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Matter ref 88888/77777

Dominique Winther  
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Dear Dominique,

Having analyzed the proposed Part Four of the Civil Code (hereafter, **the "Draft"**) in relation to patent regulation, we have come to the conclusion that the drafters have not significantly changed the essence of these regulations, leaving in place the general principles and the foundation unaltered. Nonetheless, certain corrective measures in comparison to the existing legislation have been introduced.

We would like to bring to your attention the following changes:

1. **EXECUTIVE BODIES**

In the Draft, in addition to the wording "the federal body of the executive branch for intellectual property" (for example, see Paragraph 3, Article 1360), there also occurs the term "the federal body of the executive branch in charge of regulatory and legal oversight in the sphere of intellectual property." We assume that this is related to the fact that the adoption of the Draft may lead to division of responsibility between various government bodies, in our opinion, this may subsequently complicate the system of these bodies and hinder work in the sphere of intellectual property.

2. **CHANGES IN THE DEFINITION FOR PATENT ASSIGNMENT AGREEMENT**

According to Paragraph 5, Article 10 of the Patent Law, the patent holder **may assign** exclusive rights to invention, utility model, industrial design. According to Article 1363 of the Draft, "the author or exclusive right holder of an invention, utility model or industrial design (patent holder) **assigns or is obliged to assign** the exclusive rights **in full**".


We bring to your attention the fact that this new wording does not provide for an option of partial assignment of patent rights. This may significantly limit the possibilities of patent holders. Furthermore, the obligation to fully assign exclusive rights to the results of intellectual activity and means of individualization is set out in the general part of the Draft (Paragraph 1, Article 1234) establishing the provisions applicable to all the objects of IP rights. The latter is not in line with other provisions of the Draft (e.g. Paragraph 1, Article 1488 relating to partial assignment of trade mark rights).

3. **THE PROCEDURE OF PAYMENT ACCORDING TO INTELLECTUAL PROPERTY ASSIGNMENT AGREEMENTS AND LICENSING AGREEMENTS**

The general part of the Draft (Paragraph 3, Article 1234 and Paragraph 5, Article 1235, respectively) stipulates, "if in ... the agreement ... the amount of the compensation is not indicated and cannot be inferred from the conditions of the agreement, the compensation is paid according to the amount determined in Paragraph 3, Article 424" [of the Civil Code]. The latter creates a space for interpretation of the provisions of such agreements by tax authorities and may entail unjust tax risks for the right holders, if for the sake of non-disclosure of the compensation amount during the state registration the parties indicate such amount in a supplemental agreement. Such risks are especially relevant for agreements between mother companies and subsidiaries where the compensation may be considerably lower than the market value of a non-tangible asset.

If you have any questions, we would be pleased to discuss this further with you.

Sincerely,



Natalia Gulyaeva  
Lovells Moscow