



LEGALTECH REVIEW

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LEGISLATION

CRYPTO TAX BILL PASSES FIRST READING AT RUSSIA'S STATE DUMA

Russia's State Duma, the country's lower house of government, has approved new [legislation](#) for the taxation of cryptocurrency in its first reading. The new bill recognizes cryptocurrency as property for purposes of taxation and establishes tax liability for illegal non-declaration of information or declaration of unreliable information on transactions with cryptocurrency. In accordance with the current legislation citizens as well as organizations (including branches and representative offices of foreign companies set out in Russia) have the right to dispose of digital currency and would be required to declare such right, turnover and remaining balance if the sum per year is exceeding 600,000 rubles.

Ahead of the bill's first reading, the committees of the State Duma made a number of comments. In particular, it was noted that the use of the concept "digital currencies" in the tax legislation will generate tax uncertainty for many Russia's economic entities and problems in practices in law enforcement agencies. Experts say that the notion of digital currency requires introducing the concept of digital currency in the Civil Code (even if its civil circulation is limited) and simultaneous correction of this concept in the legislation on digital financial assets.

THE GOVERNMENT HAS APPROVED THE STRATEGY TO COMBAT ILLEGAL CIRCULATION OF INDUSTRIAL GOODS

The Government has approved the [strategy](#) of counteraction against illegal circulation of industrial products till 2025. To fight against counterfeit, it is [planned](#) to focus on the system of traceability of goods, to shape and promote the national center of competencies, which will deal with the analysis of the situation in the shadow market, to provide profile agencies with highly qualified and essential special tools. The implementation of provisions of the document will support bona fide entrepreneurs, protect citizens from low-quality products and minimize the impact of the shadow market on the social and economic situation in the country.

THE MINISTRY OF JUSTICE SUGGESTED 10 REGIONS FOR TESTING A WEBSITE FOR FREE CIVIL LEGAL ADVICE

The Ministry of Justice of the Russian Federation is developing a [project](#) titled "The uniform state portal of legal education and free legal assistance," which will be tested at the first stage in ten pilot Russian regions. It is assumed that each Russian region will have its own sections on the website and will update the information they contain. The purpose of the federal website is to make free online legal advice available to every resident of Russia.

ABOUT A QUARTER OF CRIMES IN THE RUSSIAN FEDERATION ARE COMMITTED IN CYBERSPACE

The General Prosecutor's Office reports that the [share of cybercrime](#) in all recorded crimes has reached 25%, in the past five years the number of cyber breaches has become over 11 percent higher. In 2020, the most popular crime in Russia was fraud (335.6 thousand). Cyber fraud accounts for more than 70% of all thefts committed by deception or breach of trust.

ANTI-PIRACY MEMORANDUM OF RIGHTS HOLDERS AND SEARCH ENGINES EXTENDED BY 7 MONTHS

The Anti-Piracy Memorandum of Rights Holders and search services was [prolonged](#) until August 1, 2021. According to Roskomnadzor, during the period of the memorandum's validity, 11.7 million links to pirated content have been removed from the search results of Yandex. A draft bill was drafted on the site of the "Media-Communication Union" as a follow-up to the memorandum, which is currently being discussed in the industry sector. With adoption of the draft bill, proven mechanisms to combat pirated content extend to the companies that did not sign the document.

INTELLECTUAL PROPERTY

THE MINISTRY OF ECONOMIC DEVELOPMENT IS DETERMINED TO LIMIT "ENDLESS" PROTECTION OF DRUGS

The Ministry of Economic Development of the Russian Federation has prepared a draft bill that will limit the ability of pharmaceutical companies to patent other forms of already known chemical compounds.

Domestic pharmaceutical companies welcome these changes while spokespersons of international pharmaceutical companies say that such amendments promote infringement of intellectual property rights of the original medicine producers and may have a negative impact on investments in innovative drugs market.

The Head of the Federal Service for Intellectual Property of the Russian Federation Grigory Ivliev [explained](#) that the amendments would allow to avoid "double" patenting. The Deputy Minister of Industry and Trade Sergey Tsyba says, the issue of "indefinite" extension of patent rights, which the draft bill sets out to solve, is relevant both in Russia and across the world. He believes that the adoption of amendments "will allow to take one more step to balance the interests of participants of the pharmaceutical market and the society, which needs quality and affordable drugs."

