

INTELLECTUAL PROPERTY RIGHTS IN INTERNATIONAL AND RUSSIAN INVESTMENT LAW

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Article info

Received –

2023 May 11

Accepted –

2023 December 29

Available online –

2024 March 20

Keywords

Intellectual property rights,
exclusive rights, intellectual
property, investment, investment
activity, object of investment
activity, investment law,
intellectual property law

The investment activity is diverse and can be carried out with the use of intellectual property rights in accordance with the current international and Russian investment law. The article aims to identify the specifics of the application of intellectual property rights as investments and the implementation of intellectual investments, i.e. investments endowed into intellectual property rights. The objectives of the study are to consider the categories of an investment and object of investment activity, intellectual property, exclusive and other intellectual rights, as well as to analyze and determine the features of legal regulation of the activity in question at the international and national levels in the Russian Federation. Based on the results of the systematic analysis with the use of formal legal, comparative and other research methods, it is concluded that investments as a property in a broad sense may include both exclusive and other non-personal intellectual property rights to the results of intellectual activity and equated means of individualization of goods, works, services and enterprises. At the same time, they exclude intellectual property itself as a set of various types of intangible products, moral and other personal non-proprietary intellectual rights by virtue of their inalienable and non-transferable character. It is argued to be the same with respect to the object of investment activity, i.e. the property which the investment is endowed in and is capable to bring income to the investor in the future. Investments into such intellectual property rights can be called as intellectual investments.

The legal regulation of investment activity with the use of intellectual property rights has a dual character (in the sense that it is carried out by different investment legislative acts with the similar subject of their regulation) and depends on the type of a particular object used. If intellectual property rights are invested in fixed capital, then they are to be recognized as capital investments and are governed by the Federal Law of February 25, 1999 No. 39-FZ “On Investment Activity in the Russian Federation Carried out in the Form of Capital Investments”. If intellectual property rights are used as the object of investment activity, i.e. where investments are endowed in, such intellectual investments are subject to the regulation by the Law of the RSFSR of June 26, 1991 No. 1488-1 “On Investment Activity in the RSFSR”.

1. Introduction

As a rule, investments are associated with capital investments. They are designed to ensure the creation and modernization of the means of production in the economy of any country. The legal framework for making such investments primarily consists of the Federal Law on February 25, 1999 No. 39-FZ “On Investment Activities in the Russian Federation Carried out in the Form of Capital Investments”. It is obvious that various objects of intellectual property can be also used in investment transactions [1, p. 98; 2, p. 1989-2012], which have been defined [3-6] and analyzed under their commercialization in many legal publications [7].

The legal regulation of investments other than capital investments, including exclusive intellectual property rights, is carried out by another law – the Law of the RSFSR on June 06, 1991 No. 1488-1 “On Investment Activities in the RSFSR”. Interestingly, in 1999 it was declared invalid in connection with the adoption of the mentioned Federal Law on February 25, 1999 No. 39-FZ “On Investment Activities in the Russian Federation Carried out in the Form of Capital Investments”, but only in part of rules contradicting this Federal Law. It seems that such unjustified ambiguity in the regulation of investment relations does not contribute to the formation of the unified legal framework for conducting investment activities and therefore requires the consolidation of the above-mentioned legislative acts.

In the legal literature, both in Russia [8-12] and abroad [1-2, 13-14], considerable attention is paid to the problems of legal regulation of national and foreign investments in various spheres and sectors of the economy. The same can be said with the regard to intellectual property law [3-7, 15]. However, the main focus in the works on investment law has always been on capital investments in the form of mainly cash, securities and equipment. Unfortunately, the issues of interaction between the rules of investment law and intellectual property law have become the subject of only few legal publications [2, p. 1989-2012]. The same is true to law enforcement

practice. There are so few investment disputes in the practice of the International Center for Settlement of Investment Disputes (the ICSID), which would be related to intellectual property.

In this regard, the article aims to identify the specifics of the use of intellectual property rights as investments and the implementation of intellectual investments, i.e. investments endowed into intellectual property rights, under international and Russian law. The objectives of the study are to consider the categories of an investment and object of investment activity, intellectual property, exclusive and other intellectual property rights, as well as to analyze and determine the features of legal regulation of the activity in question at the international and national levels in the Russian Federation.

