

PROTECTION OF INDUSTRIAL PROPERTY: RUSSIAN PATENT AND INTELLECTUAL PROPERTY LAW

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There are those who might be uneasy with the concept of owning what doesn't exist. Intellectual property, also called "industrial property," might "be described as a system of rights in things that are not really there"¹

Intellectual property is "property," but is not property like land or cars, which can be seen and touched. By their very nature as "intellectual," intellectual property rights are often more difficult to comprehend. Nevertheless, intellectual property such as patents, trademarks, copyrights, and trade secrets can constitute a significant portion of a company's assets. For companies such as oil and gas firms operating in Russia, it is important to secure these rights under Russian law.²

Typically, under Western law, which developing countries such as the Russian Federation are beginning to emulate, intellectual property is subdivided in the following general way: patents protect inventors' rights in inventions; trademarks cover marks used to identify and distinguish the producers of goods; copyrights protect original works of authorship, such as literary and artistic works, fixed in a tangible medium of expression; and trade secret laws protect formulas, devices, processes, or information kept secret from competitors.

During the Soviet regime, intellectual property rights of foreigners were not adequately protected. Since the collapse of the Soviet Union, Russia has drafted new laws covering all areas of intellectual property, which help to bring Russia's intellectual property protection more into alignment with those of the Western world. This article focusses primarily on the new Russian patent regime, which is of special interest to technology-dependent oil and gas companies doing business in Russia, although other areas of

intellectual property law are discussed briefly.

Copyrights

A new law "On Copyright and Neighboring Rights" became effective in August 1993,³ which protects literary and artistic works. The duration of copyrights is 50 years after the author's death. As in the U.S., all copyrights are effective whether or not the work is registered.⁴ Computer programs themselves cannot be patented, although they may be copyrighted. Rights in computers programs and databases are provided for in the "Law of the Russian Federation on the Legal Protection of Computer Software and Databases of 1992."⁵

The "Law of the Russian Federation on the Legal Protection of Topographies of Integrated Microcircuits of 1992" provides for protection of the three-dimensional structure or "topography" of integrated circuits. A topography must be original to be protected. The protection, once obtained, lasts 10 years.

Trademarks

Under the "Law of the Russian Federation on Trade Marks and Service Marks and Appellations of Origin of 1992," trademarks formerly registered in the USSR remain valid and may be renewed in Russia under the new law. Trademarks last 10 years from the date the application is filed, and may be renewed indefinitely for further 10-year periods.⁶ Marking of items is not

required, but the trademark registration symbol may be used.

Patents

Laws pertaining to patents came into force in October 1992.⁷ Patents granted in the former Soviet Union remain valid in Russia.⁸ The legislation also covers utility models and industrial designs, which are related to patents and are discussed further below. The proposed patent law was initially delayed because of disagreements between the Russian Federation and its constituent republics and subregions.

The amended law that passed now provides that the patent law "and legislative acts which may be effected on the basis of this law by Republics of the Russian Federation" covers (1) inventions, (2) utility models, and (3) industrial designs. Thus, the Patent Law of the Russian Federation 1992 ("Patent Law") may be supplemented with legislation passed by the constituent republics.⁹ I am not currently aware of any significant legislation passed by any of the Russian Federation republics pursuant to this provision of the Patent Law. The Patent Law is discussed in further detail below.

Patents in Inventions

Patentability and Term. An invention may be patented under the Patent Law. Protection lasts for 20 years from the date of the filing of the application with the Patent Office.¹⁰ (The term in the U.S. is 17 years, but could be changed by Congress to a 20-year term some time in the near

future.)¹¹ An invention is patentable if it (1) is novel, (2) inventive, and (3) is industrially applicable.¹² These requirements are analogous to the requirements in the U.S. that an invention be new (novel), unobvious (inventive), and useful (industrially applicable).¹³

Types of inventions that may be patented include a device, a process, a substance, a strain of microorganism, and cultures of vegetal or animal cells, as well as the use of a known device, process, substance, or strain for a new purpose.¹⁴

Several things may not be patented, including: scientific theories and mathematical methods; methods of economic organization and management; methods for performing mental acts; algorithms and programs for computers (apparently unlike U.S. law);¹⁵ projects and plans for constructions, buildings, and territorial development; topologies of integrated microcircuits; plant varieties and animal breeds; proposals contrary to the public interest, principles of humanity, or morality.¹⁶

Priority. In Russia, as in most of the rest of the world except America, priority in patents is determined on a first-to-file basis. In other words, if two applications are filed covering the same invention, the inventor who was first to file an application is entitled to a patent.¹⁷ In the U.S., by contrast, the first inventor, even if he files after the second inventor, can have priority.

