

December 4, 2014

Dear Sirs,

We would like to inform you that on the 1st of October 2014 the rules on calculating remuneration for Employee's Inventions, Employee's Utility Models and Employee's Industrial Designs (hereinafter the 'Rules'), approved by the decree of the Government of the Russian Federation No. 512 dated June 04, 2014, came into force. These Rules shall apply when no agreement on the amount and manner of payment is made between the employer and the employee.

According to the current Russian legislation the exclusive rights on employee's inventions, employee's utility models and employee's industrial designs (hereinafter – Works for hire) belong to the employer, unless agreed otherwise. When the exclusive right on Works for hire belongs to the employer, the employee reserves his right to receive royalty payments.

The new Rules introduce fixed rates of such remuneration. Thus, the employer shall pay the royalty in the amount of 30 % of the employee's average monthly wages for the last 12 months of work for the very fact of creating the Employees' Invention, and 20 % of the same amount for the Employee's Utility Model and Employee's Industrial Design.

For each year of usage of the Work for hire the employer shall pay the Employee remuneration in the amount of the Employee's average monthly wages for the last 12 months of work. This payment shall be made annually.

The Rules also govern the disposal of the right to Works for hire. Where the license agreement is concluded between the employer and the third party in respect of the Works for hire, the amount of the employee's royalty should be 10 % of the royalty provided under this license agreement. When the alienation of the rights to the Work for hire takes place, the employee's royalty should constitute 15 % of the royalty for the title transfer set in the agreement between the third party and the employer. Upon termination of employment relations the employee who is the inventor of the Work for hire retains the right for remuneration.

As mentioned above, the Rules do not apply where the procedure of payment, terms and amount of remuneration are regulated by the agreement between the employer and the employee.

The amendment is important for those employers whose employees create Employee's inventions, Employee's utility models and Employee's industrial designs.

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We hope that you find this information helpful. Should you have any questions, please contact our Partner **Irina Anyukhina** (ianyukhina@alrud.com).

Kind regards,

ALRUD Law Firm

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