INFORMATION ON TRADEMARKS IN LABELLING SYSTEM WILL BE VERIFIED BY DATABASE OF ROSPATENT

Rospatent, the Ministry of Industry and Trade of the Russian Federation and the labelling system "Operator CRPT" have signed a collaboration agreement. In line to it, information on trademarks in the labelling system would be verified by Rospatent data. This collaboration would enable to compare trademarks in the new labelling system with information in Rospatent. The labelling system would contain information on trademarks mentioned by participants. It is specified that operator will also have access to such information as a geographical indication of products.

BANK ALLOCATED MORE THAN 5 BILLION RUBLES IN 2020 SECURED BY INTELLECTUAL PROPERTY ASSETS

In 2020, MSP Bank, a banking subsidiary of MSP Corporation, will provide credit support to high-tech companies in the amount of over 5 billion rubles secured by intellectual property assets. This support will be rendered as part of the national project "Small and Medium-Sized Entrepreneurship and Support for Individual Entrepreneurial Initiatives."

Guarantees of MSP Corporation serve as collateral for loans secured by intellectual property assets. The volume of such guarantees in 2020 reach 3 billion rubles. Grigory Ivliev, the Head of the Federal service for Intellectual Property Assets, [said](#): "A loan secured by intellectual property rights is one of the most important tools of its capitalization. At present, the collaborative work of MSP Bank, Corporation and Rospatent to boost innovation activities is unique.

"BUSINESS RUSSIA" IS ASKING FOR RENEWAL OF INTELLECTUAL PROPERTY TAX EXEMPTION

All-Russia business association "Delovaya Rossiya" has asked the Ministry of Economic Development to support the draft bill which will exempt organizations from paying for intellectual property assets created before Jan.1, 2021, and identified during the inventory of property conducted before Jan. 1, 2025. Ildar Shaikhutdinov, member of the General Council of Business Russia [mentioned](#) a tax privilege in 2018-2019 exempted organizations from paying income tax when identified during the inventory of intellectual property. However, this tax privilege does not exist any longer. Today, all initiatives related to its renewal have not been approved yet. He noted that in the near future the relevant legislation will be sent for approval to the Ministry of Economic Development of the Russian Federation and the Ministry of Finance. Once the approval is received, it will be sent to the Ministry of Economic Development and the Ministry of Finance for approval and then submitted for consideration to State Duma.

SYNCFLOOR PATENTED "NATURAL SEARCH QUERIES"

SyncFloor is a soundtrack music discovery and licensing platform. This service has [received](#) a technology patent on the major part of its platform for video production: "natural search queries." Today, SyncFloor owns the patent for its method of identifying music, categorization and provision of results to the user.

SyncFloor officials said that the patent is part of a broader initiative SyncFloor to problem solve and scale in discovery, collaboration and licensing," which the company sees as a key part of the music industry's future.

SPOTIFY PAID OUT MORE THAN €21 BN TO RIGHTSHOLDERS

Spotify has filed its full report to the U.S. Securities and Exchange Commission. [In line](#) with it, since the launch of the service and till December 31, 2020 the company paid out over €21 billion to a number of sound record labels, music publishers and other rights holders. Spotify's users streamed 92 bn hours of content in 2020, up 26% year-on-year. That's an average of 267 hours per monthly active user – this calculation is using Spotify's year-end total of 345 million MAUs.

THE SUPREME COURT HAS RULED THAT IT IS LEGAL TO BLOCK IHERB APP

The Russian Supreme Court [ruled](#) the blocking of mobile application of American online store iHerb legal due to selling unsafe products in Russia. In line with the press office of the watchdog committee, the prosecutor's office found that the online store iHerb supplements and nutrient additives, including for people.

Experts reported that a number of supplements contain preservatives or plants prohibited for use in any children's products that do not comply with technical regulations of the Customs Union. In addition, according to the prosecutor's office, the application sold online uncertified homeopathic drugs, including under the guise of dietary supplements.

IN JAPAN, COSPLAYERS WILL BE PAID TO USE CHARACTER IMAGES

Cosplay is one of the major businesses, especially in Japan. Well-known cosplayers are making a lot of money, therefore, Japan is planning to make copyright [changes](#). Cosplayers will play tax using characters from anime, TV series and movies. However, it concerns only those cases when individuals make money from it. If someone uses the image for something other than a commercial profit, everything remains much the same as before. It is reported that the Japanese government has not goal to suppress the culture of cosplay, but is demonstrate an intention to regulate this sphere.