Novelty, Unobviousness, and Utility. An invention is new if it is not known, judging by the state of technology, or "prior art" as it is called in the U.S. This prior art to be examined includes any information generally available anywhere in the world before the priority date of the invention. The prior art includes all patent applications with earlier filing or priority dates filed in Russia by other persons for inventions and utility models (except those that were withdrawn), as well as inventions and utility models already patented in Russia.¹⁸

An invention is inventive, or unobvious, if, judging by the prior art, it is not obvious to an expert in the field. An invention is industrially applicable, or useful, if it may be used in industry, agriculture, public health, and other types of activities.¹⁹

Publication. The Russian Patent Office will publish an application 18 months after filing, unless it is withdrawn, unlike in the U.S. where publishing only occurs if the patent is granted.²⁰ This publication requirement should be kept in mind where trade secrets are very important, since the disclosure of the invention by publication may destroy trade secret rights. If the application is published, but the patent does not issue for some reason, trade secrets may be lost without the normal consolation of patent rights to make up for the loss.

Working. Unlike under U.S. law, a patent must be "worked" to keep full patent rights alive. If the patent owner does not sufficiently use the invention within four years of the date the patent is granted, any person can request from the Supreme Patent Board of the Russian Federation a compulsory license (see below) if the patentee refuses to enter into a licensing arrangement.²¹

Compulsory License. Also unlike American law, a compulsory license may be granted where the patent is not sufficiently worked, as discussed immediately above.²² A compulsory license may also be granted if the patent owner cannot use his invention without violating another patent.²³ Additionally, the Russian government has the right to use the invention without the owner's consent in certain cases, but must pay compensation for the use.²⁴

Licensing. Both exclusive and nonexclusive licenses may be granted. However, any licensing contract that is not registered with the Patent Office will be regarded as null and void.²⁵ If the patent is owned by more than one person, unless agreed upon otherwise each owner may use the invention, but consent of all co-owners is necessary to assign or license the patent.²⁶

Marking. There are no provisions for marking of patented items.²⁷

Infringement. Various acts are considered to be an infringement of a patented product or process: an unauthorized manufacture, use, importation, offer to sell, sale, other marketing or storage for this purpose of the patented product, and use of a patented process, and commercialization or storage for that purpose of a product directly manufactured by a patented process.²⁸

Other acts are not recognized to be infringing, including the use of a patented invention for private and non-profit making purposes only, certain transportation uses, and others.²⁹ Additionally, a person who, before the priority date of the invention, has exploited in Russian territory and independently created the invention, is entitled to continue to such use free of charge. However, the scope of the use may not be enlarged, and this prior right may be transferred only with the production unit in which the use or the preparations therefor have been made.³⁰

Infringement actions may be brought in the appropriate court, to seek remedies such as injunctions and damages.³¹ Additionally, arrogation of authorship of an invention, obtaining co-authorship by coercion, or illegal disclosure of information about a patented invention can result in criminal liability.³²

Utility Models

A utility model certificate or patent (called a "petty patent" in some parts of the world) may be granted for a "utility model," instead of a regular patent.³³ Utility models must be new and susceptible of industrial application, but need not have an inventive step.³⁴ The term is 5 years from the application date, plus an additional 3-year extension.³⁵ Many of the remaining provisions concerning utility models are similar to those regulating patents for inventions.

