs (principles of processing and presentation of data content)

Patent right:

- CPs (e.g. interfaces, algorithms)

WHAT IS A COMPUTER PROGRAM?

CP is a set of data and commands intended for functioning of computers and other computer devices for the purposes of achievement of certain result, including preparatory materials obtained in the course of development of computer program, and audio-visual depictions generated by the computer program (*Article 1261 of RCC*)

KEY ELEMENTS OF COMPUTER PROGRAMS

**source
code**

**object
code**

**preparatory
materials**

**audio-visual
depictions**

updates

EXAMPLES OF COMPUTER PROGRAMS

- operating systems
- database management systems (DBMS)
- web-browsers
- utilities
- drivers
- mobile applications
- video games
- other

COMMONLY USED OPERATING SYSTEMS

- MS Windows
- GNU Linux
- Android
- Mac OS
- iOS
- MS Windows Mobile
- MS Windows Phone
- Sun Solaris
- RIM Blackberry
- Symbian OS

COMMONLY USED DBMSs

- MS SQL
- MySQL
- Oracle
- PostgreSQL
- SQLite
- MS Access
- Firebird
- IBM DB2
- Sybase ASE
- InterBase

IP RIGHTS VESTED IN COMPUTER PROGRAMS

Moral rights:

- right of attribution
- right of integrity
- right of publication

Exclusive rights:

- right of reproduction (production, downloading)
- right of distribution (by way of sale or other assignment)
- right of import (for the purposes of distribution)
- right of rental (if CP is the main object of rental)
- right of modification (including translation of CP into another language)
- right of making public (e.g. on the Internet)

LEGITIMATE RIGHTS OF OWNERS AND USERS

- right of downloading and computer storage (in accordance with the purposes of CPs)
- right of adaptation (i.e. entering necessary changes solely for the purposes of functioning of CPs)
- right of correction of errors (e.g. visible bugs, defects, malfunctions)
- right of creation of an archive copy (provided it is destroyed when software possession becomes unlawful)
- right of studying, researching and testing (for the purposes of identification of software principles)
- right of de-compilation (i.e. convert the object code into the source code)

WHAT IS A DATABASE?

DB is a set of independent materials presented in the objective form which are systematized in such a way that these materials could be found and processed on the computer (*Article 1260 (2) of RCC*)

EXAMPLES OF DATABASES

- articles
- calculations
- statutory acts
- court decisions
- web-sites
- other

types of databases

creative

non-creative

CREATIVE VS. NON-CREATIVE DATABASES

Creative database:

- database will be protected by copyright if it is creative (original) by its nature, notwithstanding its real purpose, value and manner of expression
- copyright subsists in the manner of selection and arrangement of materials included into database
- database content will not be protected by copyright as the latter does not extend to protection of information

Non-creative database:

- database will be protected by related right if it is non-creative by its nature, but it has required substantial amount of 'investment' to be created
- related right subsists in the database content and protects the extraction and usage of materials included into database
- manner of selection and arrangement of materials included into database will not be protected by related right

THRESHOLDS FOR COPYRIGHT PROTECTION OF DBs

- databases which have been made publicly available in the territory of Russia, or which have not been made publicly available in Russia, but are fixed in some tangible medium in the territory of Russia (regardless of authors' citizenship)
- databases which have been made publicly available outside of the territory of Russia, or which have not been made publicly available, but are fixed in some tangible medium outside the territory of Russia, if their authors (or their successors) are citizens of Russia
- **databases which have been made publicly available outside of the territory of Russia, or which have not been made publicly available, but are fixed in some tangible medium outside the territory of Russia and are recognized in accordance with international treaties of Russia in the territory of Russia for authors who are citizens (or their successors) of other jurisdictions or persons without citizenship**

