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# COPYRIGHT

## New copyright and neighboring rights protection regime in Ukraine

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Both 2001 and 2002 were extremely busy years for Ukraine in the area of intellectual property rights (IPR). The biggest news, unfortunately, was negative, since Ukraine was recognized as one of the world's leading violators of intellectual property rights in the area of optical media piracy and was subjected to significant sanctions by the United States Government. Moreover, despite numerous promises by the Ukrainian Government to fix this problem, Ukraine repeatedly failed to satisfy the criteria of the US-Ukraine Joint Action Plan, the US Government, and the international industry for combating piracy.

These negative and highly publicized developments, unfortunately, overshadowed the tremendous progress made by Ukraine in the area of the IPR legal regime, both in terms of national legislation and in terms of participation in international IPR treaties. To this end, one may say that the devastating problem of piracy has produced some positive effects. Ukraine has come a long way in its efforts to establish a sound, long-term legal basis for IPR protection, and has achieved unprecedented progress compared to other CIS countries.

### Revolutionary Changes in National Legislation

It can be said that 2001 was a year of revolutionary changes in Ukraine's national IPR legislation, which will have long-term effects, not only in Ukraine, but also in other countries of the region. The following were the most significant developments in this field: adoption of the new Law "On Copyright and Neighboring Rights"; adoption of a new Criminal Code containing two articles on IPR protection; amendment of the IPR-related articles of the Administrative Code; adoption of the new Customs Code; adoption by the Parliament of a new Civil Code, containing a separate Book IV on IPR.

Of these five documents, the new **Law "On Copyright and Neighboring Rights"** (Copyright Law) could probably be considered the most significant and progressive development in the area of IPR protection in Ukraine. Among its highlights are: the expansion of retroactivity for copyright; the introduction, for the first time, of retroactivity for neighboring rights; cancellation of the notorious reservation on public domain made by Ukraine when it joined the Bern Convention; the granting of national-regime protection to foreign phonogram producers through amendments to Ukraine's accession to the Geneva Convention; a significant enhancement of the protection of rights-holders through the introduction of a number of preventive measures, including the participation of rights-holders in inspections and an explicit basis for courts to order interim protection measures on their own initiative or on the initiative of a rights-holder, even before any substantive lawsuit has been filed; the introduction of a greater degree of transparency that requires the publication of information on copyright violations and of the respective judicial rulings; Significant strengthening of implementation and enforcement mechanisms for IPR protection.

The new **Criminal Code** contains several IPR-related provisions (Articles 176, 177, 229 and 231) that not only broaden and strengthen criminal liability for copyright violations, but that also, for the first time, introduce criminal liability for neighboring rights and industrial property rights violations.

Amendments to the **Administrative Code** (Articles 512 and 1633) have extended administrative liability to all cases of illegal use of any IPR objects and have increased administrative sanctions, including applicability of confiscation.

The new **Customs Code** has a number of articles devoted to IPR, but, unfortunately it considerably reduced the sanctions for IPR-related customs violations (which previously ran up to the equivalent of USD 27,000 in selected cases).

## Ukraine Joins Major IPR Treaties

In the past two years Ukraine has made impressive progress in joining major international IPR treaties and conventions, including: the Geneva Convention on the Protection of Phonogram Producers (the Copyright Law later granted foreign phonogram producers originating from the Geneva Convention member-states national regime and retroactivity); the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations; the WIPO Copyright Treaty; and the WIPO Performances and Phonograms Treaty.

These positive developments, complementary to progressive changes in national legislation, brought Ukraine very close to TRIPS compliance in the legislative field.

## Optical Media Anti-Piracy Measures

There is much less progress to report for Ukraine in the anti-piracy area, which consists of three basic components: the legal basis for IPR protection; regulatory regime; and enforcement and liability.

As mentioned previously, Ukraine was successful in addressing the first component, i.e., in establishing a sound and sustainable legal basis for IPR protection based on both national legislation and international treaties. However, Ukraine's failure to stop massive optical media piracy can be attributed to the lack of success in dealing with the other two components: establishing a strict and effective regulatory regime of government control over the manufacture and distribution of optical media, and the lack of enforcement of whatever control exists at present combined with a weak liability mechanism.

For two years, the Government and the Parliament worked on a comprehensive regulatory law that would establish strict government control over the manufacture and distribution (including export) of optical media. Ukraine had full access to similar legislation and experience of other jurisdictions that have successfully resolved the piracy problem, such as Bulgaria and Hong Kong, and to the pool of international expertise in this field provided by various international organizations and technical experts sponsored by the US Government and the EU. However, the Law "On the Specifics of the Government Regulation of the Activity of Subjects of Economic Activity Associated with the Manufacture, Export, and Import of Laser-Readable Discs" (CD Licensing Law), adopted after two years of extensive and highly-publicized debate in mid-January 2002, failed to meet expectations.

In general, it can be said that the CD Licensing Law considerably restricts the government's control over the manufacture and distribution of optical discs, even after this activity becomes subject to licensing, and contains weak and insufficient enforcement and liability mechanisms.

Because the CD Licensing Law is not clear regarding which law should prevail in the event of a conflict, and because these two Laws have contradictory objectives, the process of licensing and controlling optical media seems destined to be confusing and complicated. The scope of the CD Licensing Law does not cover all aspects of optical media manufacturing and distribution, thus leaving substantial components of this process unregulated; licensing requirements and conditions are much more relaxed than necessary for the Government to exercise effective control over the industry. There are serious gaps in the licensing of export and import of optical media, relevant raw materials and equipment; the inspections by the Government with the participation of rights-holders, especially surprise inspections, which are an essential component of the enforcement mechanism, are severely restricted, even compared to the liberal General Licensing Law. Moreover, the CD Licensing law imposes liability on an applicant (presumably the rights-holder) that initiates an inspection should such an inspection fail to uncover the violations claimed by the applicant; liability for violations of the CD Licensing Law is weak and insufficient (for example, no confiscation of illegal discs, raw materials, or equipment is possible), and there is no effective mechanism provided for the imposition of such liability.

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