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GORODISSKY & PARTNERS
PATENT AND TRADEMARK ATTORNEYS
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Promotion of intellectual property activities in Russia



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Are free economic zones helpful in stimulating Intellectual property related activities? It is hard to underestimate the importance of intellectual property in current world structure, considering the business line-up and entrepreneurial mind of people. Innovative methods of solving crucial tasks leads to a much more advanced society and, actually, intellectual property enhances every aspect of our lives. Intellectual property not only improves our lives by making them more productive (a smartphone in your pocket protected by design patent), by ensuring quality (a car bearing a well-known brand) and bringing confidence that what you are using is authentic and genuine. This is the reward that an inventor receives as a recognition of his hard work. What if he did not protect his invention? He would not have been able to enhance this invention or re-invest in future derivatives of his invention without the financial resources or support. A government should provide all kind of support to promote innovation among citizens. In Russia in comparison to western countries only 0.19 patent application per 1000 citizens are filed. Russian companies, R & D centers and universities do not do much of patenting and rarely go for international protection of their inventions. This leads to so-called “innovative slippage” leaving the invention under-developed. Russian government has been taking steps to foster the intellectual property related activities through implementation of few federal programs and projects. One such project, initiated in 2005, named “Special Economic Zone (SEZ)” is aimed at developing highly innovative regions by attracting » page 2

direct foreign and Russian investments to promote new hi-tech companies and for those looking for new production plants locations. In such a manner, the Russian government is providing comfortable conditions for innovative people and companies to start or expand their business, to implement new ideas and approaches, to create new industrial and innovative projects.

Let's take a close look at what is being offered under the term "SEZ". To start with, it is quite necessary to determine a clear definition of SEZ – it is a geographical region that has business and trade laws different from the rest of the country. They are set inside a potentially attractive for investment region and aims to increase trade, investments and working places. The federal or regional government formulate special policies to attract more and more businesses to set up their offices in such zones. The policy makers' primary aim is to increase the investments through liberation of policies such as investments, taxation, labour regulations, customs and trading relaxations etc.

The primary policy makers in Russian innovation landscape are:

Ministry of Education and Science, which is responsible for drafting and implementation of state policy and legal regulation in the field of education, science, research and development and related innovation activities, development of national research and high technology centres, national research centres and academic towns.

Ministry of Economic Development, which is responsible for drafting and implementation state policy and legal regulation in the field of socioeconomic analysis and forecasting, development of business, investment activity and state investments, development and implementation of socioeconomic development programs, creation and operation of special economic zones and,

Ministry of Industry and Trade, which is responsible for drafting and implementation of state policy and legal regulation in the industrial and defence sectors, foreign and domestic trade and acting as the authorized federal executive body in-charge of implementing state regulation in foreign trade.

SEZs can be divided into four groups based upon their primary approach. There are 26 SEZ in Russia, out of which:

10 are Industrial and Production zones, which are located in major industrial regions, where priority industries are

SEZ is a potentially attractive for investment geographical region that has business and trade laws different from the rest of the country and has special liberate policies for taxation, customs and business regulations.

automobiles, chemicals, petrochemicals, construction materials, household appliances etc.

6 are Technology Development and Innovation zones, which are located in major centres of science and education with long-standing scientific traditions and recognized research schools and priority sectors are Nanotech and Biotech, Medical

technology, IT, Nuclear physics etc.

9 Tourist and Recreational zones, which are located in Russia's most picturesque and popular destinations and offer favourable conditions for tourism, sports, recreation and other activities.

1 Port and Logistics zone, which is located in immediate proximity of global transit corridors.

The government has invested heavily in infrastructure. When a company or an entrepreneur (so called resident) decides to join such SEZ, they have access to ready-to-use infrastructure. Office buildings are in place, rent rates are quite attractive and office space is fully equipped. That makes it simple for a resident to move in and start working right from the very first day. If as a resident, the company wants to setup a manufacturing or production plant, it can enjoy attractive land lease rates and an option to select from several land plots, has access to full-scale infrastructure supply, no fees to connect to water, gas and heat supply or electricity. According to Special Economic Zones JSC, the operator of all the existing and developed special economic zones in Russia, the offered infrastructure helps save a considerable sum (up to 30 %) of total initial investment required to start the business. Along with infrastructure, comes the benefits and services offered by the regional or local government and the managing organs of these SEZ.