THRESHOLDS FOR PROTECTION OF DB MAKER'S RIGHT

- database maker is a citizen of the Russian Federation, or the Russian business entity
- **database maker is a foreign citizen or foreign entity, provided that the laws of the relevant foreign jurisdiction grant protection on the territory of that jurisdiction to the exclusive rights of the database maker who is the Russian citizen or Russian business entity**
- in other cases set forth by the international treaties of the Russian Federation

PRINCIPAL DIFFERENCES

Creative databases:

- **criteria of creation:** creative input of the author
- **content:** quantity of data elements is irrelevant
- **term of protection:** life of the author plus 70 years (non-extendable)
- **rights:** (i) moral rights; (ii) exclusive rights
- **registration:** available

Non-creative databases:

- **criteria of creation:** considerable financial, material, organizational or other investments of the person
- **content:** 10.000 independent data elements
- **term of protection:** 15 years of protection (extendable in the event of database update)
- **rights:** (i) exclusive rights; (ii) right of indication of the owner's name on DB copies and packaging; (iii) right of publication
- **registration:** available

EXCLUSIVE RIGHTS OF DATABASE MAKER

Article 1334 (1) of RCC:

- database maker shall have the exclusive right to extract materials from database and make further use of the same in any form or by any means
- nobody can extract materials from database and make further use of the same without authorization of the rights holder
- extraction of materials shall mean the transfer of all database content, or substantial part of the same, into another information device by using any technical means or in any form

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Development | Ownership

SOFTWARE DEVELOPMENT

In the course of:

- civil-law (business) relations
- employment (labor) relations

BUSINESS RELATIONS

Contract of commission:

- software will be owned by the customer, unless there is an agreement to the contrary
- developer will have the free right to use the created software for its own needs on the basis of non-exclusive license

Service agreement/Contract for works/R&D agreement:

- software will be owned by the developer, unless there is an agreement to the contrary
- customer will have the free right to use the created software for the purposes of the contract on the basis of non-exclusive license

LABOR RELATIONS

By default:

- software will be owned by the employer
- moral rights vested in the software will be owned by the employee

NB: employer has **3 years** to do one of the following:

- commence the use of the software
- assign the software to a third party
- keep the software confidential

In the negative – software will be owned by the employee!

