

Newsletter

IP and Data Protection checklist for international businesses in Russia: issues that should be taken into account in times of sanctions

April 1st, 2022

Dear Ladies and Gentlemen,

In light of the current geopolitical situation, the severe US and EU sanctions, and Russian counter sanctions imposed in response, many international companies have already announced their plans either to leave the Russian market, or to temporarily suspend their business operations in Russia. The current unprecedented situation is a great challenge for companies, since it requires complex decisions to be made, in a very short time.

One of the crucial issues to be considered, by these companies, before leaving or business suspension, is the protection and maintenance of its Russian IP assets and minimization of the risks related to the possible IP infringements, in Russia.

Given the above, we would like to provide you with the general checklist of questions on the most crucial issues in the field of IP and Data Protection, which will help you understand and navigate your risks, so as to ensure that your intangible assets are secured and properly managed in Russia. While such assets as software can be deployed very quickly, brands, patents, know-how and copyrights owned by businesses should be protected as much as possible, for the period of uncertainty. There can be no universal correct answers to those questions as to what should be decided and done: every situation should be assessed on a case-by-case basis, depending on the strategy of the business in Russia.

Potential issues	Questions to be answered and steps to take
Trademarks	<ul style="list-style-type: none"> (i) Are the logos registered both in Latin and Cyrillic? (ii) Who is the owner of the trademarks in Russia? <i>Please keep in mind that protection of the rightsholders from some jurisdictions, against trademark infringements, may suffer because of the sanctions against Russia¹.</i> (iii) Should the trademarks owned by a Russian subsidiary be assigned to a parent company, or to another group company? (iv) Make sure that the new owner is duly registered with Rospatent and other registering authorities (if applicable).

¹ *The Russian Arbitrazh Court of Kirovsk region dismissed [the claim](#) (in Russian only) on copyright infringement of a UK-based company against a Russian individual entrepreneur, since the UK had been previously recognized as an unfriendly state towards Russia. As the Court stated, the demand for infringement compensation in Russia, by the UK-based company, due to the background of the anti-Russian sanctions, imposed by the UK, is an abuse of right. However, we do not consider that such law enforcement practice can be widely followed by Russian courts. Foreign companies can still enforce their rights in trademark and copyright infringement disputes in Russia.*

Granting of an exclusive license to a Russian company could be helpful option, provided that Russian company files claims on its own behalf.

	<p>(v) Are there license agreements in place for the use of trademark?²</p> <p>(vi) How will the trademarks be used in Russia, after leaving the market?</p> <p><i>Please keep in mind the rule on early termination of a trademark, if not used in the market, and keep the evidence of use, if you are interested in protection.</i></p> <p>(vii) Should you license trademarks to Russian distributors (if they continue their business activity related to selling, or marketing foreign goods) to mitigate risk of early termination?</p> <p>(viii) Make sure that there will not be newly-registered trademarks, similar to your brands which will be leaving the Russian market.</p> <p><i>Please take into account that, according to the Russian trademark database, trademark trolls have intensified their activity in recent weeks and filed numerous trademark applications, in respect of the trademarks similar to the ones of those businesses leaving the Russian market, or suspending their business activities.</i></p> <p>(ix) Make sure that you have an effective anti-counterfeit program for Russia.</p>
Company names	<p>(i) Do you plan to continue using the brand as a company name in Russia? Many international businesses have set up with subsidiaries in Russia, using the core business brand as the company name, without license agreements or authorization letters. Though, formally, the rightsholder is entitled to terminate use of the brand in the company name, there could be practical difficulties in case of a dispute.</p> <p>(ii) If you are interested in the brand name's use, as part of the company name, of the independent entity remaining in the market, make sure that the respective arrangements are duly formalized, in the license agreement.</p>
Domain names	<p>(i) Are there any domain names registered in the domain zone .RU?</p> <p>(ii) Who administers the Russian domain names? Should these domain names be transferred to a parent company?</p> <p><i>Please keep in mind that terminating the maintenance of domain names in the domain zone. RU may lead to its registration by cybersquatters and other third parties, such as unfair competitors.</i></p>
Copyright and works for hire	<p>(i) Are there any IP assets created by Russian employees (e.g., software, copyrighted designs, advertising)?</p> <p>(A) If so, check the employment documents (including employment contracts and job descriptions) as to whether they contain the appropriate provisions,</p>

