



February 11, 2008

Jennifer Choe Groves
Director for Intellectual Property and Innovation
Chair of the Section 301 Committee
Office of the United States Trade Representative
1724 F Street, N.W.
Washington, DC 20508
FR0606@ustr.eop.gov

RE: United States Trade Representative's Special 301 Review: Submission by Intel Corporation regarding Russia

Dear Ms. Groves:

Intel Corporation of Santa Clara, California hereby submits its comments concerning Russia in accordance with the United States Trade Representative's January 16, 2008 Request for Public Comment.

Summary and Intel's Request

Since entering the country in 1991, Intel has made significant investments in Russia, one of the fastest growing technology markets and a home to an abundance of technical talent. Intel employs approximately 1400 individuals in Russia at its facilities in Moscow, Nizhny Novgorod, Satis, Saint Petersburg, and Novosibirsk, including approximately 1000 engineers at a large research and development (R&D) center. Furthermore, Intel expects to continue to increase its investment in Russia, one of the fastest growing markets for personal computers due to extended broadband access throughout the Russian Federation and the Commonwealth of Independent States.

Intel supports Russia's accession to the WTO and supports PNTR status for Russia. However, as Intel's investment in Russia has grown, protection for its Intellectual Property Rights (IPR) is threatened by inadequate and ineffective laws that fail to comply with TRIPS and other international treaties and norms. We noted in our two most recent Section 301 submissions (February 12, 2007 and August 26, 2007) that enactment of the new Part IV of the Civil Code significantly worsened rather than improved IPR protection in Russia. Part IV entered into force on January 1, 2008, unfortunately *without* many of the IPR related amendments supported by Intel and others and under consideration by the Russian government. In its current form, Part IV is not TRIPs compliant, and remains seriously out-of-step with international norms and best practices. In addition, Russia's criminal code provides for criminal sanctions for IP infringements which, as broadly defined, could include routine infringements that should not rise to the level of criminal acts.

Intel Corporation
2200 Mission College Blvd.
SC4-203
Santa Clara, CA 95052

Intel asks that USTR work closely with Russia to encourage Russia to amend its IP laws and bring its IPR protection regime into compliance with TRIPs and international norms as soon as possible so that PNTR and its accession to the WTO are not unduly delayed. Intel further recommends that USTR maintain Russia on the Priority Watch List.

Detailed Analysis

I. Part IV of the Civil Code

Drafted by a small group of legal academics without any input from IPR owners or practitioners, Part IV moved quickly through the legislative process, spurred by presidential administration support and apparent hopes that the law would ease Russia's accession to the WTO. As a result of overwhelming criticism from both Russian and international IPR owners and practitioners, a working group including some IP practitioners was formed very late in the process to review the legislation and provide recommendations for amendment. However, the group was quickly dissolved before the issues could be adequately addressed. Only a very few improvements were made before the bill was signed into law.

It is our understanding that the Expert Council on Legal Regulation and Protection of Intellectual Property of the RF State Suma Committee on Economic Policy approved several amendments to Part IV in 2007 that would significantly improve IPR protections, and (as referenced in Intel's August 2007 USTR submission) Intel hoped that these amendments would be considered in the fall Duma session. Unfortunately, the amendments were not passed into law before Part IV entered into force on January 1, 2008, and the future of these amendments is uncertain. In its current form, Part IV remains seriously deficient in TRIPs compliance and IPR protection generally. Specifically, Part IV remains problematic in the following areas: (a) lack of a uniform infringement standard, (b) overbroad protection of domain names, (c) overbroad protection of commercial designations, (d) lack of a prohibition on the registration of marks that violate the broader rights of famous and well-known marks, (e) the absence of a trademark opposition procedure, (f) overly burdensome trademark licensing provisions and (g) lack of a provision barring bad faith registration of another party's trademark.¹

In addition, the Part IV proposed amendments never covered other significant Part IV copyright and patent deficiencies with TRIPs and the U.S./Russia Bilateral IPR Agreement. Specifically, (a) Part IV's copyright levy provisions are inconsistent with the bilateral IPR agreement and create a risk of abuse and additional consumer costs, (b) Part IV's compulsory patent licensing requirements do not meet TRIPs standards, (c) software programs should be considered inventions under Part IV, (d) topologies of integrated circuits should be considered inventions that may be patentable under Part IV, (e) Part IV's fair use provision for inventions, utility models and industrial designs should be narrowly construed per TRIPs Article 30, and (f) the protection of trade secrets needs to be clarified to ensure consistency with TRIPs. These issues were

¹ Intel did not discuss each of these areas in its August 2007 submission based on its belief that many of the issues would be resolved by the approved amendments to Part IV. Because these amendments have not yet been passed into law and their status is uncertain, Intel addresses each of these issues herein.

discussed at length in Intel's August 2007 USTR submission, which included specific recommendations on how to address many of them that we incorporate herein by reference.

