

15. THE EVOLUTION OF RUSSIA'S IP SYSTEM

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ABSTRACT

The Russian Federation demonstrated such high rates of growth in the beginning of the 21st century that experts put it in the category of the world's fastest growing markets and predicted weighty ratings in the global hierarchy. However, the following recession confirmed the vulnerability of the raw material model of economic development. In 2011, the Russian Parliament adopted the Innovation Development Strategy of the Russian Federation until 2020. The goals set in the document are quite ambitious, and nowadays, their achievement is facing a number of institutional barriers. However, the country's accession to the WTO and the policy of the Russian Federation within the framework of the Eurasian economic union can dramatically change the current situation. Market volume, harmonization of legislation to international standards and adoption of best practices, along with deeper integration into the global economic system are likely to increase competitiveness, attract investment in the IP sphere and improve the business climate in the Russian Federation.

Keywords: *IP legislation, Russian patent system, IP, economic development*

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¹ E.I. Platonova 'Сравнительный анализ патентной активности в России и за рубежом в контексте перехода на инновационный

1. INTRODUCTION

In the former USSR, innovation activity developed rapidly with about 300,000 inventions annually, accounting for almost a third of all significant inventions of the world.¹ It is worth mentioning that the majority of these inventions were registered in the Russian Soviet Federative Socialist Republic (RSFSR). The RSFSR was one of the 15 Soviet socialist republics within the former USSR.² It had the largest territory, and was one of the most populated and economically developed. It accounted for three-quarters of the territory, more than half of the population, two-thirds of the industrial production and about half of the agricultural products of the Soviet Union.³ It was widely noted that inventions were created in one republic, used in another, improved in the third, and all technical and scientific developments belonged to the state. A vivid example of such an approach is the patent for electrolyte for electrochemical etching of aluminium and its alloys.⁴ Although a group of scientists (Gillier, Gambarova, Yuriev) created it in 1959 in RSFSR, it was widely used in the Kazakh SSR, Belarusian SSR and other republics i.e. in the Soviet industry in general during the period of its existence. The most important point is that there was no need to sign licensing agreements. The State was the unique intellectual property (IP) rights holder. In addition, since the State had a monopoly on foreign trade activities until 1991, the Chamber of Commerce and Industry of the USSR tightly controlled all

путь развития' in ИСИЭЗ, 22 July 2010

<<https://www.hse.ru/org/hse/isiez/press/20788235.html>> accessed 22 December 2019.

² Constituton of USSR (as amended on August 8, 1953)

'Конституция (основной закон) союза советских социалистических республик (утверждена постановлением Чрезвычайного VIII Съезда Советов Союза Советских Социалистических Республик от 5 декабря 1936 г.)' <<http://www.hist.msu.ru/ER/Etext/cnst1936.htm>> accessed 27 June 2020.

³ Н. Kessler, А. Markevich, 'Электронный архив Российской исторической статистики, XVIII – XXI вв.' <<https://ristat.org/>> accessed 27 June 2020.

⁴ USSR patent № 134093 'Электролит для электрохимического травления алюминия и его сплавов' <<https://patents.su/1960/01/01>> accessed 27 June 2020.

procedures for international patenting and international trade in licenses.⁵

Drastic changes took place during 1990 to 2018 – almost three decades that saw a complete degradation in the field. The USSR ceased to exist in 1991, and thereafter the number of patent applications in Russia (Russia officially became the legal successor of the USSR in 1991) decreased dramatically. 34,571 patent applications and 8322 utility model applications per year are registered on average in Russia (the period under review is 1992 - 2018),⁶ compared to about 300,000 annually in the former USSR⁷ (due to the socialist approach to property it is quite possible to find an exact number of patent and utility model applications in the USSR). Consequently, the Russian Federation dropped to the end of the list of technologically developed countries.⁸ This posed some challenges for the new government and first required creation of new international trade and economic ties as far as the formation of internal trade mechanism - the market one. A strong need to change pre-existing socialistic system became a reality. The most important consequence of transition to a market economy was the emergence of private property including the intellectual one. Another significant issue to be taken into consideration was the possibility of registering private companies with foreign investments, which also raised a number of regulatory issues.