The goal and objectives set out in the article have predetermined the choice of research methods. The formal legal method allowed describing and generalizing ideas about the peculiarities of legal regulation of investment activities with the use of intellectual property rights through the study of the internal structure and content of relevant legal norms, analysis of sources (forms) and law enforcement practice, etc. This method was especially important in the formation of a categorical apparatus in the field under consideration. The comparison method enabled to gain knowledge about the general provisions and differences in the legal regulation of the activity in question on the international and national levels, to identify inconsistencies in the legislation of the Russian Federation with the rules of international law, as well as to determine, if necessary, the main activities of the Russian Federation to ensure compliance with its international obligations. The method of a systematic approach provided for an opportunity to conduct an effective study of the legal regulation of investment activity, taking into account the necessary interaction and correlation of rules of different legal nature: investment law and intellectual property law. Therefore, it allowed developing the comprehensive view of the subject of study, having identified the variety of connections of its components and brought them into the consistent theoretical view.

The regulatory framework of the study includes multilateral and bilateral international treaties of the Russian Federation in the field of intellectual property and investments, the legislation of the Russian Federation (in particular, the Civil Code of the Russian Federation, federal laws on June 26, 1991 No. 1488-1 “On Investment Activities in the RSFSR”, on February 25, 1999 No. 39-FZ “On Investment Activities in the Russian Federation Carried out in the Form of Capital Investments”, on July 9, 1999 No. 160-FZ “On Foreign Investments in the Russian Federation”, etc.). The empirical basis of the study is the law enforcement practice of the ICSID and the courts of the Russian Federation.

2. Intellectual Property Rights in International Investment Law

It is admitted that there is no unified and unambiguous definition of an investment or capital investment in international investment law [16, pp. 262-269; 17, pp. 403-416]. In this regard, the ICSID truthfully drew attention to this feature in such a well-known case as *Mihaly International Corporation v. Democratic Socialist Republic of Sri Lanka* (ICSID Case No. ARB/00/2), having emphasized that the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Convention) concluded in 1965, as well as others international treaties do not contain a clear definition of an investment.

In fact numerous multilateral and bilateral international treaties in force in this area contain similar definitions, but nevertheless they may differ from each other in order to provide the specifics of international legal protection for certain types and forms of investments, taking into account the interests of contracting states. In general, it should be noted that all of them usually proceed from the broad understanding of an investment, which generally means a property (asset) and allows to make investments in various objects of economic activities [18, pp. 19-22]. For example, according to Paragraph 6 (7) of the Protocol on Trade in Services, Incorporation, Activities and Investments (Annex 16) of the Treaty on the Eurasian Economic Union (signed in Astana

in 2014), investments are defined as “*tangible and intangible assets invested by an investor of a Member State into subjects of entrepreneurial activity on the territory of another Member State in accordance with the legislation of the latter, including funds (cash), securities and other property ...*”. In Article 1 (6) of the Energy Charter Treaty (signed in Lisbon in 1994), investments mean “*every kind of asset, owned or controlled directly or indirectly by an Investor and includes ... Intellectual Property*”.

All bilateral international agreements in which the Russian Federation participates also explicitly indicate the possibility of investing in the form of intellectual property rights. For example, in accordance with Article 1 (1, d) of the Agreement between the Government of the Russian Federation and the Government of the Kingdom of Denmark Concerning the Promotion and Reciprocal Protection of Investments (concluded in Copenhagen in 1993), the term “investment” comprises “*every kind of asset invested by an investor of one Contracting Party in the territory of the other Contracting Party in accordance with its laws and regulations*” and includes, in particular, “*intellectual property rights, as well as technology, goodwill and know-how*”. Another similar agreement with the participation of the Government of the People’s Republic of China (signed in Beijing in 2006) in Article 1(1) explicitly provides for the inclusion of exclusive rights on objects of intellectual property (copyrights, patents, trademarks, firm names, technologies and technical processes, know-how and sustainable business relationships) in the concept of an investment.