a. Lack of Uniform Infringement Standards

Initial drafts of Part IV appeared to set forth different confusion standards for different types of names and marks, such as trademarks, trade names, domain names, and the like, resulting in different infringement standards for the various types of names, which in turn created protections that were too broad when applied to domain names, and too narrow when applied to trademarks. As enacted, Part IV attempts to remedy this problem by setting a uniform likelihood of confusion standard, but fails to remove the individual standards for the various types of marks and names, creating internal inconsistency within the law, and ambiguity as to the applicable standard for any given proceeding. Removing the individual infringement standards for each type of name, mark, etc. would remedy this problem so that the drafters' intent for a single infringement standard will be properly implemented by the courts.

b. Overbroad Protection for Domain Names

Part IV instructs trademark examiners to refuse registration of marks identical to any prior existing domain name, without requiring evidence that the domain name qualifies for trademark protection. As a result, domain names are essentially accorded rights in gross and absolute rights as against trademarks, without any analysis as to whether the domain name meets the criteria for trademark protection (e.g., is it sufficiently distinctive) or as to whether a likelihood of confusion beyond the similarities in the marks (i.e., failing to account for degree of similarity of goods/services and other circumstances of use). According "rights in gross" to domain names is not consistent with international norms, and should be removed entirely from Part IV. No other country in the world accords such broad rights in domain names.

In addition, Part IV and existing Russian laws fail to establish an effective domain name dispute resolution system for the .ru Top Level Domain (TLD) meeting international norms. Trademark owners continue to face difficulties enforcing their rights against cybersquatters and securing the transfer of an infringing domain name, particularly where the domain name is inactive. In contrast, the Uniform Domain Name Dispute Resolution Policy ("UDRP") adopted by the International Corporation for Assigned Names and Numbers ("ICANN") provides that bad faith can be found regardless of whether a domain is active. The absence of such a dispute resolution system similar to the UDRP means that trademark owners seeking to regain ownership of infringing domain names must engage in costly and lengthy civil litigation with an uncertain result.

c. Overbroad Protection for Commercial Designations

Part IV provides rights in unregistered "commercial designations," but fails to require that the designation be known and fails to appropriately restrict such rights to the territory in which the designation is known. Further, much like the problem with domain names noted above, such rights can serve as a basis to prevent the registration of a trademark. The owner of an

Intel Corporation
2200 Mission College Blvd.
SC4-203
Santa Clara, CA 95052

unregistered commercial designation can even claim rights in a part or a segment of that commercial designation, which can also serve as a basis for refusal of a trademark registration.

d. Insufficient Protection for Well-Known Marks

In an attempt to comply with TRIPs and other treaties, Part IV correctly provides a broader scope of protection for well-known marks, enacting an “association,” rather than confusion standard, whereby a well-known mark would be infringed regardless of the goods and services with which the junior mark is used. Part IV does not, however, prevent the *registration* of marks that violate the broader rights of well-known marks and are filed for dissimilar goods, which leads to the inefficient and indeed ridiculous result that such marks will be registered by Rospatent even though such marks violate the rights of the well-known-mark owner. In contrast, both the U.S. law and the European Community Trademark system (Art. 8(5) of Reg. 40/94 and Art. 51(1)(a), respectively), as well as the laws of many other countries, permit the owner of a famous trademark to oppose or invalidate the registration of a mark similar to the earlier famous mark.

As a result of both this loophole, Rospatent has registered a number of marks that violate Intel’s rights in the well-known INTEL® mark, despite the fact that Rospatent has expressly granted the INTEL mark well-known mark status. Rospatent expressly claims that it has no statutory authority to refuse registration of such marks. As a registration provides its owner with the right to use the registered mark, a prior-rights owner must cure this inconsistency by seeking to cancel the registration through Rospatent (which staunchly defends its decision to register the infringing mark), through administrative appeals and ultimately to the civil courts. This costly and truly burdensome task takes years to resolve, during which time the owner of the infringing mark continues to use and invest in its mark, further harming the well-known mark and severely impacting attempts to resolve the dispute amicably.

e. Lack of Trademark Opposition Procedures and Lack of Transparency in the Trademark Application Process

In Russia, information regarding the prosecution of trademark applications is not publicly accessible, there is no official publication of applications prior to registration, and further, there is no formal opposition procedure. Trademark owners may file an “informal” opposition to a pending application, should they learn of its existence prior to registration, but such objections may be (and often are) simply disregarded by the Examiner. Once a mark has been registered (a common result, given the limited analysis done and the lack of legislation preventing the registration of marks that violate well-known marks), a trademark owner must institute cancellation proceedings before the Chamber for Patent Disputes (the judicial arm of Rospatent), after which the decision must ultimately be approved by the head of Rospatent. As a result, the decisions of the Examiners are unlikely to be reversed. Trademark owners are then forced to pursue the objection through the civil courts, which, as noted above, increases the cost and the time to decision, and negatively impacts potential for amicable resolution of disputes.

