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## INTELLECTUAL PROPERTY 2016



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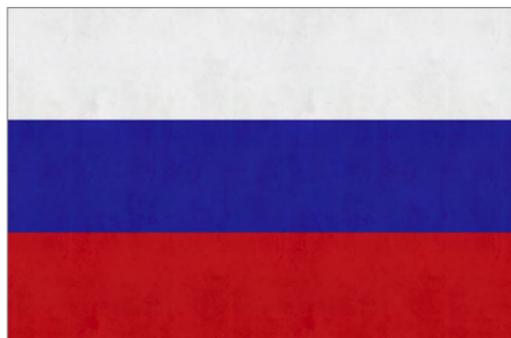
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## IPR equally valuable in Russia as in other regions

*By Erik Goussev*

Bureaucracy is regarded as one of the problems with doing business in Russia. The country is known for government ineffectiveness when it comes to registration of any documents with the state officials. Examination and registration of intellectual property rights (IPR) by the Russian Patent Office, however, is done efficiently and without unnecessary delays.

Neither duration nor complexity of the IPR registration process was regarded as a problem by representatives of Finnish companies operating in Russia, according to a study conducted



by Aalto University. Commissioned by Papula-Nevinpat, the study focused on the experiences of Finnish companies in the exploitation of intellectual property rights in Russia and four Eurasian countries. The companies saw Russia's future economic development and political stability as the main challenge. Although sanctions have disrupted operations in Russia to a fair degree, it

is the weakening of the Russian rouble late last year that has caused the biggest problems.

The aim of the study was to provide up-to-date information on Finnish companies' intellectual property rights in Russia, Belarus, Ukraine, Kazakhstan and Uzbekistan. Focus on Russia is understandable, as the share of Finland's export to that region has been around 10% in recent

years. Based on the number of Finnish subsidiaries in 2013, Russia came third after Sweden and Estonia, and was also the third based on the turnover and the number of personnel. In terms of investments, Russia is by far the largest host country for subsidiaries of Finnish companies. Euro-denominated investments in Russia increased 2.5-fold from 2012 to 2013.

The study consisted of a survey as well as interviews with representatives of the Finnish companies. Nearly two-thirds of the respondent

companies were industrial enterprises, while nearly one-fifth of the responding companies were from the service sector. The companies that participated in the study represented large Finnish companies reasonably well, as the respondents corresponded to almost 10% of Finland's enterprise sector based on the total combined turnover and the number of personnel.

The companies reported that the effects of EU sanctions and counter sanctions have been mainly negative. The decreasing purchasing power of Russian companies and consumers caused by the weakening rouble seems to have had even greater negative effects than the sanctions on the companies' operations in Russia. However, despite the weak rouble and ongoing sanctions, foreign applicants have not lost their interest in Russia and continue to actively pursue IPR protection. According to the annual report of the Russian Patent Office, the number of patent applications filed by foreign applicants has grown each year from 2010 to 2014. The filing of trade mark applications has also grown annually from

2010 to 2013, before decreasing by 10% in 2014. The increased IPR filing activity by foreign applicants is also displayed by growth in the numbers of utility model applications and industrial design applications, which in 2014 increased by 89% and 48%, respectively, compared to 2010.

The most important type of intellectual property right held by the respondent companies was their trade mark, followed by their domain name and patents. Utility models received only little recognition. Despite being overlooked by foreign applicants, a Russian utility model registration is a strong form of protection that is popular especially amongst local inventors, entrepreneurs and small & medium-sized enterprises. It should be considered by every company entering the Russian market. However, it is often neglected by non-Russian applicants in favor of the invention patent; while in 2014 foreign applicants filed 40.3% of all annual patent applications, the number of utility model applications filed in 2014 (952) corresponds only to 6.8%. The Russian utility model system was based on the corresponding German





legislation with an aim to provide an industrial property right that can be obtained relatively quickly, without a complex examination procedure, and suited to devices and apparatuses having a short commercial life. Like in some of the Western jurisdictions, methods, processes, compositions, chemical compounds or their use cannot be protected by a utility model in Russia.

