

Starting from 1st January 2008, the new IV Part of the Russian Civil Code, which is completely dedicated to intellectual property, took effect.

The regulations of Part IV of the Russian Civil Code superseded most of the statutory acts that had been regulating this branch of the civil law, including the Russian Patent Law No. 3517-1 of 23rd September 1992, the Law "On Trademarks, Service Marks and Appellation of Origin" No. 3520-1 of 23rd September 1992, the Russian Law "On Copyright and Related Rights" No. 5351-1 of 9th July 1993, the Provisions on a Firm of 1927, Art. 138-139 of the Russian Civil Code. Besides, amendments have been made also, among other things, in Art. 2, 11, 35, 49, 51, 54, 64, 128, 129, 131, 132, 235, 243 and 256 of the Russian Civil Code, provisions on franchising. The Civil Code has been supplemented with article 152.1 dealing with citizen's image protection.

Unlike Art. 138 of the Russian Civil Code in the previous version, the new part of the Civil Code provides an exhaustive list of intellectual property objects. For instance, commercial designations have become an officially recognized object of intellectual property for the first time.

Below we present review of novels related to trademarks, company names and commercial designations.

AGREEMENTS

The right holder may exercise the exclusive right to an object of intellectual property (i.e. property right) by any method that does not contradict the Law and the essence of such an exclusive right.

Item 5, Art. 1233 establishes that an exclusive right may be an object of pledge. This regulation has been set forth at the legislative level for the first time. By virtue of Item 2, Art. 1232 a pledge of exclusive right to the trademark is subject to the state registration.

Art. 1234 and 1235 provide definitions of the *assignment and license agreements*. The former is understood as an agreement under which "one party (the right holder) transfers or undertakes to transfer fully its exclusive right to a result of intellectual activities or to a means of identification to another party (assignor)", while the license agreement is defined as an agreement according to which "one party – the holder of the exclusive right to a result of intellectual activities or to a means of identification (licensor) grants or undertakes to grant to another party (licensee) the right of use of such a result or such a means within the limits provided for by the agreement".

Assignment agreement and a license agreement may be gratuitous, provided that a nonprofit legal entity or a citizen is a party to the agreement. Art. 575 of the Russian Civil Code prohibits gratuitous deals between profit-making legal entities. A statement of the paid basis of an agreement obliges the parties to specify the amount of remuneration or way of its calculation (Item 3, Art. 1234 and Item 5, Art. 1235 of the Russian Civil Code).

The license agreement, a definition of which has appeared in Russia's legislation for the first time, has been subjected to a more detailed regulation. Any license agreement made after 1st January 2008 must provide for the following particulars:

- 1) subject of the agreement with the number and date of issue of the document confirming the exclusive right (where appropriate);
- 2) means of using of the exclusive right;
- 3) limits of the granted rights (e.g., an ordinary (non-exclusive) or exclusive license may be provided in respect of various ways of using the IP object);
- 4) contractual territory (if no particular territory is specified, it is supposed that the granted right is valid throughout the territory of Russia);
- 5) validity period of the license agreement, which in any case may not exceed the period of the exclusive right (if the validity period of the agreement is not defined, the agreement shall be considered as concluded for 5 years);
- 6) amount of remuneration or way of its calculation, if the agreement is made on a paid basis;
- 7) condition on quality of licensed goods, if a trademark is the subject of the agreement (Item 2, Art. 1489 of the Russian Civil Code).

It should be noted that the licensor is no longer obliged to exercise supervision over licensee's observance of the goods quality condition; the licensor may supervise the licensee, if the licensor wishes so (Item 2, Art. 1489 of the Russian Civil Code). And *"the licensee and the licensor shall bear joint and several liability in respect of the requirements for the licensee as the manufacturer of goods"*.

Item 1, Art. 1238 of the Russian Civil Code provides for licensor's written consent to the licensee granting a sublicense. It is not quite clear so far whether a special written permission will have to be requested from the licensor or will the consent included in the license agreement be enough. Judging by the wording of Item 1, Art. 1238, the licensee will have to request a separate permission of granting a sublicense each time.