Industrial Designs

Under the Patent Law, an industrial design patent may be granted for a new artistic or artistic-constructional solution that determines the outer appearance of a product. The design must be (1) new, (2) original or "ingenious," and (3) applicable in industry.³⁶ The "industrial design shall be recognized as new if the totality of its essential features defining the aesthetic and/or ergonomic peculiarities of the article is not known from the data generally available in the world before the priority date of the industrial design."³⁷ Industrial design patents last 10 years from the date the application is filed, with one 5-year renewal.³⁸ There are no provisions in the Patent Law for marking of industrial designs.³⁹

Ownership of Patents by Employers

Where an invention (or utility model or industrial design) is made by an employee in the course of his employment, the employer will have the right to apply for the patent, similar to American law.⁴⁰ However, unlike American law, in Russia if the employer obtains the patent, or keeps the invention secret or through its own fault fails to obtain a patent, the employee is entitled to compensation according to the profit the employer made or could have made. The law is far from clear, indicating a lack of familiarity and/or respect for free-market principles. If the employer does not file for a patent within 4 months after being informed of the invention by the employee, the employee may file for and obtain the patent himself. However, in this case the employer may still use the invention in its own enterprise (similar to the "shop right" doctrine in America); but must pay the employee for this right.⁴¹

Treaties

A new treaty known as the Eurasian Patent Convention had been expected to be ratified by the 15 former Soviet States in January of this year (1994), although it is not known as of this writing whether the treaty is in force. Under this treaty, a patent applicant would be able to file one application, in Russian, which would be recognized in all 15 countries.⁴²

Russia is also a member of several important international intellectual property treaties, including the Patent Cooperation Treaty ("PCT"). Under the PCT, membership of the former U.S.S.R. of which Russia continues, the Russian Federation may be designated in international applications filed under the PCT.⁴³ The PCT provides for the filing of patent applications covering the same invention countries that are members of the PCT, including America, Japan, and most Western European countries.

For example, under the PCT, a U.S. inventor or company could file a standard U.S. patent application. Within one year, an international patent application may be filed under the PCT claiming the same invention. The international application may claim the priority date of the U.S. application, and is filed in a Receiving Office, such as the U.S. Patent

& Trademark Office. When the international application is filed, the applicant must designate the various member countries, such as Russia, where patent protection is sought.

The recently-enacted Bilateral Investment Treaty between the U.S. and Russia⁴⁴ ("U.S.-Russia BIT") sets forth standards for treatment of foreign investors in areas such as expropriation of property, repatriation of funds, and settlement of investment disputes. The presence of this BIT provides a strong incentive for Russia to honor its obligations under international law and its agreements with the investor. The U.S.-Russia BIT provides a regime that reduces the political risk of investing in Russia.

For example, the BIT contains relative treatment provisions, which means that Russia must treat U.S. investments as well as it treats investment from any other countries, and absolute treatment provisions, under which Russia must treat U.S. investment fairly and equitably, in accordance with international law, regardless of how it treats non-U.S. investment. Under the BIT, any taking or expropriation of a U.S. investment is only allowed if the expropriation is (1) for a public purpose; (2) performed in a nondiscriminatory manner; (3) upon payment of prompt, adequate and effective compensation; and (4) in accordance with due process of law.

It is also significant that "investment" is defined as "every kind of investment, in the territory of one Party owned or controlled by nationals or companies of the other Party, such as equity, debt, service and investment contracts, and includes . . . intellectual property which includes, inter alia, rights relating to: literary and artistic works, including sound recordings, inventions in all fields of human endeavor, industrial designs, integrated circuit layout designs, know-how, trade secrets, and confidential business information, and trademarks, service marks, and trade names . . ."⁴⁵

Finally, the Patent Law itself provides that, "Where an international treaty to which the Russian Federation is a party contains provisions that differ from those contained in this Law, the provisions of such international treaty shall prevail."⁴⁶ This reinforces that international treaties,

such as the U.S.-Russia BIT, will continue to apply to rights created under subsequent laws.

Conclusion

Although it is fairly easy to demonstrate the basis for classical property rights such as rights to immovables like land and factories, and to movables⁴⁷ such as cars, machines, fruits, and our own bodies, the legitimacy of intellectual property continues to be debated.⁴⁸ However, when even former communist regimes start adopting Western models of patent and copyright law, it looks as if intellectual property is here to stay. As long as this is the case, companies will need to ensure that they take maximum advantage of the legal protection available for their trademarks, trade secrets, copyrightable works, and inventions.