The straightforward and inexpensive procedure, which was based on granting the utility model on the applicant's responsibility without examination as to novelty, attracted local applicants pursuing registrations in bad faith. Another reason for those registrations was a rather unusual definition of the prior art relating to a utility model. According to the legislation, publicly available information that became known through sale or use of a product outside of the Russian Federation was not regarded as a novelty destroying prior art for utility model applications. In practice, anyone could register a utility model in Russia that related to a product sold or used outside of the Russian Federation; as long as information

relating to such a product was not published in e.g. magazines, journals or patent publications. For these reasons, numerous utility models were granted, despite their known subject matter. Russian officials and patent attorneys were aware of the problems associated with the ongoing malpractice. This issue was addressed in the amended Civil Code, which came into force on 1 October 2014. According to the new legislation, all utility model applications filed on or after 1 January 2015 are examined as to novelty. When assessing novelty, all publicly available information anywhere in the world is considered. The maximum protection term has been shortened from 13 years to 10 years. The novelty examination and a term of protection that is in line with the international practice will decrease the likelihood of utility model abuse and improve the credibility of the Russian utility model system.

Since the first Patent Law of the Russian Federation came into force in 1992, the Russian IPR legislation has seen several major reformations. The improved legislation, which is

a step closer to that of the Western jurisdictions, is one of the positive experiences pointed out by the respondents of the Aalto University study. The Finnish companies also valued Russia's WTO membership, unbiased and high-quality substantive examination carried out by the Patent Office in addition to an unbiased and transparent IP Court. Operating in Moscow since July 2013, the Court has raised awareness of the IPR matters among the Russian companies. It reviews regulatory acts of the Russian Patent Office, decisions of the federal antimonopoly authority, disputes over the ownership of IPR and claims to invalidate IPR registrations (except copyright and related rights). In its second role as a cassation instance, the Court reviews IPR infringement cases. In addition to every decision, the Court also publishes comprehensive statistics biannually. In 2014 and the first half of 2015, the success rates in appeals filed with the IP Court were similar for both domestic appellants and parties outside the CIS-region, suggesting that foreign and Russian companies are treated equally.

The respondents of the Aalto University study felt that the awareness and respect of the IPR are growing amongst local companies, and reported that in certain cases it was possible to successfully stop patent or trade mark infringements even without filing a lawsuit. On a general level, almost all respondents noted that in terms of meeting the protection objectives there were no differences between Russia and Eurasia and the other countries. Also, no significant difference was experienced when considering the costs of filing and prosecuting IPR applications in Russia and other Western or Asian countries.

The representatives of Finnish companies gave a clear message to those in the process of entering the Russian or Eurasian market: if a company intends to protect intellectual property rights, it is absolutely necessary to take care of the protective measures, such as trade mark and domain name registrations, before entering the market. Despite the challenging economic situation, the Russian Patent Office and IP Court issue decisions on time and treat domestic and

foreign applicants equally. The company's strategy and business goals, in addition to the competitors' location and patent practices, should dictate whether to pursue IPR protection in Russia and the Eurasian region.

#### **Erik Goussev**

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*Erik earned his Master of Science in physics from the University of Helsinki in 2006.*

*Erik joined Papula-Nevinpat in 2007 as a patent agent in the Eastern Patent Department and his primary area of expertise is patent legislation, patenting processes and searches in Russia and the Eurasian countries. He has written articles on various intellectual property issues in Russia and Eurasia in domestic and international publications. In addition, Erik's patent experience includes drafting*

*and prosecuting patent applications. Before joining Papula-Nevinpat, Erik completed a training in the European Organization for Nuclear Research CERN (2003) and worked as an R&D engineer for one of the world's leading designers and manufacturers of silicon capacitive sensors (2004-2006).*

#### **Primary technical fields**

*Physics, measuring technology, semiconductor sensors and MEMS. Patent legislation, patenting processes, strategies and searches in Russia and the Eurasian countries.*

#### **Memberships**

*SPAY (The Association of Finnish Patent Attorneys), FICPI*

#### **Scientific publications**

*V. Berardi et al, TOTEM: Total Cross Section, Elastic Scattering and Diffractive Dissociation at the Large Hadron Collider at CERN, Technical Design Report,*

*TOTEM-TDR-001, CERN-LHCC-2004-002  
V. Berardi et al,  
TOTEM: Total Cross Section, Elastic Scattering and Diffractive Dissociation at the Large Hadron Collider at CERN, Technical Design Report - Addendum,  
TOTEM-TDR-001-Add1, CERN-LHCC-2004-020*

#### **Other recent publications**

*E. Goussev, "Two years of the Intellectual Property Court", World Intellectual Property Review September/October 2015  
E. Goussev, "Patents Opposition", the Lawyer Monthly Magazine, issue 59-15  
E. Goussev, "Reform of the Russian Law", Global IP DB of the Japan Patent Office, January 2015  
E. Goussev, "Changes to practice relating to patents and utility models", World Intellectual Property Review September/October 2014*

#### **Languages**

*Finnish, Russian, English, (Swedish)*