The new part of the Civil Code has retained the provision of the impossibility of recording a trademark assignment if such assignment is misleading the consumers. Besides, there is a new regulation making it possible to recognize as invalid a trademark assignment as a result of enterprise reorganization, if such assignment is misleading consumers as to the goods or their manufacturer.

TRADEMARK

The article on **grounds for refusal** to register a trademark has been seriously amended. Thus, identity or similarity of a trademark into confusion with the *"company name or commercial designation (individual elements of such names) or with the name of a selection registered in the Public Register of Protected Selections, other persons' rights to which arose in Russia earlier than the date of priority of the trademark may serve as a ground for refusal to register a mark/recognition of the registration of a trademark invalid in respect of homogeneous goods"* (Item 8, Art. 1483 of the Russian Civil Code).

On the one hand, as compared to the previous regulation, the cited ground for refusal is broader.

Firstly, according to the new part of Civil Code, a trademark may be refused to be registered even if it is similar to the extent of confusion with the *company name* (the former Law provided for only identity of a trademark and the company name (a part of it). Secondly, holders of rights to a *commercial designation*, quite a new object of intellectual property stipulated in the legislation, and holders of rights to a selection have been given certain rights.

On the other hand, according to Item 1, Art. 1475 of the Civil Code, now only the profit-making organizations whose company name is included in the Unified State Register of Legal Entities have the exclusive right to the company name, i.e. the right of foreign companies whose company name has not been entered in the Unified State Register of Legal Entities is neither recognized, not protected in the Russian Federation, which, in our opinion, contradicts Art. 8 of the Paris Convention for the Protection of Industrial Property.

The right to a commercial designation, i.e. name of a trade establishment, industrial or other enterprise, which is not a company name and is not subject to mandatory entering in the incorporation documents and the Unified State Register of Legal Entities, is also recognized in the Russian Federation, provided the trade establishment, industrial or other enterprise is located in the Russian Federation (Art. 1538 and 1540 of the Russian Civil Code). Infringement of foreign companies' rights and absolute neglect of the standards of international law are obvious.

Identity of a trademark with the *domain name* is also a ground for filing an opposition against trademark registration (Item 9, Art. 1483 of the Russian Civil Code). The Article does not specify in what zone a domain must be registered, whether it must be used in respect of homogeneous goods or services, or whether the mark may be cancelled even on the basis of an inactive domain. The obvious deficiency of the law regulation may generate a huge number of problems for conscientious holders of trademarks, for it is much simpler and less expensive to have a domain name registered than to obtain an exclusive right to a trademark.

It should be noted that the limits of examination of a claimed name by Rospatent are restricted by Items 1-7, Art. 1483 of the Civil Code (i.e. absolute grounds for refusal and relative ones – earlier registered trademarks and pending applications, appellations of origin). Holders of the priority right to industrial designs, company names, commercial designations, domain names, copyright, name, portrait, facsimile of a reputable person can oppose registration of a trademark after its registration and publication at the Chamber for Patent Disputes.

Another serious novelty has been introduced to the provision on **cancellation of a trademark due to non-use**. According to Item 2, Art. 1486 of the Civil Code, the use by any person under the supervision of the rightholder even without making a license agreement may be recognized as proper use of a trademark.

Then, now the documents showing the use of the trademark on the Internet, in a domain name, on corporate records are considered as adequate evidences of use of the mark *"except for the cases when respective actions are not directly related to introducing the goods into civil circulation on the Russian territory"* (Item 2. Art. 1486 and Item 2, Art. 1484). The former version of the Law recognized as adequate evidence only the documents showing the use of a mark on goods or their packaging, while copies of advertising documents were considered as secondary evidence.

Now any oppositions and cancellation requests may be submitted to the Chamber for Patent Disputes only by the **interested party** (the previous version of the Law did not require a proof of interest from the opponent or applicant).

