

# Intellectual property right licences Q&A: Russian Federation

by Sergey Medvedev, Gorodissky & Partners

Country Q&A | **Law stated as at 31-Oct-2018** | Russian Federation

This Q&A provides country-specific commentary on the following standard documents:

*Trade mark licence: Cross-border.*

*Copyright licence: Cross-border.*

*Patents and know-how licence: Cross-border.*

*Industrial design right licence (short form): Cross-border.*

and forms part of *Cross-border intellectual property*.

## Key aspects of intellectual property licensing

### Degree of exclusivity

1. Describe what is understood by each of the below terms in your jurisdiction.

#### **Exclusive licence**

This is the grant of an IP licence where the licensor does not reserve the right to use the IP rights itself within the same scope.

#### **Non-exclusive licence**

This is the grant of an IP licence where the licensor reserves the right to grant IP licences to other persons.

#### **Sole licence**

This is the grant of an IP licence where the licensor does not reserve the right to grant IP licences to other persons.

2. Are exclusive licensees entitled to greater rights than sole or non-exclusive licensees? If yes, describe what those greater rights are for each type of IP right, and comment on whether they can be expressly excluded from the terms of an IP licence.

### **Trade marks**

Exclusive licensees are entitled to greater rights than non-exclusive licensees. According to Article 1254 of the Russian Civil Code, they can enforce their licensed rights if they are infringed by third parties (see [Question 17](#)). It is not possible to exclude this right from the terms of the licence.

### **Copyright**

See above, [Trade marks](#).

### **Patents and know-how**

See above, [Trade marks](#).

### **Industrial design right**

See above, [Trade marks](#).

### **Most-favoured-nation clause**

3. Is it common for a non-exclusive licensee to seek to restrict the terms on which the licensor can grant licences to third parties to use the licensed IP right, either in or out of the licensed territory (in the UK this is referred to as a most-favoured-nation clause (see for example [Trade mark licence: Cross-border: clause 2.2](#) and [Patent and know-how licence: Cross-border: clause 2.3](#))?)

No, such a clause is against the law and, in particular, the provisions of Article 1236 (1) of the Russian Civil Code.

Non-exclusive licensees cannot dictate their terms and restrict the licensor from granting licences to third parties to use licensed IP rights.

4. Do any particular competition law implications arise in your jurisdiction from the inclusion of a most-favoured-nation clause in an IP licence? If yes, briefly explain these and comment on whether any amendments are required to either of the above clauses as a result.

A most-favoured-nation clause is against the law (see [Question 3](#)).

## Payment

5. How is payment for a licence of IP rights most commonly structured in your jurisdiction?

Payments for IP licences (royalties) are structured differently, depending on the transaction and the parties' negotiations. For example, the licence can provide for periodic royalty payments, fixed milestone payments and/or lump sums.

6. Briefly explain the tax implications for either party of payment being made as:

- periodic royalty payments;
- fixed milestone payments; and/or
- a lump sum.

In general, the taxation of licence royalties (see [Question 9](#)) does not vary due to the method of payment.

7. How is interest on overdue amounts usually calculated in your jurisdiction?

Normally, interest on overdue amounts is calculated in commercial contracts as a percentage of the unpaid amount, for each day of delay. The rate of interest ranges from 0.05% to 0.2%. If the interest appears excessive to a court, it can be reduced at the debtor's request.

If there is no agreed penalty amount in the licence, the creditor can charge late payment interest under Article 395 of the Russian Civil Code, at the key rate of the Russian Central Bank. This is currently 7.5% per year.

8. What index is used to measure inflation in your jurisdiction (see, for example, *Standard document, Patents and know-how licence: Cross-border: clause 1.1: Definition of Minimum Royalty*)?

Typically, the Consumer Price Index (CPI) is used to measure inflation in Russia, as published on the official website of the Russian Federal State Statistics Service ([www.gks.ru/wps/wcm/connect/rosstat\\_main/rosstat/ru/rates/79a3cc004a41fc37bdd8bf78e6889fb6](http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/rates/79a3cc004a41fc37bdd8bf78e6889fb6)).

This index is usually referred to in commercial contracts, including IP licences.

## Tax considerations

9. What tax charges and tax considerations typically arise on a licence of IP rights? Do these vary depending upon:

- the type of IP right being licensed; and/or
- whether the licensor or licensee is an individual or corporation; and/or
- whether the licensor or licensee is tax-resident?
- If yes, explain those variations.