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Distribution | Licensing

BUSINESS MODELS OF SOFTWARE DISTRIBUTION

**Direct
Distribution**

**InDirect
Distribution**

**Software-as-a-Service
(SAAS)**

**Open
Source**

LEGAL MODELS OF SOFTWARE DISTRIBUTION

**License/Sublicense
Agreement**

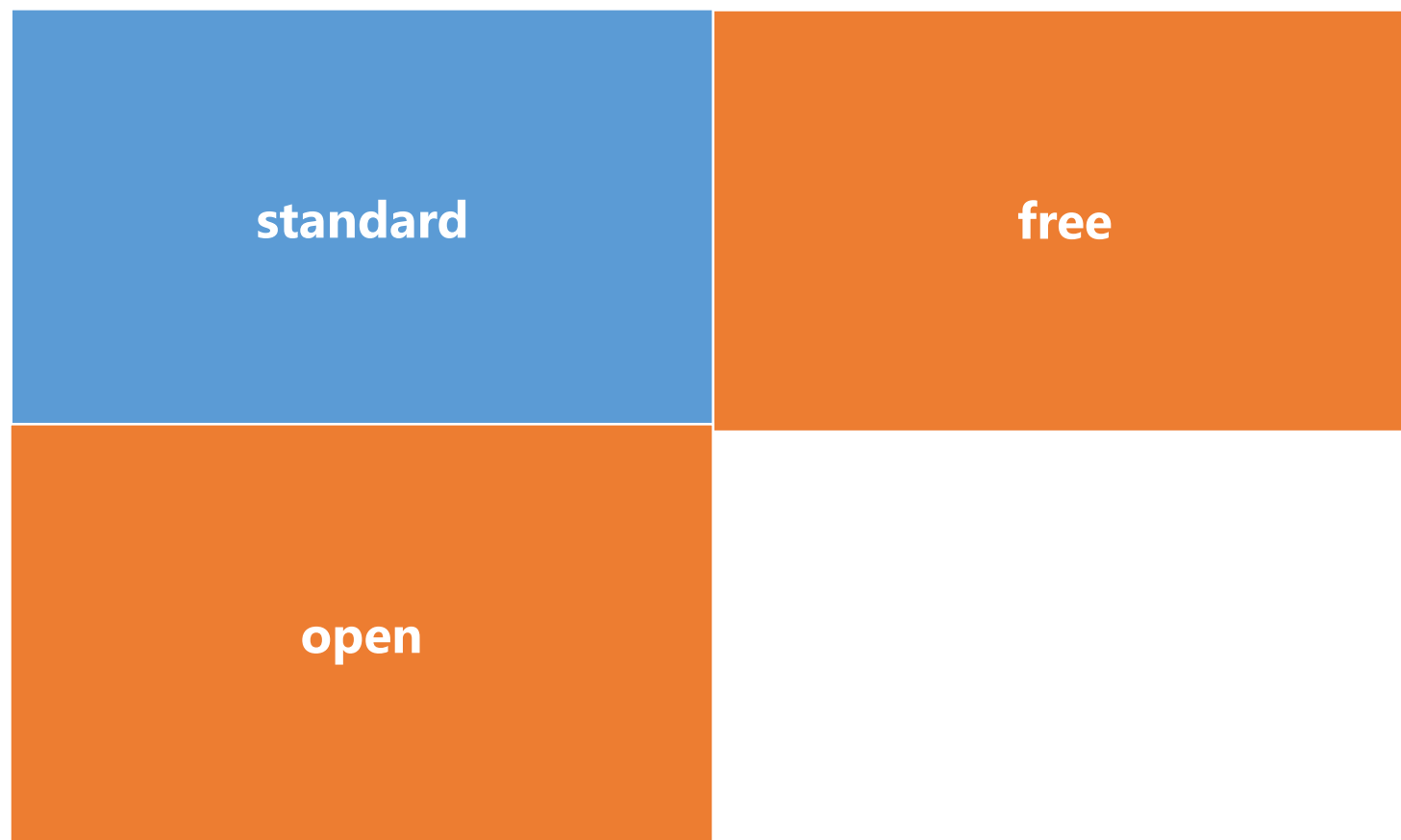
**Supply Contract
(+ EULA)**

**Service
Agreement**

CONCEPT OF LICENSE

- a license is a permission to use an intellectual property subject matter (e.g. software)
- under a license agreement one party – the rights holder (licensor) – is granting or is obliged to grant the other party (licensee) the right to use an intellectual property subject matter (e.g. software) within the scope defined by the agreement
- the licensee may use the intellectual property subject matter (e.g. software) only within those rights and limits as set out in the license agreement
- the rights of usage not specified in the license agreement shall not be regarded as granted to the licensee
- a license agreement may be made in writing (i.e. written form of contract) or online (i.e. electronic form of contract)

GENERAL TYPES OF SOFTWARE LICENSES



STANDARD (WRITTEN) SOFTWARE LICENSE

Key Elements:

- identification of software
- exclusive/non-exclusive
- scope of rights
- consideration
- term
- territory
- sublicensing
- updates/modifications
- computers/copies
- installation/maintenance
- exclusion of liability (software licensed “as is”)

FREE LICENSE

Characteristics:

- Public announcement (information on the rights holder, software and terms of use must be placed on the website of the special state agency)
- Free-of-charge (always)
- Will be effective for 5 years (by default)
- Will be effective for the territory of Russia (by default)
- Irrevocable and cannot be limited in terms (during the period of license validity)
- Cannot be granted in the event of subsistence (validity) of other licenses granting the same rights to other licensees