2. THE CURRENT LEGAL IP SYSTEM

A number of legislative acts have been adopted to solve the above-mentioned problems. Today, the country's main official document is the Constitution of the Russian Federation,⁹ which is also the basis of the existing system of intellectual property regulation. The Constitution enshrines the basic rights of the country's population. However, the main legislative act regulating civil law relations between business entities is the Civil Code of the Russian Federation,¹⁰ Part 4 of which is entirely devoted to IP rights. Of course, there are a number of Presidential Decrees, Federal laws and Government decrees that directly or indirectly regulate IP rights in the country.

An important event in the formation of the Russian IP regulation system was the creation of 'Rospatent' (currently also named Federal Service for Intellectual Property) which replaced the Committee on Inventions and Discoveries. Rospatent is the assignee of the Federal Service for Intellectual Property, Patents and Trademarks, as well as the assignee of the Ministry of Justice of the Russian Federation with regard to legal protection of the interests of the state in the process of economic and civil law, circulation of the results of research, development, and technological works of military, special and dual purpose, including obligations arising from the execution of court decisions.¹¹ Later, by Decrees of the President of the Russian Federation, the Russian Agency for Patents and Trademarks was transformed

⁵ A. Stepanova, 'Сколько изобретателей нужно российской экономике' in Роспатент, 30 January 2018

<<https://rupto.ru/ru/news/izobretateleconomics>> accessed 2 May 2020.

⁶ Calculated by Author based on WIPO IP Statistic Data Center <<https://www3.wipo.int/ipstats/editIpsSearchForm.htm?tab=pate nt>> accessed 30 June 2020.

⁷ B. Rudenko, 'Изобретение: путь к патенту' <<https://www.viam.ru/interview/370>> accessed 30 June 2020.

⁸ Stepanova (n 5)

⁹ Constitution of the Russian Federation (as amended up to Federal Constitutional Law No. 11-FKZ 21 July 2014)

<http://www.consultant.ru/document/cons_doc_LAW_28399/> accessed 22 December 2019.

¹⁰ Civil Code of the Russian Federation (Amended in accordance with the Federal law 358 dated 28 November 2015 № 358-FZ) [hereafter Russian Civil Code], part IV art 1225.

<<http://www.consultant.ru/cons/cgi/online.cgi?req=doc&base=LA W&n=200850&fld=134&dst=100028,0&rnd=0.4636820301012303>> accessed 19 September 2019.

¹¹ 'О Роспатенте' (Rospatent) <<https://rupto.ru/ru/about>> accessed 30 June 2020.

into the Federal Service for IP (at the same time, it was decided to keep the short name 'Rospatent').¹²

Rospatent is called upon to solve a number of important tasks related to the circulation and protection of IP in Russia. The most important function is the provision of services for registration and legal protection of various intellectual property objects (trademarks and service marks, appellations of origin, utility models, inventions, industrial designs, databases, topologies of integrated circuits, computer programs, etc.). Rospatent is the national patent office of Russia. Another important objective of the functioning of Rospatent is to ensure the interests of the country in international economic relations concerning the circulation of special and dual-use technologies. Additionally, it is important to note that the activities of Rospatent although based on the Russian legal system are fully consistent with the country's international obligations.

In accordance with the World Bank's updated classification for 2019-2020, Russia is a country with a GNI per capita above the world average.¹³ The distinctive feature of the national innovation systems of this group of countries is the active use of possibilities of international technology transfer, attraction of foreign direct investment in 'intelligent' and innovative industries, as well as the desire to increase and accelerate economic growth by deepening international specialization and cooperation. Another important economic feature of countries with GNI per capita above the global average is the formation and active use of national intellectual capital as far as the desire to ensure the protection of IP rights in both the domestic and foreign market.

