



# **Legal aspects of IT outsourcing in Russia**

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# Russian IP Laws



- Patent Law
- Trademark Law
- Copyright Law
- Law on the Legal Protection of Software and Databases
- Law on the Legal Protection of Microchip Designs

# Russian IP Laws



- Madrid Agreement Concerning International Registration of Marks
- Paris Convention for the Protection of Industrial Property
- Berne Convention for the Protection of Literary and Artistic Works
- Russia must fully comply with the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement upon its accession to WTO

# Enforcement of IP rights in Russia



- Police gives low priority to fighting piracy
- Corruption
- Courts lack independence
  
- Pirated software and movies are sold everywhere

# Software outsourcing contract



- Contracting model: Foreign company contracts Russian software developer
- Alternative: Foreign company conducts activities in Russia through a subsidiary or a branch

# Russian labor laws



- software created in the course of employment, belongs to the employer, unless the employment agreement stipulates otherwise
- the employment agreements must specify that the employee's compensation extends to cover the creation of software in the course of employment
- non-competition clauses are unknown to Russian legal system and unlikely to be enforced

# Property rights v. Personal rights



- **property rights:** rights to copy and distribute the program, as well as to modify it or have it translated into other computer languages, the right to transfer or license such rights
- **personal rights:** the right to be recognized as the creator of the given software, the right to determine the form of indicating the author's name in a computer programme or a database

# Russian law on commercial secrets



- each employee must sign confidentiality agreement or confidentiality clause, including list of information deemed confidential
- the company should maintain secrecy regime
- failure to do so may result in company losing the right to protect certain materials by legal action

# Russian tax laws



- “permanent establishment” for the foreign company
- “place of service”: sale of goods on the territory of Russia is subject to VAT whereas “consulting” or “data processing” services by a Russian company to a foreign company is not

# Special Economic Zones ("SEZ")



- SEZ are established by Russian Government for development of modern industries and technologies
  1. St. Petersburg
  2. Moscow Region (Dubna and Zelenograd)
  3. Tatarstan (Yelabuga)
  4. Tomsk
  5. Lipetsk Region
  6. Kaliningrad Region
  7. Magadan Region

# Special Economic Zones ("SEZ")



- Exemption from customs duties and import taxes
- No property tax (for 5 years)
- No land tax (for 5 years)
- Reduced Unified Social tax (Maximum rate reduced from 26% to 14%)
- No transport tax (yet to be confirmed by local legislation)
- Reduced corporate income tax (by 4 %, local part of the tax, reduction yet to be confirmed by local legislation)
- Low land lease (no more than 2% of the cadastre value of the land)

## Special Economic Zones ("SEZ")



- In St. Petersburg the SEZ will be located on two sites: Noedorf (30 hectares) and Novo-Orlovsky Park (130 hectares)
- Some of the objects will be built in Noedorf in 2006
- In Novo-Orlovsky Park, the construction will start in 2007

# Special Economic Zones ("SEZ")



- Get registered with the municipality where the SEZ is located
- Conclude an agreement with the administration of the SEZ

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