## Corporate income tax and value added tax (VAT)

Generally, a licensor must pay corporate income tax at 20% on the licence royalties payable on the grant of an IP licence, and VAT at 18% on the licence royalties payable on licensing of trade marks and copyright. The

license of inventions, utility models, industrial designs, know-how, computer programs, databases and topologies of integrated circuits is exempt from VAT.

### Foreign licensor and local licensee tax liability

Royalties payable to a foreign licensor by a local licensee under an IP licence are subject to corporate income tax at 20%, unless there is a double tax treaty between Russia and the state where the licensor resides that provides tax relief.

If the foreign licensor does not have a permanent establishment or representative office in Russia, the local licensee must:

- Withhold corporate income tax from the royalty and send this to the state budget, unless there is a double tax treaty between Russia and the foreign state where the licensor resides.
- Withhold VAT from the royalties for a trade mark or copyright licence and send it to the state budget. Therefore, the foreign licensor should add VAT at 18% to the royalties payable by the local licensee under a licence of trade marks and copyright.

The local licensee can deduct the VAT amount, and the amount of the royalties, when paying its own corporate income tax to the state budget.

### Transfer pricing

Parties must also comply with local transfer pricing rules. The consideration for the licensed IP rights must not be nominal and must reflect the market price to avoid additional charges and penalties.

10. Set out below any amendments necessary to the following standard documents to reflect tax charges and considerations arising in your jurisdiction:

- *Standard document, Trade mark licence: Cross-border.*

It is advisable to insert the following (universal) clause into the trade mark licence:

"The amounts payable to the Licensor will not be reduced by any deduction or withholding for any present or future taxes, levies, imposts, duties, fees, charges or liabilities imposed by any governmental tax authority in Russia, including any interest, additions to tax or penalties applicable to any of the foregoing (collectively, "Taxes"). If Legal Requirements impose an obligation on the Licensee to deduct or withhold Taxes directly from any amount paid to Licensor, then the Licensee will deduct or withhold the required amount and will timely pay the full amount deducted or withheld to the relevant governmental tax authority in accordance with Legal Requirements. The amount paid to the Licensor will be increased so that after the deduction or withholding has been made in accordance with Legal Requirements, the net amount actually received by the Licensor will equal the full amount originally invoiced or otherwise payable. To the extent any Legal Requirements require or allow any such deduction, payment or withholding to be paid by the Licensee

directly to a governmental tax authority, the Licensee must account for and pay such amounts promptly and provide the Licensor with receipts or other proof of such payment promptly upon receipt".

- [Standard document, Copyright licence: Cross-border](#).

See above, [Standard document, Trade mark licence: Cross-border](#).

- [Standard document, Patents and know-how licence: Cross-border](#).

See above, [Standard document, Trade mark licence: Cross-border](#).

- [Standard document, Industrial design right licence: Cross-border](#).

See above, [Standard document, Trade mark licence: Cross-border](#).

## Maintenance of the registered IP right

11. Which party is usually responsible for maintaining the registration of a licensed IP right (if it is registrable), including paying renewal and other applicable fees? Does your answer vary depending on whether the licence is exclusive, non-exclusive or sole?

Registrable IP rights are owned by the rights holders (licensors), so they are usually responsible for maintaining the registration of licensed IP rights, irrespective of whether the licence is exclusive, non-exclusive or sole.

12. What are the implications of non-payment of registry fees for a registered IP right in your jurisdiction?

If a registered IP right is not maintained, it will be cancelled. However, trade mark rights can be restored within six months following the expiry of the trade mark protection term, while patent rights can be restored within three years following the expiration of the patent protection term.

A licence in relation to an expired IP registration terminates immediately upon expiration of the relevant registration. Restoration of the expired IP right will not revive a terminated IP licence.

## Licence recordal / registration

13. Can an IP licence be recorded / registered at the IP registry in your jurisdiction? If yes:

- Is this optional or a statutory requirement?
- Is there a timeframe within which a licence must be recorded?
- What are the implications for either party if it is not recorded, within the timeframe or at all?
- Which party typically bears the associated costs?

### **Trade mark licence recordal**

According to Article 1232 of the Russian Civil Code a trade mark licence must be recorded with the Federal Service for Intellectual Property (*Rospatent*).

There is no specific time frame for recordal. The costs of recordal are usually agreed between the parties. Failure to record a licence will result in it being invalid and unenforceable against third parties.