¹² Decree of the President of the Russian Federation No. 314 of 9 March 2004 on the System and Structure of Federal Bodies of Executive Power (with the Amendments and Additions 20 May 2004, 15 March, 14 November, 23 December 2005, 27 March 2006, 15 February, 24 September 2007)
<https://www.wto.org/english/thewto_e/acc_e/rus_e/WTACCRUS58_LEG_85.pdf> accessed 22 December 2019.

¹³ World Bank Analytical Classifications [Electronic resource] / World Bank.

In 2012, the Russian Federation became a member of the World Trade Organization (WTO), thus getting access to the important mechanism of the WTO in letting the members defend the interests of national IP right holders, namely the Dispute Settlement Body. It is important that this is not only a legal field for providing protection and enforcement of IP rights but also a mechanism for protecting IP in trade and economic relations.

The law on enforcement of IP that existed at the time of the start of negotiations did not fully comply with the standards and principles of the TRIPS Agreement. In 2007, the first results of improving the national IP regulation system were presented, which were repeatedly reviewed and supplemented, and as a result by 2011 were drawn up in the document, 'Participation in International Conventions for the Protection of IP Rights and in Regional and Bilateral Agreements.'¹⁴ The report contains important provisions regarding the country's participation in international treaties and agreements; defines standards for access, coverage and use of IP, as well as law enforcement practice (legal and administrative procedures). In the national legal system, these provisions were enshrined in Part IV of the Civil Code of the Russian Federation, which as it was mentioned, still remains one of the major legal acts of the country in the field of IP.

The country's participation in regional trade agreements plays a great role in shaping the national legislative system of Russia in the field of IP. Currently, one such agreement, which has achieved the greatest economic progress with the participation of Russia, is the Eurasian Economic Union (EAEU). Within the framework of the EAEU, issues concerning

<<https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>> accessed 30 June 2020.

¹⁴ List of Treaties Concerning Intellectual Property Issues to which the Russian Federation is a Party (as of 4 October 2007) 7 November 2007, JOB(07)/171; Membership of International Intellectual Property Conventions and of Regional or Bilateral Agreements, 17 January 2011, JOB/ACC/16.

IP protection are of high priority, and are paid significant attention in cooperation between the participating countries. The Working Group published a report containing the section 'Border Measures,' which contains provisions defining the powers of the customs services of the countries of the EAEU.¹⁵ According to the Report, customs services are authorized to take all necessary measures to protect IP rights in relation to objects included in the national register of IP objects and unified registries of the countries of the EAEU, which is regulated in accordance with Section 46 of the Customs Code of the Russian Federation.¹⁶ Besides, within the EAEU, there is a unified register of IP objects. However, its full functioning is limited by the fact that there are some IP objects are not included (patents, industrial designs and plant varieties). Although there was an adoption of a number of basic documents, a lot of work remains to unify IP regulations and protection systems of EAEU countries and minimize the risks of IP violation within the territory of the Union.

Current Russian legislation however, is in accordance with the minimum international standards for IP protection, which is largely due to the country's participation in all major international treaties that affect the regulation of IP. Among the most significant are the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, as well as the Patent Cooperation Treaty, the Madrid Agreement Concerning the International Registration of Marks, etc. Of particular note is the Agreement on Trade-Related Aspects of

Intellectual Property (TRIPS Agreement), which entered into force in the territory of the Russian Federation on 22 August 2012.¹⁷ The TRIPS Agreement had a significant role in the development of the national IP system of many WTO members. Russia is not an exception.

Russian manufacturers are required to comply with WTO rules regarding respect and non-violation of IP rights of other economic entities engaged in business activities in the territory of the Russian Federation. The current level of technological development of the global economy poses certain challenges in terms of ensuring the enforcement of IP rights at the national level. These obligations, along with international obligations arising from the country's participation in WTO agreements, particularly TRIPS, are fully reflected in Section IV of the Civil Code of the Russian Federation (Civil Code). It goes on to state that, 'the results of intellectual activity and equivalent means of individualization [...] intellectual rights are recognized that include exclusive the right, ... also personal non-property rights and other rights (the right of succession, the right of access and others).'¹⁸ The list of intellectual activity to be protected according to Article 1225 of the Civil Code is of special interest:

- (i) works of science, literature and art;
- (ii) programs for electronic computers (computer programs);
- (iii) databases;
- (iv) performance;
- (v) phonograms;
- (vi) broadcasting or cable radio or television broadcasts;

¹⁵ Report of the Working Party on the Accession of the Russian Federation to the World Trade Organization (17 November 2011) <https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=%20@Symbol=%20wt/acc/rus/*&Language=ENGLISH&Content=FomerScriptedSearch&languageUIChanged=true> accessed 22 December 2019.

¹⁶ Treaty on the Customs Code of the Eurasian Economic Union (11 April 2017) <https://docs.eaeunion.org/docs/ru-ru/01413569/itia_12042017> accessed 22 December 2019.

¹⁷ Paris Convention for the Protection of Industrial Property (as Amended on 28 September 1979) <<https://wipolex.wipo.int/en/text/287556>> accessed 22 December 2019; Berne Convention for the Protection of Literary and Artistic

Works (as Amended on 28 September 1979) <<https://wipolex.wipo.int/en/text/283693>> accessed 22 December 2019; Patent Cooperation Treaty (PCT) (as Modified on 3 October 2001) <<https://wipolex.wipo.int/en/text/288637>> accessed 22 December 2019; Madrid Agreement Concerning the International Registration of Marks (as Amended on 28 September 1979) <<https://wipolex.wipo.int/en/text/283529>> accessed 22 December 2019; Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) 15 April 1994 <https://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm> accessed 22 December 2019.

¹⁸ Russian Civil Code (n 10), part IV art 1225.

- (vii) inventions;
- (viii) utility models;
- (ix) industrial designs;
- (x) selection achievements;
- (xi) topology of integrated circuits;
- (xii) production secrets (know-how);
- (xiii) company names;
- (xiv) trademarks and service marks;
- (xv) appellations of origin;
- (xvi) commercial designations¹⁹

Following Article 1225, protection extends to traditional industrial property objects (industrial designs, geographical indications, patents, etc.), as well as copyright and related rights. In addition, specific objects of protection, such as the rights of breeders, databases, topologies of integrated circuits, along with the secrets of production or know-how, are recognized as well.

3. SOME SPECIAL IP FEATURES ARISING FROM PREFERENTIAL TRADE AGREEMENTS

As far as the principle of exhaustion of IP rights is concerned, the Russian Federation recognizes the territoriality of IP rights, namely any action is possible only within the Russian jurisdiction, unless otherwise provided by multilateral and bilateral agreements.²⁰ An example of such exception is the regional trade agreement, the Treaty on the Eurasian Economic Union.²¹

The EAEU provides for the free movement of goods, services, capital and labor, pursues coordinated, harmonized and single policy in the sectors determined by the Treaty and international agreements within the Union. The members of the EAEU are the Republic of Armenia, the Republic of

Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation. The EAEU was created to comprehensively upgrade, raise the competitiveness of and bring about cooperation between the national economies, and to promote stable development in order to raise the living standards of the nations of the members.²² The special feature of the EAEU is that it includes a country that is not a member of the WTO i.e. the Republic of Belarus, which implies different international obligations in the multilateral trading system.

Along with the existence of national systems for registering IP objects, a unified register of member countries was created within the EAEU. However, after the opening of borders within the members, the difficulties of double registration arose. This is one of the specific features of the EAEU and has roots in the joint history of economic development under the USSR. To solve this problem, it is quite acceptable to consider the European Union (EU) experience in creating a single trademark and forming a single electronic market. Besides, some steps have already been taken, in that the Eurasian Economic Commission (ECE) adopted several documents and created an Advisory Committee on IP.

The issue of exhaustion of rights in the territory of the EAEU countries with parallel imports is of particular interest. Like the EU, the principle of regional exhaustion of rights is applied. In particular, to enter the EAEU's market, the producer is obliged to obtain a permit that is not required when parallel imports are allowed.²³ On one hand, this measure acts as a certain restriction on competition and leads to higher prices. On the other, it reduces the risks of filling the market with low-quality imported goods, and gives a greater

¹⁹ Russian Civil Code (n 10), part IV art 1225.