A legal definition of intellectual property can be also found in some international treaties. For instance, it is defined in Article 2 (viii) of the Convention Establishing the World Intellectual Property Organization (signed in Stockholm in 1967, amended in 1979) as “*the rights relating to literary, artistic and scientific works, ... and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields*”. The Agreement on Trade-Related Aspects of Intellectual Property Rights (as amended in 2005) within the framework of the World Trade Organization in Article 1 (2) refers the term “intellectual property” to such categories of intellectual property as copyright and

related rights, trademarks, geographical indications, industrial designs, patents, layout-designs (topographies) of integrated circuits, protection of undisclosed information. In Paragraph 2 of the Protocol on the Protection and Enforcement of Intellectual Property Rights (Annex 26) of the Treaty on the Eurasian Economic Union (signed in Astana in 2014), intellectual property means *“works of science, literature and art, programmes for electronic computers (computer programmes), phonograms, performances, trademarks and service marks, geographical indications, appellations of origin of goods, inventions, utility models, industrial designs, selection achievements, integrated circuit topologies, production secrets (know-how), as well as other intellectual property entitled to legal protection in accordance with international treaties, international treaties and acts constituting the law of the Union and the legislation of the Member States”*.

As it is truly noted in the literature, intellectual property rights are primarily exclusive in their nature, restricting their use for third parties [19, pp. 6-7; 20, pp. 22-30]. Moreover, intellectual property rights may be different, have a proprietary or personal non-proprietary character, be recognized in relation to the same object of intellectual property and belong to different persons. For example, Article 6 bis (1) of the Berne Convention for the Protection of Literary and Artistic Works (signed in 1886, amended in 1979) expressly provides that *“independently of the author’s economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation”*. A list of such economic (proprietary) and personal non-proprietary copyrights can be found in Paragraph 3 of the Protocol on the Protection and Enforcement of Intellectual Property Rights (Annex 26) of the Treaty on the Eurasian Economic Union (signed in Astana in 2014), namely: a) the exclusive right to the work; b) the right of authorship; c) the right to the name; d) the right to inviolability of the work;

e) the right to disclosure of the work; e) other rights determined by the legislation of the Member States of the Eurasian Economic Union.

Thus, intellectual property rights are usually explicitly provided for in relevant international investment treaties as a possible type (form) of foreign investments and, therefore, may be protected under international investment law.

3. Intellectual Property Rights in Russian Investment Law

In the Russian Federation, the definitions of investments are contained in several legislative acts constituting the current investment legislation of the Russian Federation. For example, according to Article 1 (2) of the Federal Law on February 25, 1999 No. 39-FZ *“On Investment Activities in the Russian Federation Carried out in the Form of Capital Investments”*, investments are *“cash, securities, other property, including property rights, other rights having a monetary value, invested in business and (or) other activities for the purpose of making a profit and (or) achieving another beneficial effect”*. In addition to investments, this Federal Law in Article 3 (1) operates with the category of the object of capital investments, which means *“various types of newly created and (or) modernized property located in private, state, municipal and other forms of ownership, with exceptions established by federal laws”*. A similar, but not identical understanding of the categories under consideration can be found in the Law of the RSFSR on June 26, 1991 No. 1488-1 *“On Investment Activities in the RSFSR”* (Articles 1 (1) and 3 (1)). The Federal Law on July 7, 1999 No. 160-FZ *“On Foreign Investments in the Russian Federation”* also stipulates a broad understanding of an investment and in Article 2 explicitly establishes that foreign investments may include exclusive rights to the results of intellectual activity (intellectual property), which have a monetary value. In the latter example, the legislator is deemed to be right to point out that not any intellectual property rights, but only exclusive rights, may be investments, taking into account their proprietary nature. However, he has made an inaccuracy, having ignored the existence of other (non-exclusive) proprietary intellectual rights in the Russian civil legislation.

Based on the above legislative provisions, it seems important to distinguish between the categories of an investment and object of investment activity. The matter is that intellectual property rights can be used not only as an investment, i.e. what is invested, including in the form of capital investments, but also as an object of investment activity, i.e. where the investment is invested to. In the latter case, any investments, including things and proprietary rights, in intellectual property rights should be considered as intellectual investments, which are subject to the regulation of the Law of the RSFSR on June 26, 1991 No. 1488-1 “On Investment Activities in the RSFSR”.