### **Copyright licence recordal**

There is no recordal of copyright licences in Russia.

### **Patents and registered designs**

According to Article 1232 of the Russian Civil Code a patent licence must be recorded with *Rospatent*.

There is no specific time frame for recordal. The costs of recordal are usually agreed between the parties. Failure to record a licence will result in it being invalid and unenforceable against third parties.

There is no recordal of know-how licences in Russia.

### **Industrial design right licence recordal**

According to Article 1232 of the Russian Civil Code an industrial design licence must be recorded with *Rospatent*.

There is no specific time frame for recordal. The costs of recordal are usually agreed between the parties. Failure to record a licence will result in it being invalid and unenforceable against third parties.

### **Notices**

14. Do any particular rules apply as to how a licensee must mark its licensed products to indicate the licensor's name and ownership of the relevant IP rights subsisting in it, or is this entirely at the licensor's discretion (see for example *Standard document, Patent and know-how licence: Cross-border: clause 5.3* and *Standard document, Industrial design right licence (short form): Cross-border: clause 3.3*)? State any relevant legislation.

### Trade mark notices/marking

This is entirely at the licensor's discretion.

### Copyright notices/marking

This is entirely at the licensor's discretion.

### Patents and know-how notices/marking

This is entirely at the licensor's discretion. *Standard document, Patent and know-how licence: Cross-border: clause 5.3* is acceptable.

### Industrial design right notices / marking

This is entirely at the licensor's discretion. *Standard document, Industrial design right licence (short form): Cross-border: clause 3.3* is acceptable.

15. Comment on whether the formats shown below for trade mark and copyright notice respectively, taken from *Standard document, Trade mark licence: Cross-border* and *Standard document, Copyright licence: Cross-border*, reflect the formats used in your jurisdiction for those notices. If not, set out below any necessary amendments so that they do.

- *Standard document, Trade mark licence: Cross-border: clause 4.2.*

Made by [LICENSEE] in [PLACE] under licence from [LICENSOR]. [MARK] is the [registered] trade mark of [LICENSOR]

This format is enforceable. It reflects the formats typically used in Russia for these notices.

- *Standard document, Copyright licence: Cross-border: clause 3.4.*



© Copyright [LICENSOR] [YEAR] manufactured by [LICENSEE]

This format is enforceable. It reflects the formats typically used in Russia for these notices.

16. Explain briefly how a failure by an IP right owner and/or its licensees to use markings or notices to indicate the licensor's name and ownership of the relevant IP rights impacts upon the owner's rights, if at all.

Failure by the rights holder and/or its licensees to use markings or notices to indicate the licensor's name and ownership of the relevant IP rights does not impact on the owner's IP rights. Such marking and notices are optional and not required by law.

### **Statutory rights of licensees**

17. Do licensees have statutory rights if the licensed IP right is infringed by a third party? State any relevant legislation. If yes, do these rights vary depending on the level of exclusivity granted to the licensee and/or the type of IP right being licensed?

Under Article 1254 of the Civil Code, exclusive licensees are entitled to bring IP infringement proceedings and enforce their licensed rights against third party infringers, if those rights are infringed.

18. Can any of these rights be expressly excluded, varied or supplemented by the terms of the licence? If yes, is this usual in your jurisdiction?

This right under Article 1254 of the Civil Code cannot be expressly excluded, varied or supplemented by the terms of a licence. A waiver of this right is null and void.

### **Licensee indemnity**

19. Is it usual for a licensor to seek an indemnity from a licensee in a licence of IP rights in your jurisdiction?

It is usual for licensors to seek an indemnity from licensees in IP licences in Russia.

20. Set out below any amendments necessary to the following standard documents to reflect standard practice in your jurisdiction, in relation to indemnities:

- *Standard document, Trade mark licence: Cross-border: clause 10.2.*

The indemnity must define the following:

- The specific circumstances in which the indemnity becomes payable.
- The indemnity amount, or indemnity calculation procedure.

The indemnity circumstances cannot cover the parties' breach of duties or contractual obligations.

- *Standard document, Copyright licence: Cross-border: clause 9.2.*

See above, *Question 20*.

- *Standard document, Patents and know-how licence: Cross-border: clause 12.2.*

See above, *Question 20*.

- *Standard document, Industrial design right licence: Cross-border: clause 5.2.*

See above, *Question 20*.