²⁰ R&D Report 'Влияние ограничения параллельного импорта на товарные рынки Российской Федерации', in Фонд Центр стратегических разработок, 2013
<<http://www.eurasiancommission.org/ru/act/finpol/dobd/intelsob/s/Documents/Итоговый%20Отчет%20ФОНДА%20ЦСР.pdf>> accessed 2 May 2020.

²¹ Treaty on the Eurasian Economic Union (29 May 2014)

<https://www.wto.org/english/thewto_e/acc_e/kaz_e/WTACKAZ85_LEG_1.pdf> accessed 22 December 2019.

²² 'About the Union' (The Eurasian Economic Union official website) <<http://www.eaeunion.org/?lang=en#about>> accessed 27 September 2019.

²³ Agreement on Unified Principles of Regulation in the Spheres of Intellectual Property Rights Protection, 9 December 2010
<<https://wipolex.wipo.int/en/text/285392>> accessed 2 May 2020.

degree of protection to foreign investors.²⁴ Due to that fact, there is no clear unified position among EAEU members concerning parallel imports, since in some countries, it is not clearly reflected in national legislation and therefore can be interpreted in two ways.

A special Working Group was created by the EAEU Council to work out an optimal solution for the unification of legislations.²⁵ The purpose was to study the international competitiveness of Member States and work out a compromise version of the principle of exhaustion of the exclusive rights. There were five Working Group meetings since its creation and a questionnaire was conducted among the members of the Working Group to study and analyze proposals for the further application of the principle of exhaustion. As a result it was accepted that,

‘the Eurasian Intergovernmental Council may temporarily establish, for certain types of goods, the application of the principle of exhaustion of the exclusive right to a trademark, trademark of the Union, in accordance with which there is no violation of the exclusive right to a trademark, trademark of the Union, the use of this trademark, trademark of the Union in relation to goods that have been lawfully entered into civil circulation in the territory of any of the Member States or in the territory of a third country directly by the trademark holder or other persons with his consent. The application of this principle is established subject to the obligations of Member States arising from international treaties with third countries regarding certain types of goods in case that such goods are not available on the domestic market of the Union, available in insufficient quantities or/and at excessive

prices, as well as in other cases based on social - economic interests of member states.’²⁶

It is clear that the main objective of further EAEU development is the creation of a balanced unified system of IP protection, contributing not only to economic development but also to the dissemination of knowledge, technology transfer and innovations. The above-mentioned opportunity to make an exception from the regional principle of exhaustion (see previous paragraph) could become a solution to existing difficulties and play an important role in the economic development of EAEU countries. Although its impact on relevant indicators is rather controversial and varies from country to country. In general, it may affect the price level of goods (in some studies concerning the international principle of exhaustion and the allowance of parallel import, a predicted decrease in prices varies from 1 - 2% to 60-80% depending on product groups),²⁷ diversification of assortments, and change unemployment rates as well. In addition, it should be mentioned that the possibility of changing the functions of customs services and antimonopoly authorities can contribute to solving the problem of intra-brand competition but requires additional analysis.

4. THE EFFICIENCY OF THE RUSSIAN IP SYSTEM

World export of high-tech products is one of the indicators reflecting the degree of IP implementation. Globally, exports of this category of goods in 2016 amounted to USD 2.25 trillion. Russian high-technology exports amounted USD 7.01

²⁴ ‘Роль интеллектуальной собственности в развитии евразийской интеграции’ в ЕЭК, 2016
<http://www.eurasiancommission.org/ru/SiteAssets/Pages/library/_!eec_intellect_08.09.2016_ФИНИШ_направлен%20в%20печатать.pdf> accessed 2 May 2020.