² The Russian Parliament is discussing the draft of the Federal Law which prohibits the unilateral amendment, or termination of the contract, related to IP rights. Therefore, we recommend not to terminate IP agreements (including licenses) unilaterally and only to consider the termination of IP agreements with counterparties in Russia on a mutual basis.

	<p>regarding the creation of IP assets and the transfer of exclusive rights to the employer;</p> <p>(B) examine the in-house policies, procedures, and documents on proper formalization of works for hire regime;</p> <p>(C) formalize the company's acquisition of exclusive rights to IP assets, by amending the contracts conditions and concluding the acts of acceptance with the authors, to avoid improper formalization of transfer;</p> <p>(ii) Are there agreements with independent contractors? Review whether they include the provision on assignment of exclusive rights to created works, and that you have signed the required acts of acceptance, with the details of the created IP objects.</p>
Know-how (trade secrets) and confidential information	<p>(i) Are there any agreements granting Russian subsidiaries, or other counterparties, the rights to use know-how, trade secrets, or any other confidential information?</p> <p>(ii) Do you consider that this information will be used by the Russian counterparties after you leaving the market, or the use of it shall be immediately terminated?</p> <p>(iii) Make sure that:</p> <p>(A) the confidentiality clauses survive, after the termination of the agreements;</p> <p>(B) confidentiality is ensured by internal policies, employment agreements and other organizational measures of Russian parties;</p> <p>(C) Russian parties indemnify against the breach of confidentiality, committed by their employees and/or independent contractors (if any).</p>
Transfer of IP assets to parent company	<p>(i) Are there IP assets on the subsidiary's balance sheet?</p> <p>(A) If so, determine what should be transferred to other group companies, if the Russian subsidiary is winding up and what IP assets should be licensed, if the activities are suspended;</p> <p>(B) review the current IP assignment, or development, agreements and verify that all IP assets have been duly transferred to the parent company, or other group company;</p> <p>(C) review the chain of agreements used for commercialization of the IP assets.</p>
License agreements	<p>(i) Are there license agreements in place, concluded with Russian licensees?</p> <p>(A) If so, examine license agreements, including provisions on their automatic renewal, license termination and provision of support (e.g., software license, if any), check the payment conditions and whether the Russian party is able to perform its obligations;</p> <p>(B) renegotiate conditions on license termination, as per those agreed with a counterparty;</p>

	(C) grant an exclusive license to a Russian company, with the right to protect the IP rights, under the license agreement in Russian courts.
Personal data	<ul style="list-style-type: none"> (i) Depending on your need to continue processing of Russian nationals' personal data in Russia, or outside Russia, the scope of applicability and particular requirements of Russian data protection laws shall be considered; (ii) Particular attention shall be paid to compliance with the Russian personal data localization requirement, cross-border data transfer rules, ensuring of proper legitimate basis for data processing; (iii) Please consider Russian privacy regulations, during access control to the systems used by your company, in particular, in case of access restriction; (iv) Make sure that the data remaining is well protected and secured, implement cybersecurity and organizational measures to avoid data leakages and maintain strict use of the information, accessed only by authorized persons; (v) Please consider specific industrial data protection and cybersecurity requirements, in particular, in such spheres as medicine & healthcare, transport, telecoms, banking & finance, energy, nuclear; (vi) If you decide to delete personal data, please ensure your compliance with data retention and deletion rules, under the Russian Data Protection Law; (vii) Please consider that deletion of personal data, in Russia, may result in non-compliance with the Russian personal data localization requirement. Non-compliance is potentially subject to high administrative fines.

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If you have any questions, please do not hesitate to contact ALRUD partner.



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