Endnotes

1. See Stephen L. Carter, "Owning What Doesn't Exist," 13 Harv. J. L. & Pub. Pol'y 99, 99 (1990).
2. For discussion of general ways to protect investments in Russia and other developing countries, see the following articles by Paul E. Comeaux and N. Stephan Kinsella: "Reducing the Political Risk of Investing in Russia and Other C.I.S. Republics: International Arbitration and Stabilization Clauses," Russian Oil & Gas Guide p. 21 (Vol. 2, No. 2, April 1993); "Political Risk and Petroleum Investment in Russia," Currents, International Trade Law Journal Summer 1993, p. 48; "United States Bilateral Investment Treaties with Russia and Other C.I.S. Republics," Russian Oil & Gas Guide p. 23 (Vol. 2, No. 3, July 1993); "Insurance for U.S. Investments in Russia and Other C.I.S. Republics: MIGA and OPIC," Russian Oil & Gas Guide p. 3 (Vol. 2, No. 4, October 1993); and "Reducing Political Risk in Developing Countries: Stabilization Clauses, Bilateral Investment Treaties, and MIGA & OPIC Investment Insurance," N.Y. L. Sch. J. of Int'l and Comp. Law (forthcoming September 1994). Other articles that may be of interest to oil & gas companies investing in Russia are Betty M. Ellsworth, "Intellectual Property: Protecting Your Client's Technology in the Oil Patch," 11th Annual Advanced Oil, Gas & Mineral Law Course, Tab L (Dallas, Texas, October 14-15 1993); and Stephen H. Cagle & Pamela H. Wimberly, "An Overview of Intellectual Property Law in Eastern Europe," State Bar of Texas PDP Advanced International Law Institute: Investment and Trade with Emerging Economies, Tab C (Houston, Texas, May 14 1993).
3. "Russian Federation: Copyright Law Enters Into Force Following Yeltsin's Signature," 7 World Intell. Prop. Rep. 237 (1993).
4. "Yeltsin Signs Russian Copyright Law," 5 J. Proprietary Rts. 29 (1993).
5. "Russia" section, Manual Industrial Property (Supplement No. 67, January 1993) (hereinafter, "Manual"), at 13; see also "Russian Federation: Law on the Legal Protection of Computer Programs and Databases" (September 23, 1992).

32 I.L.M. 1646 (Christopher Osakwe trans. 1993), and "Russian Federation: Decree of the Supreme Soviet on the Law of the Legal Protection of Computer Programs and Databases" (September 23, 1992), 32 I.L.M. 1659 (Christopher Osakwe trans. 1993). These and other laws discussed in this article are also available from ASET Consultants, Inc., 2009 North 14th Street, Suite 214, Arlington, VA 22201; phone (703) 516-9266; fax (703) 516-9269.

6. Manual, 2, 14.

7. Manual, 1.

8. Manual, 3.

9. "Russian Federation: Patent Law" (September 23, 1992), 32 I.L.M. 1614, 1624 (Christopher Osakwe trans. 1993). See also "Patent Law of the Russian Federation," 6 World Intell. Prop. Rep. 347 (Evgeniy M. Buryak trans. 1992); "Russia Enacts Intellectual Property Laws," 4 J. Proprietary Rts. No. 12 (December 1992), p. 32; Manual, 2. The Osakwe translation is somewhat different from the Buryak translation. Because the Osakwe translation was published later and in International Legal Materials, a near-standard reporter for such materials, the Osakwe article numbering and translation will be followed and referred to in cases of conflict.

10. Patent Law, art. 3; Manual, 4.

11. "Legislation for 20-Year Patent Term," 47 Pat., Trademark & Copyr. J. 504 (April 7, 1994).

12. Patent Law, art. 4(1).

13. 35 U.S.C. 101-103.