21. Does a licensor have a general obligation at law to mitigate any loss that it may suffer or incur due to an event that would give rise to a claim under an indemnity? State any relevant legislation.

The licensor does not have such an obligation by law. However, under Article 406.1 (2) of the Russian Civil Code, a court can reduce the claimed indemnity amount, if it is proved that the party has deliberately caused an increase in the indemnity amount.

## Product liability

22. Could the presence of a licensor's name or trade mark on a product manufactured by the licensee put the licensor at risk of a product liability claim against it if the product becomes defective, even though the licensor has no contractual relationship with the end user of the product?

Such information on the product can lead to a product liability claim, if the product produced by the licensee is defective. Under Article 1489(2) of the Russian Civil Code, the licensor and licensee have joint and several liability for all claims against the licensee as the manufacturer of the product bearing the trade mark. Licensors are jointly liable with licensees for product defects or quality non-compliance in the context of trade mark licensing.

23. Comment on whether there is anything that a licensor can do (including whether any amendments should be made to any of the four cross-border IP licences referred to in this questionnaire), to lessen the risk of such a claim being made against it in your jurisdiction.

A licensor can seek an indemnity to lessen the risk of such a claim being made against it. If the licensor is a foreign resident without a corporate presence in Russia, this may substantially complicate the enforcement process related to product liability claim, if asserted.

## Insurance

24. Is it usual for a licensor of IP rights to require a licensee to take out insurance in an amount adequate to cover its liabilities under the licence? If yes, comment on whether the following clauses reflect standard practice in your jurisdiction and, if not, set out below any necessary amendments so that they do:

It is usual for licensors of IP rights to require licensees to take out insurance to cover its liabilities under the licence.

- *Standard document, Trade mark licence: Cross-border: clause 10.6.*  
No amendments.
- *Standard document, Copyright licence: Cross-border: clause 9.5.*  
No amendments.
- *Standard document, Patents and know-how licence: Cross-border: clause 12.5.*  
No amendments.
- *Standard document, Industrial design right licence: Cross-border: clause 5.4.*  
No amendments.

## Warranties

25. Is it usual for a licensor to give certain express warranties to a licensee in an IP licence? If yes, briefly describe what those express warranties are, and which types of IP licences they apply to (if not all).

## Trade marks

It is usual for a licensor to give express warranties to a licensee in a trade mark licence. The licensor will normally represent and warrant that:

- It has full legal title to its trade marks and all the licensed trade marks are valid in Russia.
- The licensed trade marks are registered and maintained in Russia.
- The licensed trade marks are not pledged, assigned, seized or arrested.
- There is no infringement of third-party trade marks or other IP rights (for example, copyright).
- The conclusion of the trade mark licence will not affect third party rights and interests, including under preliminary or other agreements.

Depending on the nature of the deal and the parties' negotiations, the licensor may provide other representations and warranties to the licensee.

## Copyright

It is usual for a licensor to give express warranties to a licensee in a copyright licence. The licensor normally represents and warrants that:

- It has full legal title to its copyright and the licensed copyright is valid in Russia.
- The licensed copyright is not pledged, assigned, seized or arrested.
- There is no infringement of third-party copyright or other IP rights (for example, trade marks).
- The conclusion of the copyright licence will not affect third party rights and interests, including under preliminary or other agreements.

Depending on the nature of the deal and the parties' negotiations, the licensor may provide other representations and warranties to the licensee.

### **Patents and know-how**

It is usual for a licensor to give express warranties to a licensee in a patent and know-how licence. The licensor normally represents and warrants that:

- It has full legal title to its patents and know-how in Russia.
- All the licensed patents and know-how are protected and valid in Russia.
- The licensed patents are maintained and renewed (if applicable) in Russia.
- The licensed patents and know-how are not pledged, assigned, seized or arrested.
- There is no infringement of third-party IP rights.
- The conclusion of the patent and know-how licence will not affect third party rights and interests, including under preliminary or other agreements.

Depending on the nature of the deal and the parties' negotiations, the licensor may provide other representations and warranties to the licensee.

### **Industrial design right**

It is usual for a licensor to give express warranties to a licensee in an industrial design right licence. The licensor normally represents and warrants that:

- It has full legal title to its industrial designs in Russia.
- All the licensed industrial designs are protected and valid in Russia.
- The licensed industrial designs are maintained and renewed (if applicable) in Russia.
- The licensed industrial designs are not pledged, assigned, seized or arrested.
- There is no infringement of third-party IP rights (for example, trade marks).
- The conclusion of the licence will not affect third party rights and interests, including under preliminary or other agreements.