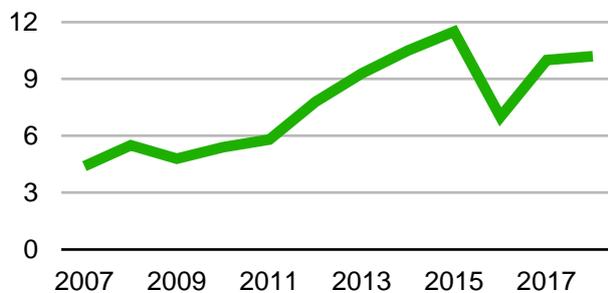
²⁵ The EAEU Council Decision №45, 23 June 2014
<<http://www.eurasiancommission.org/ru/act/finpol/dobd/intelsob/Document/Решение%20Совета%20№%2045%20от%2023%20июня%202014%20г.pdf>> accessed 2 May 2020.

²⁶ ЕЭК Коллегия Распоряжение №30, 24 April 2017
<<http://www.eurasiancommission.org/ru/act/finpol/dobd/intelsob/Document/Распоряжение%20Коллегии.pdf>> accessed 2 May 2020.

²⁷ Роль интеллектуальной собственности в развитии евразийской интеграции. ЕЭК, Moscow 2016
<http://www.eurasiancommission.org/ru/SiteAssets/Pages/library/_!eec_intellect_08.09.2016_ФИНИШ_направлен%20в%20печатать.pdf> accessed 2 May 2020.

billion, which comprises only 0.3% of the global volume.^{28, 29} The dynamics of this indicator for the Russian Federation is presented in Figure 1.

Figure 1. Volume of high-technology exports from the Russian Federation (in Billion U.S. dollars)



Source: High technology exports dataset, World Bank database, United Nations, Comtrade database through the WITS platform <<https://data.worldbank.org/indicator/TX.VAL.TECH.CD?locations=RU>>

As can be seen in Figure 1, after the 2009 recession, there was a tendency towards increase in the export of high-tech products from the Russian Federation, and only in 2016, a significant decrease was noted again which mainly was a result of political factors. The astonishing fact is that the pre-crisis levels of export were already exceeded in 2011 (although not significantly).

This long-term positive trend is explained by first, the fact that the government took special efforts to improve the national IP system vis-a-vis. infrastructure development, harmonization of legislation in accordance with international standards, development of information technologies, etc.

²⁸ 'High-technology exports - World dataset' (World Bank database) <<http://data.worldbank.org/indicator/TX.VAL.TECH.CD>> accessed 20 October 2019; 'High-technology exports – the Russian Federation dataset' (World Bank database) <<https://data.worldbank.org/indicator/TX.VAL.TECH.CD?locations=RU>> accessed 22 December 2019.

²⁹ Calculated by author (7014125696/22471188736,61=0,3121) Statistics source: World Bank database <<http://data.worldbank.org/indicator/TX.VAL.TECH.CD>> accessed 20 October 2019.

³⁰ Decision of the Government of the Russian Federation No. 2227 8 December 2011

Second, WTO membership in 2012 allowed the Russian Federation and its trade partners to reach a new level of mutual trade regulation in the field of IP, which helped intensify high-tech Russian exports. Third, to improve the general economic situation, the change of development strategy for the Russian economy, moving away from raw materials towards innovation.³⁰ As a result, a number of competitive advantages were created that allowed Russian companies to enter the global IP market.

Among the above-mentioned measures is the Strategy for Russia's Innovative Development 2020, adopted in the end of 2011 by Government Order No. 2227-r of 8 December 2011, with two implementation stages envisaged.³¹ For the first stage (i.e. 2011-2013), key governmental programs were approved. They have a determining effect on the achievement of the strategy goals, since they embrace steps to develop the national innovation system. The implementation of the roadmaps for emerging industries development has started.³²

According to the Strategy, major tasks of the current state policy are:

- to increase the share of Russian high-tech exports;
- increase the number of patents registered by Russian residents abroad;
- increase public and private investment in education;

<<https://www.garant.ru/products/ipo/prime/doc/70006124/>> accessed 22 December 2019.