14. Patent Law, art. 4(2).

15. In the U.S., certain processes are potentially patentable even if they include the use of a mathematical algorithm and a programmed computer to do the calculations. *Parker v. Flook*, 437 U.S. 584, 98 S.Ct. 2522, 198 USPQ 193 (1978); *Arrhythmia Research Technology v. Corazonix Corporation*, 958 F.2d 1053, 22 USPQ2d 1033 (Fed. Cir. 1992). See also Gustavo Siller, Jr. & Jonathan E. Retsky, "Patent and Trade Secret Protection of Computer

Technology," 6 APR Software L. J. 239 (1993); Stephen G. Kunin, "Patentability of Computer Program Related Inventions in the United States Patent and Trademark Office," 76 JPTOS 149 (March 1994); Roger L. Cook, "The Software Industry Anticipates a Flood of Patent Litigation," Nat'l Law J. 52 (Monday, January 24, 1994); Terrance A. Meador & Norman E. Brunell, "Software Patent Applications," in *How to Write a Patent Application* ch. 12 (Jeffrey G. Sheldon, ed., 1993).

16. Patent Law, art. 4(3).

17. Patent Law, art. 19; Manual, 4.

18. Patent Law, art. 4(1).

19. Patent Law, art. 4(1).

20. Patent Law, art. 21(6).

21. Patent Law, art. 10(4).

22. Patent Law, art. 10(4).

23. Patent Law, art. 10(5).

24. Patent Law, art. 13(4).

25. Patent Law, art. 13.

26. Patent Law, art. 10(1).

27. Manual, 13.

28. Patent Law, art. 10(3).

29. Patent Law, art. 11.

30. Patent Law, art. 12.

31. Patent Law, art. 14.

32. Patent Law, art. 32.

33. Manual, 19.

34. Patent Law, art. 5.

36. Manual, 20; Patent law, art. 3. (The period 6 rather than 5 years is listed the Buryak translation of the Patent Law, art. 4.)

36. Patent Law, art. 6(1); Manual, 22.

37. Patent Law, art. 6(1).

38. Patent Law, art. 3; Manual, 23.

39. Patent Law; Manual, 26.

40. Patent Law, art. 8; Manual, 5; Paul C. Van Slyke & Mark M. Friedman, "Employer's Rights to Inventions and Patents of Its Officers, Directors and Employees," 18 AIPLA Q.J. 127 (1990); Donald S. Chisum, *Patents* 22.03 (1994).

41. Manual, 5; Patent Law, art. 8 (the Buryak translation lists 3 months rather than 4, Patent Law art. 9 (Buryak translation)).

42. "Former Soviet States Agree on Patent Applications," 6 J. Proprietary Rts. 36 (1994).

43. Manual, 8.

44. Treaty Between the United States of America and the Russian Federation Concerning the Encouragement and Reciprocal Protection of Investment, with Annex, Protocol, and related exchanges of letters, in Senate Treaty Document No. 102-33 102d Cong., 2d Sess. (1992), reprinted in 31 I.L.M. 794 (1992). For further discussion of the U.S.-Russia BIT, see Paul E. Comeaux & N. Stephan Kinsella, "Political Risk and Petroleum Investment in Russia"; "United States Bilateral Investment Treaties with Russia and Other C.I.S. Republics"; and "Reducing Political Risk in Developing Countries: Stabilization Clauses, Bilateral Investment Treaties, and MIGA & OPIC Investment Insurance," *supra* note 2.

45. U.S.-Russia BIT, art. I(1)(c), (c)(iv).

46. Patent Law, art. 37.

47. The terms "immovable" and "movable" are civil-law terms, utilized in civilian countries like Italy, the Netherlands, France, and the U.S. state of Louisiana. These terms correspond to the common-law terms "real property" and "personalty" utilized in most of America, England, and Australia. For a discussion of the differences in terminology in civil law jurisdictions such as Louisiana and common-law jurisdictions such as Texas and England, see N. Stephan Kinsella, "A Civil Law to Common Law Dictionary," 54 La. L. Rev. __ (May 1994 forthcoming).

48. See, e.g. Stephen L. Carter, *supra* note 1; and Tom G. Palmer, "Are Patents and Copyrights Morally Justified?: The Philosophy of Property Rights and Ideal Objects", 13 Harv. J. L. & Pub. Pol'y 911 (1990).

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