Depending on the nature of the deal and the parties' negotiations, the licensor may provide other representations and warranties to the licensee.

26. Is it usual for certain warranties to be implied into the terms of an IP licence in your jurisdiction? If yes, briefly describe what those implied warranties are; which types of IP licences they apply to (if not all); and state any relevant legislation.

Russian law and, in particular, the provisions of the Russian Civil Code, applicable to trade mark, copyright, patents and know-how, and industrial design right licences does imply certain warranties relating to legal title. For example, that the licensor is the valid rights holder and entitled to license the trade mark or patent rights to a third party.

Other covenants, such as confirmation that the licensed trade mark is free from encumbrances and adverse rights, are implied from the fundamental civil law principles of good faith and fair dealing, which are enforced by the courts.

27. Is it possible for a licensor to exclude the application of those implied warranties, for example as shown in *Trade mark licence: Cross-border: clause 9.4* and *Patent and know-how licence: Cross-border: clause 3.4, clause 4.2 and clause 11.5*.

It is not possible to exclude the application of implied warranties relating to legal title and the validity of IP rights. Other warranties, including those related to encumbrances, third party rights (interests) and technical assistance can be excluded from an IP licence.

### **Sub-licensing**

28. Does the right to grant sub-licences of an IP right have to be expressly granted to a licensee in order to take effect, or are there certain circumstances in which it might be implied?

Under Article 1238(1) of the Russian Civil Code, a licensee has the right to grant sub-licences, if the licensor has consented to it in writing. A sub-licence of IP rights must be expressly provided for in the licence, or further approved by the licensor in a separate written document.

29. Does a sub-licence have to comply with any particular formalities in order to be valid and enforceable? If yes, describe briefly what these are.

A sub-licence of IP rights must be in writing and signed by both parties. Notarisation and legalisation is not required, but sub-licences of the following IP rights must be recorded with *Rospatent*:

- Patents (including for inventions, utility models and industrial designs).
- Trade marks and service marks (including under national and international registrations).
- Topologies of integrated circuits (only if they are registered with *Rospatent*).
- Achievements of selection (including for plant varieties and animal breeds).

Failure to record a sub-licence of the above rights will result in the sublicensing being invalid and unenforceable against third parties (*Article 1232 (6) of the Russian Civil Code*).

### Sub-contracting

30. Does the right to grant sub-contracts for the manufacture of a product bearing or consisting of a licensed IP right have to be expressly granted to a licensee to take effect, or are there certain circumstances in which it might be implied?

Russian law does not prohibit a licensee from granting a sub-contract to manufacture products bearing or consisting of the licensed IP rights, unless the licence expressly states that the licensee must manufacture the products itself. In other words, the engagement of third parties for the manufacture of licensed products need not be approved by the licensor, unless the granted licence is personal.

31. Does a sub-contract have to comply with any particular formalities to be valid and enforceable? If yes, describe briefly what these are.

A sub-contract must be in writing and signed by both parties. Notarisation and legalisation is not required. Recordal of a sub-contract is not required either.

## Termination

32. Comment on whether the following clauses reflect the grounds upon which a licensor is usually entitled to terminate an IP licence in your jurisdiction, and if not, set out below any necessary amendments so that they do:

The following clauses do reflect the grounds on which a licensor is usually entitled to terminate an IP licence in Russia:

- *Standard document, Trade mark licence: Cross-border: clause 13.3.*  
No amendments.
- *Standard document, Copyright licence: Cross-border: clause 12.2.*  
No amendments.
- *Standard document, Patents and know-how licence: Cross-border: clause 17.3.*  
No amendments.
- *Standard document, Industrial design right licence: Cross-border: clause 8.2.*  
No amendments.

## Challenge to validity

33. Would a clause prohibiting the licensee from challenging the validity of a registered IP right breach competition law in your jurisdiction? If yes, comment on whether a permitted alternative is for the licensor to have the right to terminate if the licensee challenges the validity of its registered IP right (see *Trade mark licence: Cross-border: clause 13.3(g)* and *Patent and know-how licence: Cross-border: clause 17.3(h)*), or propose other appropriate wording.



In Russia, it is customary to include no-IP-challenge clauses in licences. This provision is not prohibited under competition law.