Tax incentives: A resident enjoys exemption from profit tax, value-added tax, corporate property tax, reduced rate on insurance premiums and reimbursement on customs duty & VAT on goods imported.

Free customs zone: A resident can import and export foreign products (equipment, raw materials, constitutive elements, construction materials) without paying import duties and VAT.

One-Window services: A resident has access to general business needs: accounting, human resources, legal services, consulting on tax and grant, preferential leading software, intellectual property services, simplified hiring of foreign employees, information and PR.

Considering that the SEZ are functioning for 10+ years now, Special Economic Zones JSC has briefed the investment activity which says that 430 b (~7.5 b\$) counts as total investment, out of which 123 b (~2.14 b\$) came from Federal government budget, 65 b (~1.13 b\$) from Regional government budget and 222 b (~3.86 b\$) as private investments. Total foreign investments makes about 29%, primarily coming from China (~1.45 b\$), USA (~0.8 b\$), Japan (~0.5 b\$) followed by Turkey, Germany, France, Switzerland, Belgium and other countries. There were 525 resident companies in SEZ in December 2017, generating over 21000 workplaces and new companies are applying for resident status. In total, 95 foreign companies from 32 countries enjoy resident status in different SEZs. In general, the trend of SEZ picked by Russian government turned out to be pretty successful and enabling it to attract not only Russian but also direct foreign investment by providing favourable conditions of operating business and competitive advantage over foreign counterparts.

The only consideration we need to keep in mind is that

the intellectual property related activities are still at their rather low level. Intellectual property and its derivatives are involved in almost all of the projects in SEZs. No matter whether a company is planning to produce or assemble some special machinery or whether it is planning to carry out R&D works in order to infuse new technologies to their existing product or whether it is developing a modern software solution for its clients, it needs to think about management of its intellectual property portfolio. As a part of the offered services, a resident can use the intellectual property services by getting consultation on patenting of technologies, intellectual property issues, preparation and filing of patent applications for inventions, utility models and industrial designs.

Russian government has launched several federal initiatives for Russian companies in order to stimulate intellectual property activities. The state helps with finances, pouring big amounts into R&D, supporting innovative ideas and providing rebates and subsidies to encourage organizations to be involved in researching new approaches or technologies, to be innovative and to register the results as intellectual property rights.

Each policy maker has one or other project in place to attract national and foreign investments to Russia, primarily in SEZ. Ministry of Education and Science has a long going project which started in 2014 and will last until 2020, with a budget of 197.7b (~3.5b\$) in the field of science and technology and is open for foreign companies to conduct joint research with Russian counterparts. Ministry of Industry and Trade has a 110.2b (~2b\$) project in place relevant to pharmaceuticals and medical equipment industry and is open for foreign companies planning to establish their manufacturing plants in one of the SEZs. Intellectual property rights play an important role under these funded contracts, as the Joint Ventures should be registered under the laws of the Russian Federation and all involved intellectual property rights should be transferred to them.

In order to popularize foreign patenting, in 2016 Ministry of Industry and Trade introduced a subsidy project to compensate the actual costs incurred by national organizations, where a company can be entitled to receive 100% return on official fees of foreign patent office and 70% return on attorney fees. The project is applicable for registration of patents under PCT system, inventions, industrial designs through national or regional offices and trademarks under Madrid system.

The Russian PTO is supporting and stimulating national patenting by offering special terms for SME & SMB, offering 50% rebate on patent services, including industrial design and software registration. Eurasian Patent Organization's Eurasian patenting is another convenient way for companies to file a single application for 8 (eight) CIS countries. Russian companies

are attracted through up to 90% discount offer and application in the Russian language. The member countries of EAPO are Turkmenistan, Republic of Belarus, Republic of Tajikistan, Russian Federation, Republic of Kazakhstan, Azerbaijan Republic,



Kyrgyz Republic and Republic of Armenia. The official language of EAPO is Russian, which saves translation charges for the applicants.

IP law firm Gorodissky & Partners is playing its own social role, being the biggest and oldest law firm in Russia and CIS, in enhancing the role of intellectual property by disseminating the knowledge, best practices and information on importance of intellectual property. Our in-house project named “Gorodissky IP School” is catching pace in cooperation with several leading companies, organizations, universities and institutes across country by conducting master classes, lectures, seminars and other activities.