Transparency in the prosecution process and formal opposition proceedings are standard practices in trademark offices around the world. Even though TRIPs does not require that a

Intel Corporation
2200 Mission College Blvd.
SC4-203
Santa Clara, CA 95052

country implement an opposition procedure prior to registration of a mark (post-registration cancellation suffices to meet minimum TRIPs requirements), well over 80% of jurisdictions around the world implement pre-registration opposition procedures. This is because they work, and they prevent the sorts of problems that Intel has experienced in Rospatent. Russia's lack of an opposition procedure puts it seriously out of step with international norms and best practices.

f. Overly Burdensome Trademark Licensing Provisions

Part IV introduces a new and extraordinarily burdensome provision imposing joint and several liability on trademark licensors for the goods and services of its licensees, regardless of the circumstances. This takes the concept of quality control far beyond international norms, and to the best of our knowledge, no other country in the world imposes joint and several liability on a trademark licensor, regardless of the circumstances.

In addition, perpetuating current Russian practice, Part IV provides for mandatory recordal of all trademark licenses against the registration of the licensed mark, an extremely burdensome and costly requirement that serves no useful purpose and has been abandoned by all but a handful of countries around the world. Failure to record results in the invalidity of the license agreement. Trademark owners cannot rely on an unrecorded license agreement to enforce its terms (such as royalty payments or quality restrictions). Furthermore, a license cannot be recorded if the subject mark has not been registered in Russia.

For companies with large global licensing programs, such as Intel's *Intel Inside* licensing program, the costs of recording every license are truly prohibitive. The recordation of even a single license agreement in Russia is burdensome with respect to time and expense; the burden of recording thousands of licenses (as would be required for Intel's licensing programs) is simply untenable. Moreover, for owners of pending applications, the law offers no means to enforce a trademark license until the subject mark has registered.

Each of these provisions is contrary to international norms and best practices and goes far further than necessary to prevent trafficking in trademarks and maintain public confidence in licensed brands. The vast majority of countries never had recordation requirements or they have abandoned them (or have removed any sanctions for lack of recordation, e.g., China and Vietnam). The costs and burdens of license recordal in Russia are so great that many trademark owners will simply choose not to license marks in Russia, to the detriment of those companies' business objectives and the development of Russia's market economy.

g. Bad Faith Registrations

Part IV does not include a provision by which a trademark owner can contest the bad faith registration of its trademark by a third party. Therefore, these "registry pirates" can beat the bona fide trademark owner to the register and seek compensation from the owner to transfer the registration, and the bona fide owner cannot challenge this practice. Part IV should be amended to include a provision barring such bad faith registrations.

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II. The Russian Criminal Code Stiffens Criminal Liability for Routine Infringement

In 2007, Articles 146 and 180 of Russia's Criminal code were amended to impose stiffer criminal penalties for copyright and trademark violations. While IPR owners welcome stronger sanctions for counterfeiting and piracy, the new law goes too far by failing to distinguish routine infringement from counterfeiting and piracy. It classifies "unauthorized use of a trademark" meeting certain criteria as a "grave crime" punishable by significant fines and prison time. Such sanctions are appropriate for counterfeiting and piracy, but not routine infringements by legitimate businesses that have no intent to "pass off" their goods and those of another.

The criminal code provides that, to initiate a criminal case, only two factors must be met: (1) "intentional" infringement and (2) substantial damage. "Intentional infringement" is not further defined and could easily encompass a broad range of conduct far beyond piracy and counterfeiting. Further, almost any significant trademark dispute between legitimate commercial entities is likely to involve claims of "substantial damage." As a result, common trademark infringement disputes could become criminal cases. Legitimate companies with legitimate disputes over whether a mark is infringing should not be exposed to the potential for criminal sanctions – the civil sanctions of monetary damages and injunctive relief are entirely sufficient.

Criminal penalties should be reserved for piracy and counterfeiting. Simple infringement should remain a civil cause of action. Ambiguity as to the conduct classified as a "grave crime" serves only to complicate and threaten the effective resolution of IPR disputes. Part IV and/or Article 180 of the criminal code should be revised to distinguish between routine infringement and counterfeiting and piracy, with appropriately narrow definitions for the latter.

Sincerely,



Ruby A. Zefo
Director of Trademarks & Brands, Intel Corporation

cc: Bruce Sewell, Esq. Senior Vice President, General Counsel, Intel Corporation
Anne Gundelfinger, Vice President, Government Affairs, Intel Corporation
Greg Slater, Director of Trade Policy, Government Affairs, Intel Corporation
Steve Chase, President, Intel Russia

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2200 Mission College Blvd.
SC4-203
Santa Clara, CA 95052