OPEN LICENSE

- Terms of use must be open to public
- Description of actions to be accepted by prospective licensee for the conclusion of contract
- Simplified manner of conclusion (contract of adhesion)
- Non-exclusive license
- Free-of-charge (by default)
- Will be effective within the term of software protection (by default)
- Will be effective all around the world (by default)
- Licensor may grant the right to create a new software
- Licensor may terminate the contract (in case licensee is breaching the terms of license)

ONLINE (ELECTRONIC) SOFTWARE LICENSE

Principal Characteristics:

- it is *per se* a contract of adhesion
- terms of electronic software license may be provided: (i) on the software copy (e.g. disk), (ii) software packaging (i.e. 'shrink-wrap' license) or (iii) online (i.e. 'click-wrap' license)
- commencement of use of software, as it is defined by the terms of license, shall lead to consent of the user for the conclusion of contract
- electronic software license shall be free-of-charge, unless the contract provides otherwise

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Clouds | Outsourcing

WHAT IS A CLOUD COMPUTING?

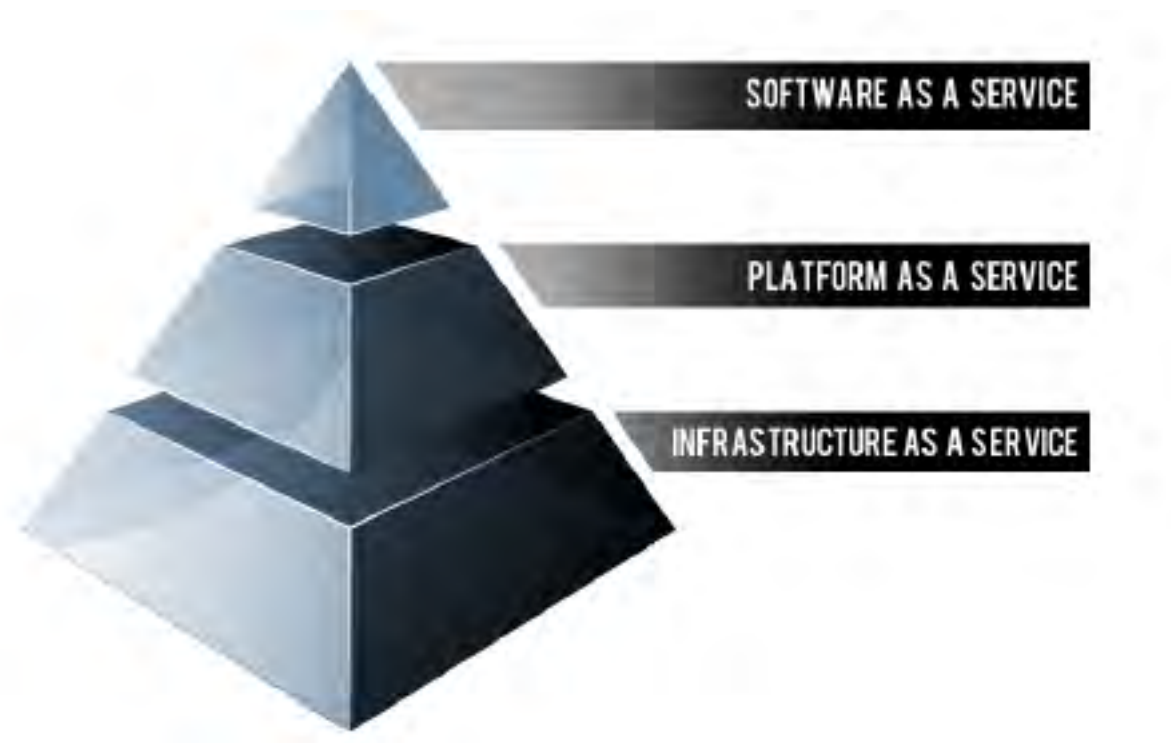
- a model under which a company or individual (user) uses the services of a third party to host data on either dedicated or shared servers and under which software applications are made available to users as a service over the Internet (sometimes over the intranet, or dedicated data connections), and may include parts of or the entire IT services of a customer
- this model involves the hosting of customer data on a server (or combination of servers) outside the customer's premises; data is usually stored in a location that is often determined by the availability of servers at the moment the data is transferred
- unlike traditional managed data center services, the customer no longer owns the servers or software licenses required to run the software systems and applications; the respective licenses are made available “as a service” by the provider

WHAT ARE THE BENEFITS OF CLOUD COMPUTING?