DIGITALIZATION AND ARTIFICIAL INTELLIGENCE

SCIENTISTS PROPOSE AI TO DETECT EMOTIONS BASED ON HEART RATE AND BREATHING SIGNALS

Scientists from Queen Mary University of London (QMUL) have [developed](#) technology to remotely recognize people's hidden emotions using deep learning-based algorithms. The engineering team trained the system to read and analyze breathing, heart rate and other indicators using harmless radio waves — the same signals that are emitted by home Wi-Fi. Now the QMUL team is working to expand the project. Scientists are trying to find a way to make the new technology feasible at the expense of commercially available Wi-Fi routers. The project engineers propose to test the system in offices and enterprises to learn more about the capabilities of AI.

A GROUP OF SCIENTISTS PROPOSED TO CREATE AI TO RADICALLY EXTEND HUMAN LIFESPAN

A group of scientists in the field of artificial intelligence and applied medicine has [proposed](#) a plan to create the next generation of AI to radically extend human lifespan. The plan is to use deep learning methods to study the smallest biological processes and their mutual influence on patients' health. A study by U.S. scientists has shown that life expectancy of a person can be predicted at a young age by measuring the number of the disease-producing genetic quirks. This information can be used in the future to define who is at risk to take preventive measures right in time.

CHINA IS DEVELOPING DRONES THAT TRANSMIT QUANTUM DATA

Engineers and researchers in Nanjing University in China have successfully [realized](#) the quantum communication technology using unmanned drones. Scientists beamed entangled photons between drones and ground stations, successfully maintaining their quantum link over a distance of 1 km. The authors of the experiment upgraded a small drone by attaching to it a device for generating laser light. When the system was activated, the drone fired photons, divided into two parts, setting entangled pairs. The next steps, the researchers say, are to add more drones to increase the size of the network. The technology can also be adapted to connect to moving vehicles on the ground.

COMPUTER SCIENTISTS: WE WOULDN'T BE ABLE TO CONTROL SUPER INTELLIGENT MACHINES

Engineers around the globe are working to develop superintelligent AI. But computer scientists engaged in theoretical computer science believe that humanity simply will not be able to control superintelligent AI machines once they are created. Using theoretical calculations, an international team of researchers, including scientists from Germany, Italy, and other countries, [shows](#) that it would not be possible to control a superintelligent AI. Scientists also studied the main proposals for the containment of such a system and came to disappointing conclusions. In their study, the team conceived a theoretical containment algorithm that ensures a superintelligent AI cannot harm people under any circumstances, by simulating the behavior of the AI first and halting it if considered harmful. But careful analysis shows that in our current paradigm of computing, such algorithm cannot be built.

GOOGLE LAUNCHES NEWS SHOWCASE IN AUSTRALIA TO DEDUCT MONEY TO THE MEDIA

Google has [launched](#) the News Showcase platform in Australia, which will allow it to enter into contracts with publishers in the country and pay them for the content they use. At present, they made agreements with seven Australian publishers. The company expects more publishers to join the initiative. Australian authorities examine a bill that would require Facebook and Google to pay Australian media for news content being used by these online services. Once the bill is passed, it would be the first legal practice of this sort.

RUSSIA HAS CREATED A SERVICE FOR TRACKING CRYPTOCURRENCY TRANSACTIONS

Russia [created](#) the transparent blockchain service for tracking cryptocurrency transactions developed by the Russian Financial Monitoring. The mechanism can not only analyze transactions of cryptocurrency, but identify signs that point to any element of criminality of a transaction. The Russian Financial Monitoring first announced the creation of a system of control over transactions of cryptocurrency in August 2020. At that time, a prototype of the system had already been developed and tested to combat drug trafficking. The service reported that the system that there has been a significant amount of interest to the prototype from the Ministry of Internal Affairs and financial intelligence of a few countries.

BEELINE AND MEGAFON PUSH FOR DIGITAL RUBLE SMARTPHONE WALLETS

Executives of Beeline and Megafon have [proposed](#) to set up smartphone wallets for the Russian version of the Central Bank Digital Currency to ensure convenient use of the state's digital currency. Users will be able to store digital rubles on their smartphones, make peer-to-peer payment transactions without intermediaries and transfer digital rubles by their cell phone number. In addition, mobile operators will consider creating additional services for the digital ruble, as the connection of clients to the Central Bank of Russia is insufficient. Thanks to the mass nature of cell phones, operators will be able to ensure a fast-paced spread of a digital ruble.