³¹ The Strategy for Russia's Innovative Development 2020 adopted by Government Order No. 2227-r 8 December 2011 [hereinafter Strategy] <http://www.consultant.ru/document/cons_doc_LAW_123444/2f806c88991ebbad43cdaa1c63c2501dc94c14af/> accessed 19 September 2019.

³² 'The Government Has Approved the Roadmap for developing industries,' Ministry of economic development of the Russian Federation, 30 August 2017. <<http://economy.gov.ru/en/home/press/news/2017300804>> accessed 24 October 2019.

- development of human capital, creative activity of the population;
- increase the role of business in the innovation process; and
- create incentives for the influx of highly qualified specialists in innovative sectors of the economy, etc.³³

It is important to understand that the country's participation in the world IP market is primarily determined by the general state of the national economy, the development of necessary institutions and infrastructure, as well as the proper financing of scientific activities. One of the elements of the Strategy for Innovative Development of the Russian Federation until 2020 is an increase in research and development spending up to 3% of GDP.³⁴ The current dynamics of this indicator is presented in Table 1.

Table 1. Gross domestic expenditure on R&D (GERD) of the Russian Federation, (%) of GDP

Year	GERD
2012	1,03
2013	1,03
2014	1,07
2015	1,1
2016	1,1
2017	1,11

Source: *Science, technology and innovation. Research and experimental development full dataset. UIS. Stat* <http://data.uis.unesco.org/Index.aspx?DataSetCode=SCN_DS&lang=en#>

According to the Table 2 the average GERD among high-income countries is about 2.5% of GDP.

Table 2. Gross domestic expenditure on R&D (GERD) of high-income countries, (%) of GDP

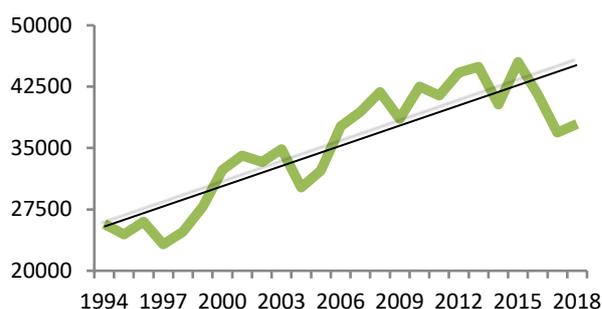
Year	GERD
2012	2,4
2013	2,4
2014	2,5
2015	2,5
2016	2,5
2017	2,6

Source: World Bank Data Bank <<https://databank.worldbank.org/source/world-development-indicators#>>

The presented data indicates the need to increase research funding in the Russian Federation to global levels, which would strengthen the country's position in the global markets for high-tech products containing big share of IP.

Given the current level of support for basic research by both the state and businesses is rather modest, the general trend for protection and registration of most IP objects in the Russian Federation is upward. According to the data presented in the Figure 2, it is also true for a number of patent applications in the longer term.

Figure 2. Total patent applications (direct and PCT national phase entries) received by Rospatent



Source: *Total patent applications (direct and PCT national phase entries) dataset. WIPO IP Statistics data center.* <<https://www3.wipo.int/ipstats/index.htm?tab=patent>>

The year 2017 was witness to the most negative growth rate of 11% during the period under review (1994-2018), which was largely caused by a decrease in the number of applications from residents (a decrease of 15%) than from

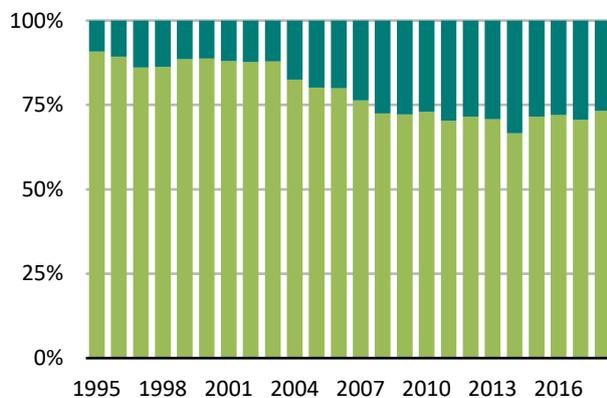
³³ Strategy (n 31) (Author's translation of original document).