- significant reduction in capital expenditures and corporate expenses
- reduced costs of ownership
- enhanced control of costs
- improved scalability (i.e. advanced data-storage capacity)
- energy savings (through sharing and virtualization of servers)
- other

CATEGORIES OF CLOUD COMPUTING

- **SaaS** applications are designed for end-users, delivered over the web
- **PaaS** is the set of tools and services designed to make coding and deploying those applications quick and efficient
- **IaaS** is the hardware and software that powers it all – servers, storage, networks, operating systems



CONTRACTUAL ELEMENTS OF CLOUD COMPUTING

lease

IP/licensing

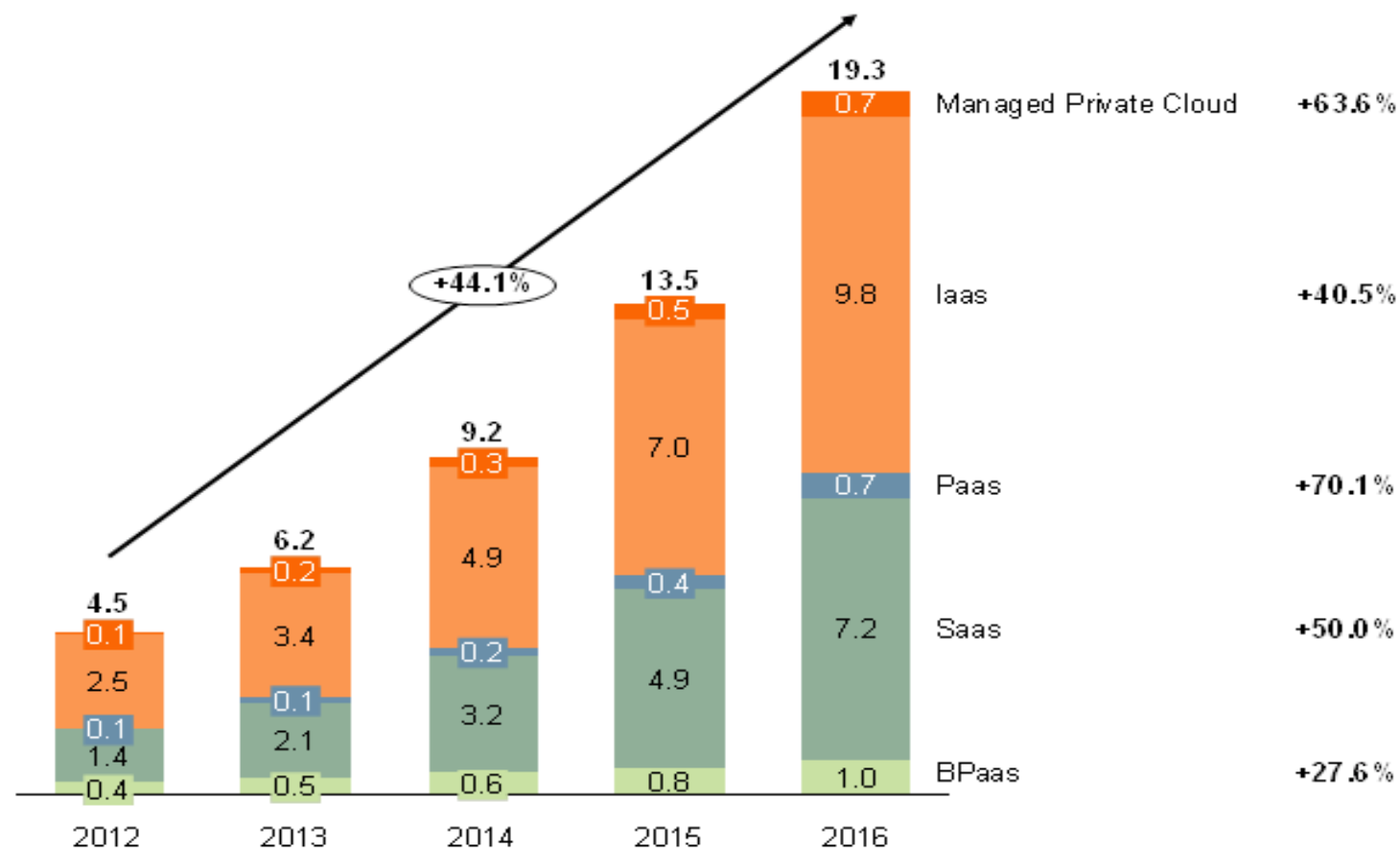
**service levels/
support**

**data
storage**

**data
transmission**

**data
protection**

TRENDS OF CLOUD MARKET



WHAT IS OUTSOURCING?

- a model that is distinguished from simple sub-contracting by the transfer to a third party of the operation of services or functions (often with staff) which would otherwise have been fulfilled in-house
- in broad terms, it is the purchase of goods or services that were previously provided internally
- It the strategic use of third parties to perform tasks previously handled internally