Gorodissky offices cover almost all the primary innovative and industrial zones throughout the country and a dedicated office is located in SEZ Dubna. Gorodissky offers special pricing strategy, in cooperation with SEZ management, to support businesses as well as small enterprises and start-ups. At initial level of cooperation, we organize seminars, lectures, provide consultations to residents in order to emphasize the importance of having an overall strategy to protect their intellectual property rights and required steps to achieve the desired results.

In closing, it is worth mentioning that overall efforts from Russian federal agencies, Russian PTO and Eurasian patenting organization are bringing positive results, as awareness of intellectual property and its importance for businesses is gradually growing among Russian companies and organizations. It is especially important for the foreign companies, which are interested in investing in Russia and bringing their IP as part of investment and using it for their business development.

Events

(conferences, seminars, news)

28.05-1.06.2018 // MOSCOW

Sergey Medvedev, Ph.D., LL.M, Senior Lawyer (Gorodissky & Partners, Moscow), took part at the master-class “Legal aspects of franchising”, panel session “World trends in franchising”, session “Practice of intellectual property protection in franchising” and a round table “Legal aspects and specialities of legal regulation of franchising in Eurasian Economic Union”, held in the frames of World Franchise Forum. The Forum gathered over 800 participants - representatives of national franchise associations, government authorities, entrepreneurs and investors from over 40 countries and 50 regions of Russia.

19 – 23.05.2018 // SEATTLE



Photo: Gorodissky Hospitality suite The team of 14 attorneys and lawyers from the Moscow and St. Petersburg offices of Gorodissky & Partners attended the 140th INTA Annual Meeting, held in Seattle, USA.

For 3 days from 20 to 22 May, the hospitality suite of the firm, in which over 100 business meetings were held, was working. Attorneys and lawyers of the firm discussed the current clients' cases and presented new services of the firm.

Also in the exhibition area of the Convention center, the second year in a row the Information booth of Gorodissky & Partners was presented. It was dedicated to traditional and new services of the firm, such as graphical works for IP documentation, online monitoring and IP enforcement, market monitoring & investigations. During the exhibition, which took place from 20 to 24 of May, about 300 participants of the Conference visited the firm's booth.

The firm's Reception, which was traditionally organized during the Conference, gathered about 700 guests.

21.05.2018 // VLADIVOSTOK

Nikolay Ptitsyn, Regional Director, Trademark Attorney (Gorodissky & Partners, Vladivostok), and Natalia Radchenko, Ph.D., Counsel, Trademark Attorney (Gorodissky & Partners, Moscow), spoke at the Round table “Regional brands of Primorsky Krai: opportunities and prospects for development”, organized by Gorodissky & Partners in the Far Eastern Federal University.

Representatives of the Primorsky Branch of the All-Russian Non-Governmental Organization of Small and Medium Business «OPORA RUS-SIA» and entrepreneurs from Vladivostok, Ussuriysk and Nakhodka attended the event. Participants discussed the possibility of creating, sharing and protecting designations reflecting the specifics of the region, special properties of goods and services in the Primorsky Krai.

23 – 27.04.2018 // PERM

Leading patent and trademark attorneys and lawyers of Gorodissky & Partners branch in Perm held a chain of free consultations for legal entities and individuals of the region on actual issues of patent and copyright laws, suppression of unfair competition, counterfeit products sales, state support for exporting enterprises in the sphere of international patenting within the framework of the annual Days of Intellectual Property in the Perm Krai.

25.04.2018 // EKATERINBURG

Elena Baikovskaya, Patent Attorney, Nikolay Raschupkin, Lawyer, Ekaterina Solonitsyna, Senior Lawyer, (all of Gorodissky & Partners, Ekaterinburg), and Valery Narezhny, Ph.D., Counsel (Gorodissky & Partners, Moscow), spoke on “Utility models patenting after changes in the regulatory system on individual cases examples”, “Some issues of intellectual property protection”, “Service inventions. How to protect the rights of the inventor Intellectual property in corporate relations”, “Taxation of intangible assets” at the Seminar “Intellectual Property in the Activity of Organizations” held by Gorodissky & Partners in cooperation with the Administration of Ekaterinburg and Ekaterinburg Center for Entrepreneurship Development.

24.04.2018 // LONDON

Natalia Nikolaeva, Partner, Trademark Attorney, Lead Lawyer (Gorodissky & Partners, Moscow), spoke on “Recent approaches to pharma litigation in Russia” at the European Life Sciences Forum 2018 organized by MIP.



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