³⁴ *ibid.*

non-residents (a decrease of 5%). Moreover, over the past 10 years, starting in 2008, the number of applications filled by residents has declined four times (previously - in 2009, 2011 and 2014).³⁵

Another important feature of the patent protection system in the Russian Federation is that over the period under review, there is a long-term trend towards an increase in the number of applications under the Patent Cooperation Treaty (PCT) (see Figure 3).

Figure 3. PCT national phase entries (dark green) and direct patent applications (light-green) received by Rospatent, % of total



Source: Calculated by author based on: PCT national phase entries dataset. WIPO IP Statistics data center <<https://www3.wipo.int/ipstats/index.htm?tab=patent>>; Direct patent applications dataset. WIPO IP Statistics data center <<https://www3.wipo.int/ipstats/index.htm?tab=patent>>

The data shows that in 2014, there was a record number of applications for patent protection in the Russian Federation according to the PCT (33.4% of the total number of applications) i.e. every third application. The analysis of Figure 3 allows us to draw a very important conclusion. It indicates a slow increase of the country's participation in international registration systems and the interest of IP rights holders in the Russian market. Confirming this issue,

according to the Global Innovation Index 2019, the Russian Federation was ranked 46th (there was no change in comparison with the report of 2018), showing the progress in such fields as: IP receipts as a percentage of total trade (an income group strength), patents and utility models by origin / billion purchasing power parity USD GDP.^{36, 37}

5. CONCLUSIONS

There have been positive changes in the Russian Federation's national IP system. Many of them are subject to the improvements in Russian legislation, which is created taking into account the recommendations of international economic organizations and TRIPS Agreement standards. Ongoing work in the field of IP policy demonstrates the structural changes in the context of the country's transition to an innovation model of economic development. Both the signing and ratification of many international agreements under the auspices of WIPO and accession to the WTO are positive contributions to the Russian Federation's participation in global IP flows. Moreover, adapting to best practices and the ability to promote national interests equally with the largest IP exporters may facilitate the access to the Russian domestic market and attract foreign IP holders.

The regional principle of exhaustion applied in the EAEU has affected Russia's economy in different ways. First, the ban on parallel imports has created additional incentives for the localization of production in Russia and contributed to economic growth, but at the same time, it has led to a decline in product quality due to monopoly position of companies in the market. This fact, together with the analysis of the efficiency of the Russia's IP regime, leads to the conclusion that the country is on the path towards efficient use of existing intellectual resources, and its conversion to a new competitive advantage in global IP market. However, much

³⁵ Calculated by author based on Figure 2 and Resident and non-resident total patent application dataset. WIPO IP Statistics datacenter <<https://www3.wipo.int/ipstats/lpsStatsResultvalue>> accessed 22 December 2019.

³⁶ *Global Innovation Index 2018: Energizing the World with Innovation* (Cornell University, INSEAD, and WIPO, Ithaca, Fontainebleau, and Geneva, 2018) 313.

³⁷ *Global Innovation Index 2019: Creating Healthy Lives — The Future of Medical Innovation* (Cornell University, INSEAD, and WIPO 2019) <<https://www.globalinnovationindex.org/gii-2019-report>> accessed 30 June 2020.

remains to be done, especially within the framework of regional integration, since the globalization of world markets of goods and services implies close interaction in all areas of international economic relations.

In order to increase the economic efficiency of existing intellectual potential as well as to increase the competitiveness of Russia in the global IP market, the role and potential of IP should be explained to small and medium enterprises, and be accompanied by government support in research and development activities of business entities. Taking into account the increasing intellectualization of the world economy, it can be argued that the accumulated intellectual potential, liberalization and the creation of a harmonized system of regulating IP rights within the EAEU, will allow Russia to improve its performance in the world IP market.

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