Failure of the licensee to follow such a negative obligation may trigger the abuse of rights and bad faith civil-law principles, that might lead to a case dismissal, depending on the situation.

### Insolvency or bankruptcy of licensor

34. If a licensor becomes insolvent or, if an individual, bankrupt during the term of an IP licence, how would that affect the continuation of the licence, if at all?

If a licensor becomes insolvent and ceases to exist, any IP licence previously granted by it will terminate in connection with the liquidation of a legal entity under Article 419 of the Russian Civil Code.

If insolvency proceedings are started against the licensor, but not yet completed (that is, the licensor still exists), the licence will continue until the licensor ceases to exist, unless the agreement provides otherwise.

35. Are there any additional provisions that could be included in the following standard documents to better protect a licensee in the event of a licensor insolvency or bankruptcy?

- *Standard document, Trade mark licence: Cross-border.*
- *Standard document, Copyright licence: Cross-border.*
- *Standard document, Patent and know-how licence: Cross-border.*
- *Standard document, Industrial design right licence (short form): Cross-border.*

An obligation can be included in the licence for the licensor to transfer the licensed IP rights directly to the licensee, in the event of the initiation of insolvency or bankruptcy proceedings against the licensor. However, the transfer of licensed IP rights could be challenged in court by the licensor's creditors or the bankruptcy administrator. To mitigate this risk, the cost of such transfer should not be nominal, and must correspond to the relevant market price of the licensed IP rights.

Alternatively, the licence can be assigned to a third party on initiation of insolvency or bankruptcy proceedings against the licensor. Under Article 1235(7) of the Russian Civil Code the assignment of the IP rights is not a ground for termination or amendment of the existing licence. However, recordal of the new licensee with *Rospatent* is required.

The parties usually agree that the licence will terminate automatically if insolvency or bankruptcy procedures (supervision, external administration, settlement, financial recovery or insolvency proceedings) are initiated against the licensor and/or licensee.

Are there any particular aspects of insolvency or bankruptcy law and practice that the parties would need to be mindful of when including any such additional provisions?

36. Are there any particular aspects of insolvency or bankruptcy law and practice that the parties would need to be mindful of when including any such additional provisions?

See [Question 35](#).

### Formalities for licensing

37. Does an IP licence have to comply with any formalities in order to be valid and enforceable in your jurisdiction (including in relation to format, language and execution)? If yes, describe briefly what these are for each type of IP right.

### Trade marks

A trade mark licence must be in writing and signed by both parties. The licence can be signed:

- In the bilingual format.
- In English and accompanied with the Russian translation.
- Simply executed in the Russian language.

A trade mark licence must be recorded with *Rospatent*. Failure to record the licence will render it invalid and unenforceable against third parties.

## Copyright

A copyright licence must be in writing and signed by both parties. The licence can be signed:

- In the bilingual format.
- In English and accompanied with the Russian translation.
- Simply executed in the Russian language.

Recordal of a copyright assignment is not required because copyright is not registrable in Russia.

## Patents and know-how

A patent licence must be in writing and signed by both parties. The licence can be signed:

- In the bilingual format.
- In English and accompanied with the Russian translation.
- Simply executed in the Russian language.

A patent licence must be recorded with *Rospatent*. Failure to record the licence will render it invalid and unenforceable against third parties.

A know-how licence must be in writing, but cannot be recorded because know-how is not registrable in Russia.

## Industrial design right

An industrial design licence must be in writing and signed by both parties. The licence can be signed:

- In the bilingual format.
- In English and accompanied with the Russian translation.
- Simply executed in the Russian language.

The industrial design licence must be recorded with *Rospatent*. Failure to record the licence will render it invalid and unenforceable against third parties.

## Compliance with local law and practice

38. Are any of the terms in the following standard documents invalid, unenforceable or contrary to standard practice in your jurisdiction? If yes, set out below any necessary amendments to make those terms valid, enforceable and reflective of standard practice.

In all cases below, the licence must be reviewed and revised for compliance in each situation, depending on the agreed terms and structure of the deal, the parties' negotiations and other transaction factors.

- *Standard document, Trade mark licence: Cross-border.*

In brief, the definition of Mark and Schedule 1 must be amended to reflect the fact that trade mark applications cannot be licensed in Russia. Clause 4.3 must be removed. Clause 9.4 (a) and (b) must be removed. The section on Indemnity must be modified to include the essential elements (see [Question 20](#)).