Besides, the **obligation of the rightholder to notify Rospatent of any changes** in the name or address of the rightholder is established (Art. 1505 of the Civil Code). For a long time, notification of a change was a right, not obligation, of the rightholder. No sanctions for failure to notify Rospatent in time on a change in the name or address of the rightholder have been provided for, however, consideration of the opposition or cancellation request without the participation of the rightholder may be a kind of a punishment (e.g., if the file contains a postal notification of sending a copy of an opposition/cancellation request to the previous address of the rightholder).

The article on **kinds of liability for illegal use of a trademark** has been changed, too. Among other things, the amount of pecuniary compensation that the rightholder is entitled to demand from the infringer has been changed from 10,000 roubles to 5 million roubles (100,000 roubles used to be the minimum rate). However, at the same time it has become possible to demand that the infringer pay the *"double amount of the value of the goods on which the trademark was placed illegally"* (provided such amount can be proven by documents, e.g., by records of seizures) or the *"double amount of the value of the right of use of the trademark, determined proceeding from the price that, under comparable circumstances, is normally recovered for legal use of the trademark"* (Art. 1515 of the Civil Code).

COMPANY NAMES AND COMMERCIAL DESIGNATIONS

Company names and commercial designations are means of identification of civil circulation participants.

A **company name** is a means of identification of a profit-making organization, must be defined in the incorporation documents of such an organization and included in the Unified State Register of Legal Entities (Item 1, Art. 1473 of the Civil Code), the right to a company name arising from the date of registration of the profit-making organization in the Unified State Register of Legal Entities and ceasing to exist from the moment it is deleted from the Register (Item 2, Art. 1475 of the Russian Civil Code).

In our opinion, the wording of Item 1, Art. 1473 and Item 1, Art. 1475 on obligatory statement of the company name in the Unified State Register of Legal Entities contradicts the standards of

international law, among other things, Art. 8 of the Paris Convention for the Protection of Industrial Property, to which Russia is a member.

As compared to the previous version of the Russian Civil Code, Item 2, Art. 1474 prohibits granting to another legal entity the right of using the company name (previously, such a right could be granted under a franchising agreement. Now the right of use of a commercial designation may be granted under a franchising agreement).

Item 3, Art. 1474 sets forth the grounds on which a holder of a right to a company name with a later priority may be demanded to change it. Unlike the judicial practice that has been existing, the Article does not require a full identity of company names (similarity to the extent of confusion is allowed, too) or geographical intersection of the disputing parties' areas of activities.

It should be noted that the new part of the Civil Code has not resolved the issue of whether the company name can be changed upon demand of a holder of the right to an identical or confusingly similar trademark with an earlier priority date, provided the areas of activity of the trademark and company name rightholders cross. At the same time, holders of the right to a company name are entitled to oppose registration of the trademark under certain conditions (Item 8, Art. 1483).

The right to a **commercial designation** has been recorded in the legislation for the first time as a means of identification trade establishments, industrial and other enterprises of profit-making and nonprofit legal entities and self-employed entrepreneurs based in the Russian Federation. Commencement of the right to a commercial designation is not related to entering into the incorporation documents of companies or the Unified State Register of Legal Entities and is limited by the territory within which the commercial designation has become known (Item 1, Art. 1539 of the Civil Code).

The right to a commercial designation ceases to exist, if the commercial designation has not been used by the right holder continuously for a year (Item 2, Art. 1540). It is assumed that evidence of continuous use of a commercial designation by the methods listed in Item 1, Art. 1539 may be useful for confirming the date of commencement of the right to the commercial designation or in case of a judicial contest, therefore is it advisable to collect evidence of using the commercial designation (on the signboards, business documents, invoices, in advertisement, on the goods and their packaging).

The holder of the priority right to a company name, trademark or a commercial designation may also demand that the user of the older commercial designation stop using it and provide reimbursement for losses, if consumers are misled as a result of such use (Art. 1539 of the Russian Civil Code).

An exclusive right to a commercial designation may be assigned under an agreement of cession (with the enterprise only) or agreement of franchising (Items 4-5, Art. 1539 of the Russian Civil Code).