- once the task is outsourced to the service provider, it will take the responsibility of carrying out the tasks (and maintaining the company's assets as the case may be)

TYPES OF OUTSOURCING

- Financial services
- Business processes
- Recruitment
- IT/Software development
- Public sector
- Other

LEGAL STRUCTURES OF OUTSOURCING

- services or works contracts
- contracts of supply
- IP/licensing agreements
- staff leasing/temporary staffing/out-staffing
- trust management agreements
- other

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Protection | Enforcement

SOFTWARE REGISTRATION

Registrars:

- Federal Service for Intellectual Property (Rospatent)
- Gorodissky & Partners
- other state agencies and organizations

Documents:

- application for registration (according to the appropriate form)
- deposited materials (e.g. source code, audio-visual depictions)
- abstract (description of software and report on software functions)
- document evidencing payment of official fees (depending on the number of objects)
- power of attorney (no notarization/legalization is required)
- data subject consent (if necessary)

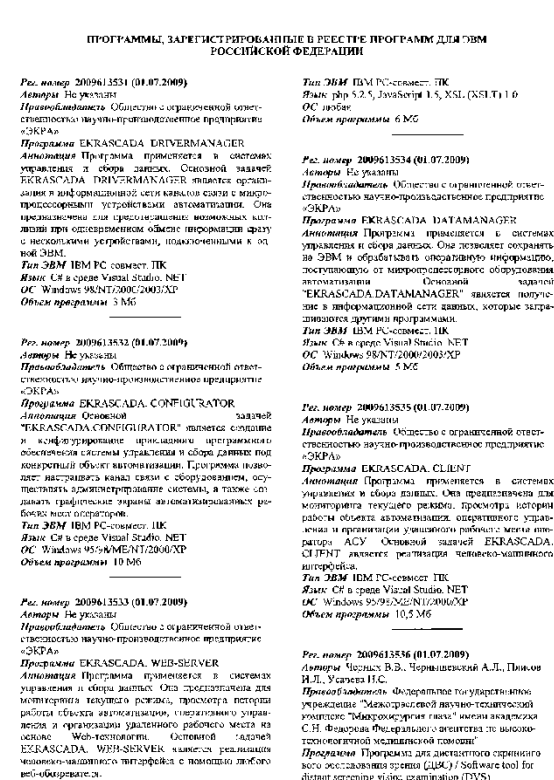
Term:

- two (2) months (starting from filing date)
- expedite registration procedure is not available

RESULT OF SOFTWARE REGISTRATION (IN ROSPATENT)



software certificate



software publication

OTHER METHODS OF SOFTWARE REGISTRATION

Examples:

- publication (e.g. on the Internet)
- notarization of software materials through the Notary Public (i.e. source code, audio-visual depictions)
- software registration in various jurisdictions (e.g. US Copyright Office)
- conclusion and storage of employment/civil-law contracts (evidencing software creation and ownership)
- execution and storage of statements of transfer/acceptance (evidencing software assignment)

SOFTWARE ENFORCEMENT

**administrative
prosecution**

**civil
prosecution**

**criminal
prosecution**

LAW ENFORCEMENT AGENCIES

- Courts
- Customs Authorities
- Police Departments
- Prosecutor's Offices
- other

NON-JUDICIAL ENFORCEMENT (CEASE&DESIST LETTER)

main benefits:

- good pre-judicial enforcement measure ('warning')
- solid evidence of infringer's illegal conduct and guilt/intent-to-infringe for further enforcement
- useful against ordinary market and e-commerce counterfeiting cases

general facts:

- not mandatory by law but recommendable by practice (especially in certain unusual or non-standard cases)
- cost- and time- effective enforcement measure to prosecute and stop software infringement

approximate timing:

- 1-2 months (depending on the case nature/specifics)

legal remedies:

- compliance with the raised claims and demands (e.g. voluntary cessation of illegal activities, destruction of fakes)
- declaration/undertaking on non-infringement in future (usually hard to obtain!)
- other (ex. location of the main source of counterfeiting)?

ADMINISTRATIVE PROSECUTION

main benefits:

- burden of collection of evidence lies on law enforcement agencies (Customs, Police, etc.)
- advantageous pre-judicial effect (evidence of software infringement) for further enforcement
- useful against imports/exports, production and ordinary market counterfeiting cases

general facts:

- handled and controlled by law enforcement agencies (Customs, Police, etc.)
- commenced under complaint supported by the required set of documents/information (ex. fake signals)
- include collection of evidence, independent examination, administrative investigation and court action

approximate timing:

- 4-6 months (depending on the case nature/specifics) – appeal is not included

legal remedies:

- administrative fine (depending on the infringer)
- seizure and confiscation of fakes (for the purposes of subsequent destruction)

CIVIL PROSECUTION

main benefits:

- wide range of legal remedies, including injunctive and monetary reliefs, are available
- useful against ordinary market, production and e-commerce counterfeiting cases

general facts:

- handled and controlled by the software owner
- commenced under statement of claims supported by the required set of documents/information (ex. fake signals)

approximate timing:

- 5-8 months (depending on the case nature/specifics) – appeal is not included

legal remedies:

- preliminary and permanent injunctions
- damages or monetary compensation (equivalent to the concept of 'statutory damages')
- seizure and destruction of fakes (and relevant equipment)
- publication of court order
- other

CRIMINAL PROSECUTION

main benefits:

- severe punishment sanctions and public attention
- useful against large-scale counterfeiting infringers, factories of production, online stores and group of persons

general facts:

- can be initiated in the event of substantial damages and/or repeated software infringement
- handled and controlled by law enforcement agencies (Police, Prosecutor's Office)
- commenced under complaint supported by the required set of documents/information (ex. fake signals)

approximate timing:

- 1-2 years (depending on the case nature/specificity) – appeal is not included

legal remedies:

- criminal fine
- seizure and destruction of fakes
- forced labor
- imprisonment (up to 6 years)

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$Q_s \mid A_s$

THE END...

THANK YOU!

Law Firm "Gorodissky & Partners", Ltd.

Russia, 129090, Moscow, B. Spasskaya, 25/3

Tel: +7 (495) 937-6116

Fax: +7 (495) 937-6104

Web: www.gorodissky.com

E-mail: medvedevs@gorodissky.ru

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