- *Standard document, Copyright licence: Cross-border.*

In brief, clause 8.1 must be removed. The section on Indemnity must be modified to include the essential elements (see [Question 20](#)).

- *Standard document, Patents and know-how licence: Cross-border.*

In brief, the definition of Patents must be amended to reflect the fact that patent applications cannot be licensed in Russia. The section on European Patent Applications must be removed. Clause 11.9 (a) and (b) must be removed. The section on Indemnity must be modified to include the essential elements (see [Question 20](#)).

- *Standard document, Industrial design right licence: Cross-border.*

In brief, the section on Indemnity must be modified to include the essential elements (see [Question 20](#)).

## Competition law

39. What competition law considerations must be taken into account by parties entering into an IP licence in your jurisdiction? State the relevant legislation.

Under the Russian Competition Protection Act anti-competitive practices that restrict trade in the market, including cartels (that is, agreements between competitors trading in the same product market) are generally prohibited.

Other agreements that lead or can lead to restraint of competition, including if they are regarded as concerted actions of business entities that limit competition in the market, are also banned.

Abuse of dominance and unfair competition is not permitted either.

However, the exploitation of IP rights, including licensing, is generally exempt from competition law (*Articles 10 (4), 11(9), Russian Competition Protection Act*).

40. Do these considerations vary depending upon the level of exclusivity granted to the licensee and/or the type of IP right being licensed? If yes please describe briefly how they vary.

The exploitation of IP rights, including licensing, is exempt from competition law. There are no competition law issues due to IP licence provisions relating to term, territory, exclusivity and permitted use of IP rights.

41. Could any clauses in the following standard documents create any particular competition law concerns in your jurisdiction? If yes, set out below any necessary amendments for those clauses to comply with your national competition law:

- *Standard document, Trade mark licence: Cross-border.*  
No amendments.
- *Standard document, Copyright licence: Cross-border.*  
No amendments.
- *Standard document, Patents and know-how licence: Cross-border.*  
No amendments.
- *Standard document, Industrial design right licence: Cross-border.*  
No amendments.

## **Brexit**

42. Are any amendments required to the following standard documents to reflect the fact that the UK is preparing to leave the EU; and/or will have left the EU after March 2019? If yes, set those amendments out below and, if necessary, briefly explain them (and where no amendments are necessary, insert "no amendments").

- *Standard document, Trade mark licence: Cross-border.*  
No amendments.
- *Standard document, Copyright licence: Cross-border.*  
No amendments.
- *Standard document, Patents and know-how licence: Cross-border.*  
No amendments.
- *Standard document, Industrial design right licence: Cross-border.*  
No amendments.

## Specific aspects of trade mark licences

### Non-use of a registered trade mark

43. If a registered trade mark is not used by its owner or licensee in your jurisdiction, can it be challenged by third parties and/or removed from the register? If yes, briefly explain and state the relevant legislation. What is the period of time within which a registered trade mark must be used in your jurisdiction before it can be challenged?

If a registered trade mark is not used by its owner, or by a controlled person or authorised licensee, it can be challenged by an interested party through a trade mark non-use cancellation action. Such an action can be brought in the Russian IP Court, provided that the mark has not been used for at least three consecutive years before the special pre-trial procedure as per the provisions of Article 1486(1) of the Russian Civil Code

Before filing a non-use claim, the claimant must send a letter to the trade mark owner asking the owner to surrender its trade mark rights through *Rospatent*, or assign the mark to the claimant. The trade mark owner then has two months to comply, or agree to its mark co-existing with another mark by granting a letter of consent, as may happen in practice. If it fails to do so, the claimant has 30 days (following the expiry of the two-month period) to file a trade mark non-use lawsuit with the Russian IP Court.

During the trial, the claimant must show a legitimate interest in the cancellation (that is, a real intent and possibility in producing and selling the trade marked goods on the market), while the owner must show use of the mark by disclosing the relevant documentary evidence. If the claimant succeeds, the trade mark registration will be cancelled, from the date of the decision by the Russian IP Court.

44. Can a licensor compel a licensee to use its trade mark, under the terms of a licence?

The licensor can compel the licensee through an obligation to use the licensed trade mark under the terms of the licence.

## Goodwill

45. Does goodwill derived from use by a licensee of a licensed trade mark automatically accrue to the licensor, or must this be expressly stated in the terms of the licence (see [Standard document, Trade mark licence: Cross-border: clause 4.3](#))?