Unlike the rules of international law, the Civil Code of the Russian Federation in Article 1225 (1) distinguishes between intellectual property (i.e. the protected results of intellectual activity and equated to them the means of individualization of legal entities, goods, works, services and enterprises), and rights to them, i.e. intellectual rights [3, pp. 29-35; 4, c. 1-8]. The latter, according to Article 1226 of the Civil Code of the Russian Federation, include an exclusive right, which is a proprietary right, and in cases provided for by the Civil Code of the Russian Federation, also personal non-proprietary rights and other rights (right of follow, right of access, etc.). In this regard, the Plenum of the Supreme Court of the Russian Federation in one of its resolutions drew attention to this feature, having pointed out that in accordance with the provisions of the Civil Code of the Russian Federation, the term “intellectual property” covers only the results of intellectual activity and the means of individualization equated to them, but not the rights to them.

Due to the different legal nature (proprietary and personal non-proprietary rights), not all intellectual property rights can be recognized as investments and objects of investment activity. These can only be intellectual property rights capable to be transferred in virtue of a contract or another ground to the third persons. First of all, it concerns the exclusive right to the result of intellectual activity or means of individualization, unless the disposal of such a right is expressly prohibited by law. For example, it is not allowed to

dispose of the exclusive right to a company name, including by alienating it or granting another person the right to use it (Article 1474 (2) of the Civil Code of the Russian Federation). The right of authorship, the right to name and other personal non-proprietary rights of the author are stated to be inalienable and non-transferable (Article 1228 (2) of the Civil Code of the Russian Federation). In this regard, they cannot be recognized as investments and objects of investment activity.

The need to distinguish intellectual property and proprietary rights to it in the case of investment transactions was drawn to the attention by the Plenum of the Supreme Court of the Russian Federation and the Plenum of the previously existing Supreme Arbitration Court of the Russian Federation in their joint Resolution on July 1, 1996 No. 6/8 “On Certain Issues Related to the Application of Part One of the Civil Code of the Russian Federation”. In paragraph 17 of this Resolution, it was held that the contribution to the property of a business partnership or company can be not the intellectual property object as such (patent, copyright object, including computer software, etc.) or “know-how”, but the right to use such an object, which is transferred to the company or partnership in accordance with a license agreement.

4. Conclusions

An investment in international and Russian investment law is usually considered quite broadly and includes various types of property. Among the intellectual rights, these can only be exclusive and other intellectual proprietary rights capable of being alienated (granted) to other persons. At the same time, intellectual property as such as a set of various types of intangible products (works, performances, broadcasting, inventions, production secrets, etc.), personal non-proprietary rights to them (the right of authorship, the right to name, etc.), as well as in some cases directly provided for by law, some proprietary intellectual rights (e.g. the exclusive right to a company name), due to their inalienable and non-transferrable nature, cannot be recognized as investments. The same should be concluded with the respect of an object of investment activity, i.e. the property in which the investment is being

invested. Based on the economic content of such an object, intellectual investments can be understood as investments in intellectual property rights.

The present legal regulation of investment activities with the use of intellectual property rights has a dual character (in the sense that it is carried out by different investment legislative acts with the similar subject of their regulation) and depends on the type of a particular object used. If intellectual property rights are invested in fixed capital, then they are to be recognized as capital investments and subject to the regulation of the Federal Law of February 25, 1999 No. 39-FZ “On Investment Activities in the Russian Federation Carried out in the Form of Capital Investments”. If intellectual property rights are the object of investment activity, i.e. where investments are endowed in, such intellectual investments are under the scope of the Law of the RSFSR on June 26, 1991 No. 1488-1 “On Investment Activities in the RSFSR”.

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BIBLIOGRAPHIC DESCRIPTION

Lisitsa V.N. Intellectual property rights in international
and Russian investment law. *Pravoprimerenie = Law
Enforcement Review*, 2024, vol. 8, no. 1, pp. 140–147.
DOI: 10.52468/2542-1514.2024.8(1).140-147. (In
Russ.).

Law Enforcement Review
2024, vol. 8, no. 1, pp. 140–147