BANK OF KOREA: SOME LEGAL CHANGES WOULD BE NEEDED BEFORE THE POTENTIAL CRYPTOCURRENCY LAUNCH

The Bank of Korea (BOK) has [published](#) the results of research it conducted last year on the legal issues surrounding central bank digital currencies (CBDC). The country's central bank previously said it could issue the digital currency in 2021. According to the document, the Bank of Korea is calling for a change in legislation that will ensure the success of the state's cryptocurrency in the future. The Bank of Korea has been using blockchain for transactions as part of a nearly two-year test that began back in April 2020 and will end this December. The transition from personal money to digital currency could boost GDP by 3 %. The *digitalization of currencies would* speed up financial circulation and reduce maintenance costs. It would also be an effective way to step closer to negative interest rates, which would generally improve the financial management.

JUDICIAL CASES

USING SOMEONE ELSE'S TRADEMARK AS PERFORMANCE TITLE IS NOT AN INFRINGEMENT

In line with the [decision](#) of the Court of Intellectual Rights on December 10, 2020 N C01-1385/2020 in case N A40-284874/2019, an entrepreneur demanded compensation from the theater for the use his trademark as performance title. Among other things, the trademark was copyrighted for theatre productions. However, the Court upheld the earlier judicial decisions to deny compensation for infringement of the exclusive right to the trademark as the disputed designation was used by the institution as performance title and not for service individualization, therefore the court did not find that the defendant infringed the exclusive rights of the plaintiff.

VKONTAKTE LOST ITS LAWSUIT AGAINST LLC DOUBLE

The Arbitration Court of Moscow [rejected](#) the claim of "VKontakte" against LLC "Double" on prohibition on using open data from social media. It should [be said](#) that Vkontakte is suing the company "Double" since the beginning of 2017. Double (its working brand Double Data) specializes in data mining — collecting of public data via publicly available software which regularly bypass the most popular resources and aggregate information about users. "VKontakte" insists that open data from the social network is a database and using it is a violation of the social network's rights. The company demands to stop extraction and systematic use of information materials from the database of "VKontakte" users.

ANOTHER COURT ORDER FILED AGAINST ZAYCEV.NET

Right holders again filed complaints against the Zaycev.net, one of the oldest music portal. The Moscow City Court [upheld](#) two claims against Zaycev.net from the First Music Publishing House demanding to remove illegal links to songs by copies of songs, including the songs by Lubov Uspenskaya. Moscow Municipal Court upheld two suits of one of the biggest Russian labels "First Music Publishing House" (has the rights to 50 thousand Russian music pieces) against "Zaycev.net" LLC (manages free music portals zaycev.net and mp3party.net), according to the court database. The publisher demanded to block links to pirated copies of songs on the company's portals, as well as monetary compensation. Zaycev.net had no rights to host songs of a number of performers. Zaycev.net disagrees with the demands of the First Music Publisher. According to the company's spokesperson, it supports the legal use of musical works, but they do not always get up-to-date information about the change of the rights holder of the song as they work with the labels. To exclude further risks, the company will interact with rights holders directly.

THE DESIGNERS OF PRINCESS DIANA'S WEDDING DRESS ARE FIGHTING OVER HISTORIC SKETCHES OF IT IN COURT

Designers of the iconic wedding dress of Diana Spencer are currently [battling](#) it out in the courts over original sketches. Once married David and Elizabeth Emanuel in 1981 made the memorable wedding gown that Diana wore when she tied the knot to Prince Charles. In 1990 they got divorced and lived apart until Elizabeth brought sketches of several of Diana's outfits to Kerry Taylor Auctions in London, including that very gown. After this event, David filed a lawsuit against Elizabeth, claiming that his former spouse sold the sketches for between \$686 and \$3,845 (£500 to £2,800) from December 2018 to December 2020. The auction lots included not only the dress, but also the blouse Diana wore for her engagement in Vogue, and the dresses the princess wore on her royal tour. David claims Elizabeth made copies of the original outfits without getting his consent. He seeks an interim injunction to ban Elizabeth and Kerry Taylor Auctions from selling the sketches, claiming that he and his ex-wife had agreed they would not use the Emanuel name for their individual enrichment.