The term goodwill that is usually attached to a trade mark under UK or US law is not recognised in Russia. A similar concept (intangible asset) is the business reputation of the business entity, although it is not protected as IP right.

46. Is it common for licensors to request confirmatory assignments of goodwill from licensees in your jurisdiction?

Not applicable (see [Question 45](#)).

## Specific aspects of patent and know-how licences

### Know-how

47. Does information have to meet certain criteria in order to be considered "know-how" in your jurisdiction? If yes, describe that criteria and state any relevant legislation.

A secret of production (also known as know-how) is regarded as information (industrial, technical, economical, organisational or other) on the results of intellectual activities in the sphere of science and technology, and on the means of performing professional activities, that has actual or potential commercial value by being unknown to third parties, if third parties have no access to the information on lawful grounds, and the owner has taken reasonable measures to protect its secrecy, including by implementing the trade secrets regime (*Article 1465, Russian Civil Code*).

As stated in the Russian Trade Secrets Act, one way to acquire know-how protection is to set up a trade secrets regime. In brief, the owner of confidential information must:

- Properly identify and list the confidential information.
- Limit access to the confidential information, by establishing an appropriate procedure for dealing with it.
- Fix the notice "trade secret" and the owner's details to the media in which the confidential information is stored.
- Follow up with the other required steps.

If one of these steps is omitted, the trade secrets regime will not be considered implemented within the provisions of the Russian Trade Secrets Act. However, there are other practical reasonable measures to achieve know-how protection in Russia.

Know-how is protected for as long as it is kept secret by its owner. When confidentiality is lost, the exclusive rights to know-how lapse immediately.

## Field of use

48. Are there any field of use restrictions that would give rise to competition law concerns in your jurisdiction (see *Standard document, Patent and know-how licence: Cross-border: clause 2* and *Drafting note: Field of use*)? If yes, explain what those restrictions are, and state any relevant legislation.

There are no specific field of use restrictions that would give rise to competition law concerns in Russia. Generally, patent and know-how licences are exempt from the competition law restrictions under Article 10(4) and Article 11(9) of the Russian Competition Protection Act.



## Limitation of liability arising from technical assistance

49. Comment on whether the limitation on the licensor's liability at *Standard document, Patent and know-how licence: Cross-border: clause 4.1(d)* is valid and enforceable, and reflects standard practice in your jurisdiction. If not, set out below any necessary amendments to make it so.

The limitation on the licensor's liability arising from technical assistance, as provided in *Standard document, Patent and know-how licence: Cross-border: clause 4.1(d)*, is valid and enforceable in Russia.

## Marketing

50. Do the obligations set out in *Standard document, Patent and know-how licence: Cross-border: clause 6* reflect obligations typically placed on a patent licensee in relation to marketing? If your answer depends on the exclusivity granted to the licensee by the licence, briefly explain.

The obligations in relation to marketing, as set out in *Standard document, Patent and know-how licence: Cross-border: clause 6*, do reflect the obligations typically placed on patent licensees in this respect. In certain cases, all expenses associated with marketing are borne solely by patent licensees, and they have to approve the marketing plans and strategies with licensors in advance.

## Improvements

51. Is it common for parties to a patent licence to be obliged to disclose and grant licences to one another of improvements in the licensed technology (see *Standard document, Patent and know-how licence: Cross-border: clause 7.1*)? If yes, do any particular competition law issues arise from including such an obligation? Explain what these are and state any related legislation.

It is common for parties to a patent licence to be obliged to disclose and grant licences to one another of improvements in the licensed technology. There are no competition law concerns in this respect.

52. Comment on whether any amendments need to be made to *Standard document, Patent and know-how licence: Cross-border: clause 7.1* due to these competition law issues.

*Standard document, Patent and know-how licence: Cross-border: clause 7.1* is consistent with Russian practice with regard to improvements. No amendments are necessary.

53. Comment on whether the market position of the licensor in the particular technology market, and/or the amount of consideration the licensee receives in exchange for its improvements impact on the extent to which these competition law issues apply.

Not applicable.

## Contributor details

**Sergey Medvedev, Senior Lawyer**

**Gorodissky & Partners**

**T** +7 495 937 61 16

**E** [medvedevs@gorodissky.ru](mailto:medvedevs@gorodissky.ru)

**W** [www.gorodissky.com](http://www.gorodissky.com)

**Areas of practice:** IP/TMT.

---

**END OF DOCUMENT**